

Notice of Extraordinary General Meeting and Explanatory Memorandum



Sigma Healthcare Limited

ABN 15 088 417 403

The Sigma Directors unanimously recommend
that Sigma Shareholders

VOTE IN FAVOUR

of the Resolutions at the Extraordinary General Meeting in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders

The Sigma Independent Expert has determined the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable to the non-associated Sigma Shareholders.

This is an important document and requires your immediate attention. You should read it in full before deciding how to vote on the Resolutions at the Meeting.

If you are in any doubt as to how to deal with this document, please consult your financial, legal or other professional adviser. If you have recently sold all of your Sigma Shares, please disregard this and all enclosed documents.

Important notices

General

This Explanatory Memorandum (incorporating the Notice of Meeting, Sigma Independent Expert's Report, Investigating Accountant's Report and Proxy Form) is an important document and requires your immediate attention. You should read this Explanatory Memorandum (and its attachments) in full before deciding how to vote on the Resolutions at the Meeting. If you are in any doubt as to what you should do, please consult your financial, legal or other professional adviser. If you have recently sold all of your Sigma Shares, please disregard this and all enclosed documents.

Purpose of Explanatory Memorandum

This Explanatory Memorandum contains an explanation of, and information about, the Transaction and the Resolutions to be considered at the Meeting of Sigma Shareholders to be held on 29 January 2025.

On 11 December 2023, Sigma announced that it had entered into the Merger Implementation Agreement to merge with Chemist Warehouse. Under the Merger Implementation Agreement, the parties have agreed to implement the Scheme and effect the Transaction. The Transaction is conditional on, amongst other things, the Transaction Resolutions being passed by Sigma Shareholders or (if applicable) waived.

This Explanatory Memorandum is given to Sigma Shareholders to provide them with information that is prescribed by the Corporations Act, the Corporations Regulations or the Listing Rules or is otherwise information that the Sigma Directors believe to be material to Sigma Shareholders in deciding whether and how to vote on the Resolutions. Sigma Shareholders should read this Explanatory Memorandum in full because individual sections do not give a comprehensive review of the Transaction. If you are in doubt about what to do in relation to the Resolutions, you should consult your financial, legal or other professional adviser.

This Explanatory Memorandum also constitutes the explanatory statement and information for the Resolutions as required by the Listing Rules.

This Explanatory Statement does not constitute or contain an offer to Sigma Shareholders, or a solicitation of an offer from Sigma Shareholders, in any jurisdiction.

No investment advice

This Explanatory Memorandum has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any Sigma Shareholder or any other person. The information and recommendations contained in this Explanatory Memorandum do not constitute, and should not be taken as, financial product advice. The Sigma Directors encourage you to seek independent professional advice before making any investment decision and any decision as to whether or not to vote in favour of the Resolutions. If you are in doubt as to the course you should follow, you should consult an independent and appropriately licensed and authorised professional adviser immediately.

Investment decisions and forward-looking statements

This Explanatory Memorandum contains forward-looking statements which have been based on current expectations about future events. Forward-looking statements can be identified by the use of forward-looking words such as "may", "should", "expect", "anticipate", "estimate", "scheduled", "believe", or "continue", their negative equivalent or comparable

terminology. Similarly, statements that describe the objectives, plans, goals or expectations of Sigma, Chemist Warehouse or the Merged Group or any of their related entities are or may be forward-looking statements. The statements contained in the Explanatory Memorandum about the impact that the Transaction may have on the results of Sigma's operations and the advantages and disadvantages anticipated to result from the Transaction are also forward-looking statements.

These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements of Sigma, Chemist Warehouse or the Merged Group or any of their related entities to differ materially from the expected future results, performance or achievements expressed, projected, described or implied in such forward-looking statements. Such risks, uncertainties and other important factors include among other things, general economic conditions, specific market conditions, exchange rates, interest rates and regulatory changes. These risks include those set out in section 11 of this Explanatory Memorandum.

Neither Sigma, Chemist Warehouse, the Merged Group nor any of their respective current or proposed directors, officers, employees, advisers or any person named in the Explanatory Memorandum or involved in its preparation makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, and Sigma Shareholders are cautioned not to place reliance on those statements. You should note that the historical performance of Sigma or Chemist Warehouse is no assurance of its future financial performance or the future financial performance of the Merged Group.

The forward-looking statements in the Explanatory Memorandum reflect views held only as at the date of the Explanatory Memorandum.

Subject to any obligations under law or the Listing Rules, Sigma, Chemist Warehouse, the Merged Group and their related entities and their current and proposed directors, officers, employees and advisers disclaim any obligation or undertaking to disseminate, after the date of this Explanatory Memorandum, any updates or revisions to any forward-looking statements to reflect any change in expectation in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

Rounding of numerical information

Any discrepancies between totals and tables in sums of components contained in this Explanatory Memorandum and between those figures and figures referred to in other parts of this Explanatory Memorandum are due to rounding. All rounded numbers have been rounded either to one decimal place or to the nearest whole number.

Financial amounts

All financial and operational information set out in this Explanatory Memorandum is current as at the Last Practicable Date, unless otherwise stated.

Charts and diagrams

Any diagrams, charts, graphs or tables appearing in this Explanatory Memorandum is based on information available as at the Last Practicable Date, unless otherwise stated.

Foreign jurisdictions

The release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Explanatory Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. To the maximum extent permitted by law, Sigma disclaims all liabilities to such persons.

Sigma Shareholders who are nominees, trustees or custodians in respect of beneficial owners who are based in foreign jurisdictions are encouraged to obtain independent advice as to how they should proceed.

This Explanatory Memorandum has been prepared in accordance with Australian law and the information contained in this Explanatory Memorandum may not be the same as that which would have been disclosed if this Explanatory Memorandum had been prepared in accordance with the laws and regulations of jurisdictions other than Australia. No action has been taken to register or qualify this Explanatory Memorandum in any jurisdiction outside Australia.

ASX and ASIC

A draft of this Explanatory Memorandum has been lodged with ASX for its review in accordance with the Listing Rules. Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

The Notice of Meeting and this Explanatory Memorandum has not been lodged with ASIC for the purposes of Chapter 2E of the Corporations Act. The Notice of Meeting and this Explanatory Memorandum has been lodged with ASIC under ASIC Form 2602 in relation to proposed financial assistance to be given by Chemist Warehouse Group Members in accordance with subsection 260B(5) of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of the Notice of Meeting or this Explanatory Memorandum.

Disclaimer

No person is authorised to give any information or make any representation to Sigma Shareholders in connection with the Transaction which is not contained in this Explanatory Memorandum or the Prospectus announced by Sigma on or about the date of this Explanatory Memorandum. Any information or representation not contained in the Explanatory Memorandum or the Prospectus must not be relied on as having been authorised by Sigma or the Sigma Board in connection with the Transaction.

Responsibility for information

Sigma has prepared, and is responsible for, the Sigma Information. None of Chemist Warehouse, its related bodies corporate or any of their subsidiaries, or current or proposed directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

Chemist Warehouse has prepared, and is responsible for, the Chemist Warehouse Information. None of Sigma, its related bodies corporate or any of their subsidiaries, or current or proposed directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

The Sigma Independent Expert has prepared the Sigma Independent Expert's Report as set out in Appendix 2 and takes

responsibility for that report. None of Sigma, Chemist Warehouse, the Investigating Accountant or any of their respective related bodies corporate or any of their respective subsidiaries, or current or proposed directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Sigma Independent Expert's Report, except, in the case of Sigma and Chemist Warehouse respectively, in relation to the information which it has provided to the Sigma Independent Expert.

The Investigating Accountant has prepared the Investigating Accountant's Report as set out in Appendix 3 and takes responsibility for that report. None of Sigma, Chemist Warehouse, the Sigma Independent Expert or any of their respective related bodies corporate or any of their respective subsidiaries, or current or proposed directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Investigating Accountant's Report, except, in the case of Sigma and Chemist Warehouse respectively, in relation to the information which it has provided to the Investigating Accountant.

No consenting party has withdrawn their consent to be named before the date of this Explanatory Memorandum.

Privacy statement

Sigma collects personal information about its shareholders' holdings of Sigma in accordance with the Corporations Act. Sigma will share that personal information with its advisers and service providers in connection with the Transaction. Sigma Shareholders can contact the Sigma Share Registry at 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia) or email privacy.officer@linkgroup.com if they have questions about their personal information.

Definitions

Defined terms are used in the Explanatory Memorandum. The defined terms are in the Glossary set out in section 13.

No internet site is part of the Explanatory Memorandum

Sigma maintains an internet site at <https://sigmahealthcare.com.au/>. Any references in this Explanatory Memorandum to an internet site are textual references for information only and no information in any internet site forms part of this Explanatory Memorandum.

Time and dates

All references to time in this Explanatory Memorandum are references to Melbourne, Australia time, unless otherwise stated.

All times and dates relating to the Implementation of the Transaction referred to in this Explanatory Memorandum may change and, among other things, are subject to Sigma Shareholder approval, Court approval and all necessary approvals from Government Agencies.

Currency

All references in this Explanatory Memorandum to "\$", "A\$" and "cents" are references to Australian currency, unless otherwise specified.

Date

This Explanatory Memorandum is dated 18 December 2024.

CHEMIST WAREHOUSE

Welcome to...

CHEMIST
WAREHOUSE

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Key dates

| Event | Date |
|---|---------------------------|
| Date of this Explanatory Memorandum | 18 December 2024 |
| Latest time and date for receipt of proxy forms or powers of attorney by the Sigma Share Registry for the Meeting | 2.00pm on 27 January 2025 |
| Time and date for determining eligibility to vote at the Meeting | 7.00pm on 27 January 2025 |
| Meeting | 2.00pm on 29 January 2025 |
| Indicative date for Implementation of the Transaction | 12 February 2025 |

The dates in the above timetable are indicative only and are subject to change. Any changes to these dates will be announced to ASX.



Letter from the Chair



Michael Sammells
Chairman of Sigma

“This transformational opportunity will bring together two highly complementary businesses including Australia’s leading retail pharmacy franchisor and a dynamic and efficient pharmaceutical wholesale operation.”

Dear Sigma Shareholder,

On behalf of the Sigma Board, I am pleased to provide you with this Explanatory Memorandum which contains comprehensive information about the proposed Transaction between Sigma and Chemist Warehouse, and to invite you to attend the Meeting to consider and vote on resolutions relating to the Transaction and Merged Group.¹

Having achieved a key milestone with the ACCC confirming it would not oppose the merger, the Transaction is now conditional on, amongst other things, Sigma Shareholders approving the Transaction Resolutions set out in this Explanatory Memorandum.

The case for the proposed Transaction is highly compelling. The Merged Group will be a leading Australian retail pharmacy franchisor and a full-line pharmaceutical wholesaler and distributor. Importantly, the business combination will enhance our strength and capability to support the growth, competitiveness and service offering of our brand members and wholesale customers in a competitive market. As a leading retail pharmacy franchisor, the Merged Group will support Australia’s largest retail network of franchisees across a core suite of four franchise brands with complementary market facing propositions – Chemist Warehouse, My Chemist, Amcal and Discount Drug Stores.

Through the completion of Sigma’s distribution centre modernisation program, the Merged Group’s Australian wholesale and distribution operations are now well equipped to absorb volume growth and will deliver efficient and valued services to around 3,500 pharmacy customers across the network. Importantly, with increased scale, diversification and expertise, the Merged Group will have an enhanced strong platform to pursue a range of growth opportunities across retail, wholesale and logistics. This includes the continued rollout of the Chemist Warehouse Australian Franchise Network stores

and complementary Amcal and Discount Drug Stores brands, offshore expansion via Chemist Warehouse’s international network and across private label, online, ancillary franchise services, wholesale services and third-party logistics business.

The Merged Group also expects to deliver potential cost synergies of approximately \$60 million per annum by the fourth year following Implementation.²

I am honoured to be Chair of what I believe will be a truly great Australian company, and the Merged Group’s Board and Management team will benefit from the combined skills and experience of both Sigma and Chemist Warehouse personnel. The Merged Group will be led by Vikesh Ramsunder as Chief Executive Officer, and Mario Verrocchi, reporting to Vikesh, will continue to lead the Chemist Warehouse business.

The Merged Group will have significant Related Party transactions within the Chemist Warehouse business which relate to interests of Chemist Warehouse Founders, executive board members and their families. In recognition of the importance and materiality of these transactions, they are being presented to shareholders for approval and on an ongoing basis will be overseen and governed by an Independent Board Committee made up of non-executive independent directors of which I will chair.

Background

On 11 December 2023, Sigma announced that it had entered into the Merger Implementation Agreement to merge with Chemist Warehouse by way of a scheme of arrangement in exchange for \$700 million cash (subject to any leakage adjustment) and Sigma Shares. Upon Implementation of the Transaction, Chemist Warehouse Shareholders will hold approximately 85.75% of the Merged Group and Sigma Shareholders will hold approximately 14.25% of the Merged Group³ and the Chemist Warehouse Founders will hold 48% of the Merged Group. Refer to section 6.6 for further context to the development of the Transaction, including the involvement of HMC Capital.

1. The legal entity is CW Group Holdings Limited.

2. One-off costs of approximately \$75 million are estimated to be incurred to achieve these potential synergies.

3. On a fully diluted basis (including cash-settled and share-based rights, grants or other incentive arrangements which have either been exercised, exchanged or converted for cash since 11 December 2023 or remain outstanding upon Implementation). For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma’s 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date. This includes 126,947,040 Sigma Shares already agreed to be issued to a Chemist Warehouse Group Member on 31 August 2023 in conjunction with the Sigma Supply Agreement. Sigma and Chemist Warehouse have agreed to defer the issuance of these shares while the Merger Implementation Agreement remains on foot. If the Transaction completes, these shares will not be issued. If the Merger Implementation Agreement is terminated, the shares will be issued to the Chemist Warehouse Group Member 20 business days post-termination of the Merger Implementation Agreement.

Letter from the Chair continued

In addition to the cash consideration of \$700 million paid to Chemist Warehouse Shareholders, Sigma will refinance approximately \$300 million of existing Chemist Warehouse debt (net of cash at bank). The cash consideration and debt refinance will be funded through a new \$1.5 billion debt facility and cash at bank.

The Transaction is subject to a number of Conditions Precedent which are set out in section 12.3(c). This includes approval of the Transaction Resolutions by Sigma Shareholders by the requisite majorities unless (if applicable) waived.⁴ On 7 November 2024 a key milestone was achieved, with the ACCC announcing it would not oppose the merger, subject to an undertaking provided to the ACCC, paving the way to now seek shareholder approval.

Sigma Shareholders are encouraged to consider the section on the Resolutions in section 10 and the associated risk factors set out in section 11.

Purpose of Meeting and Resolutions

The purpose of the Meeting is for Sigma to seek a number of Sigma Shareholder approvals which are either conditions precedent to the Transaction, or being proposed to facilitate Implementation or the post-Implementation operations of the Merged Group. In summary, approval is being sought for the following resolutions:

- **Resolution 1.** To make the significant change to the scale of Sigma's activities that will result from Implementation of the Transaction.
- **Resolution 2.** To issue the New Sigma Shares under the Transaction.
- **Resolution 3.** To approve a number of existing related party arrangements and future related party dealings related to Chemist Warehouse.
- **Resolution 4.** The giving of financial assistance by Chemist Warehouse entities as part of their integration into the Merged Group's financing arrangements.
- **Resolution 5 – 8.** The appointment of Mr Jack Gance, Mr Mario Verrocchi, Mr Damien Gance and Ms Danielle Di Pilla as directors of Sigma.
- **Resolution 9.** To increase the non-executive Sigma Director fee pool.
- **Resolutions 10 and 11.** To approve the cancellation of, and changes to, existing Performance Rights.

Further details on the Resolutions are set out in section 10 of this Explanatory Memorandum and in the Notice of Meeting in Appendix 1.

Sigma Directors' recommendation

The Sigma Directors unanimously recommend that Sigma Shareholders vote in favour of the Resolutions at the Meeting, in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.⁵

Subject to the same conditions, each Sigma Director intends to vote all of the Sigma Shares they own or control in favour of the Resolutions.

Please see section 12.1 of this Explanatory Memorandum for a summary of the relevant interests of the Sigma Directors in Sigma Shares.

The Sigma Directors, after carefully considering all aspects, benefits and risks of the Transaction, believe the Transaction is in the best interests of Sigma Shareholders and, therefore, that Sigma Shareholders should vote in favour of the Resolutions for the following reasons:

- The Transaction will create a leading Australian retail pharmacy franchisor and a full-line pharmaceutical wholesaler and distributor with diversified and scaled operations and earnings base.
- The Sigma Directors believe the Transaction has the potential to create significant value for Sigma Shareholders, with Sigma's post announcement trading share price implying a material premium to its undisturbed share price.
- The Merged Group will have a wide range of growth opportunities.
- The Merged Group is expected to deliver potential cost synergies of approximately \$60 million per year.
- Notwithstanding the breadth of the Existing Related Party Arrangements and Future Related Party Dealings which are an important part of Chemist Warehouse and its operations, a reason to vote in favour of Resolution 3 is that the Independent Expert has viewed those arrangements and concluded that they are fair and reasonable, and when combined with the broader advantages accruing from the Transaction, is also a reason to vote in favour of all the Resolutions.

Although Sigma's Directors unanimously recommend that Sigma Shareholders vote in favour of the Resolutions, in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders, you may not agree that the Transaction and the Resolutions are in your best interests.

4. Resolutions 4, 10 and 11 may be waived by agreement between Sigma and Chemist Warehouse.

5. Michael Sammells has an interest in 258,448 Sigma Shares, Chris Roberts has an interest in 12,014 Sigma Shares, Annette Carey has an interest in 21,212 Sigma Shares, Neville Mitchell has an interest in 30,295 Sigma Shares, Kate Spargo has an interest in 719,679 Sigma Shares and Vikesh Ramsunder has an interest in 11,662,028 Sigma Shares and 6,088,884 Performance Rights and up to an additional \$267,159 of Performance Rights. The non-executive directors who remain on the board of the Merged Group following Implementation of the Transaction will be entitled to increased remuneration as a result of Implementation of the Transaction and Vikesh Ramsunder will receive an enhanced remuneration package and his incentives will be subject to the treatment outlined in section 12.2 if the Transaction is implemented. Further details on the interests of the Sigma Directors, are disclosed in sections 8.10, 12.1 and 12.2.

Some reasons you may wish to vote against the Resolutions and potential disadvantages of the Transaction include:

- You may wish to confine your investment and exposure to a business with Sigma's specific characteristics.
- You may be concerned about specific risks associated with the business of the Merged Group.
- Your shareholding and voting power will be diluted by the New Sigma Shares to be issued under the Transaction.
- Ownership of a significant proportion of the Merged Group's shares will be concentrated upon Implementation.
- You may not agree with the Sigma Independent Expert's conclusion on the Existing Related Party Arrangements and Future Related Party Dealings.

Section 4 contains further details on the reasons to vote in favour of the Resolutions and advantages of the Transaction, as well as reasons to vote against the Resolutions and potential disadvantages of the Transaction.

The Sigma Directors unanimously believe that, in respect of the Transaction and therefore the Resolutions, the advantages significantly outweigh the potential disadvantages.

Sigma Independent Expert in respect of related party arrangements

To assist Sigma Shareholders to assess the ordinary resolution under Listing Rule 10.1, the Sigma Directors appointed the Sigma Independent Expert to prepare the Sigma Independent Expert's Report opining on whether the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable to non-associated Sigma Shareholders.

The Sigma Independent Expert has concluded that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable to non-associated Sigma Shareholders. A complete copy of the Sigma Independent Expert's Report is included as Appendix 2 of this Explanatory Memorandum

How to vote

Your vote on the Resolutions is important, and I encourage you attend the Meeting, which will be held in person at the Sofitel, 25 Collins Street, Melbourne Victoria 3000 at 2.00pm (Melbourne time) on 29 January 2025 and online at <https://meetings.linkgroup.com/SIGEGM25>.

Information on how to vote is set out in the Notice of Meeting attached as Appendix 1.

Further Information

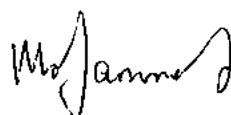
You should carefully read this Explanatory Memorandum in its entirety before making any decision in relation to the Resolutions. If you are in any doubt about what you should do, please consult your financial, legal, tax or other professional adviser without delay.

If you have any questions, you can call the Transaction Information Line on 1300 103 401 (within Australia) or +61 2 9066 4063 (outside Australia), between 8.30am and 5.00pm (Melbourne time), Monday to Friday (excluding public holidays).

Conclusion

The Sigma Directors consider this is a transformational opportunity for Sigma Shareholders. The Merged Group will bring together two highly complementary businesses including Australia's leading retail pharmacy franchisor and a dynamic and efficient pharmaceutical wholesale operation. The Transaction has the potential to deliver high quality health care services and long-term sustainable growth and shareholder returns.

On behalf of the Sigma Board and management team, I look forward to your attendance at the Meeting.



Michael Sammells
Chairman of Sigma



1. Frequently asked questions

| Question | More information |
|--|--|
| Overview of the Transaction | |
| Why have I received this Explanatory Memorandum? This Explanatory Memorandum has been sent to you because you are a Sigma Shareholder and you are being asked to vote on the Resolutions at the Meeting. The Resolutions are either conditions precedent to the Transaction or being proposed to facilitate Implementation or the post-Implementation operations of the Merged Group. This Explanatory Memorandum is intended to help you to consider and decide on how to vote on the Resolutions at the Meeting. | Section 3.2 |
| What is the Transaction? On 11 December 2023, Sigma announced that it had entered into the Merger Implementation Agreement to merge with Chemist Warehouse by way of a scheme of arrangement in exchange for \$700 million cash (subject to any leakage adjustment) and Sigma Shares. Under the Merger Implementation Agreement, the parties have agreed to implement the Scheme and effect the Transaction. Refer to section 6.6 for further context to the development of the Transaction, including the involvement of HMC Capital. | Section 3.1 Section 6.6 |
| What is the Merger Implementation Agreement? The Merger Implementation Agreement sets out the terms and conditions under which Sigma and Chemist Warehouse have agreed to implement the Transaction. | Section 12.3 |
| What are the other disclosure documents associated with the Transaction? In addition to this Explanatory Memorandum: <ul style="list-style-type: none">• Chemist Warehouse has prepared and issued a scheme booklet in respect of the Scheme Meeting. At the Scheme Meeting, Chemist Warehouse Shareholders will vote on the Scheme Resolution, the approval of which is a Condition Precedent; and• Sigma has prepared and will lodge a prospectus in accordance with the Corporations Act. The lodgement of a prospectus is a condition imposed by ASX in connection with the Transaction. The Scheme Booklet and Prospectus are available on ASX's website at www.asx.com.au . | N/A |
| Who is Chemist Warehouse? Chemist Warehouse is a leading retail pharmacy franchisor with operations in Australia, New Zealand, China, Ireland and Dubai. Chemist Warehouse's principal activities in Australia consist of providing retail pharmacy franchisor services, including provision of branding and support services to a network of franchised pharmacies. In addition to the suite of support services, franchisees benefit from Chemist Warehouse's product range and value proposition, marketing expertise, strong retail focus and seamless omnichannel offering. | Section 7 |
| Is the Transaction conditional on the Resolutions? The Transaction Resolutions are Conditions Precedent to the Transaction under the Merger Implementation Agreement. ⁶ The Ancillary Resolution is not a Condition Precedent to the Transaction but is required to facilitate Implementation and the operations of the Merged Group from Implementation in the manner contemplated by that resolution. | Section 3.2 |
| Recommendations and intentions | |
| What do the Sigma Directors recommend? The Sigma Directors unanimously recommend that you vote in favour of the Resolutions, in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders. ⁷ The Sigma Directors are not aware of any Sigma Superior Proposal likely to emerge as at the date of this Explanatory Memorandum. | Letter from the Chair of the Sigma Board and section 4.1 |

6. Resolutions 4, 10 and 11 may be waived by agreement between Sigma and Chemist Warehouse.

7. Michael Sammells has an interest in 258,448 Sigma Shares, Chris Roberts has an interest in 12,014 Sigma Shares, Annette Carey has an interest in 21,212 Sigma Shares, Neville Mitchell has an interest in 30,295 Sigma Shares, Kate Spargo has an interest in 719,679 Sigma Shares and Vikesh Ramsunder has an interest in 11,662,028 Sigma Shares and 6,088,884 Performance Rights and up to an additional \$267,159 of Performance Rights. The non-executive directors who remain on the board of the Merged Group following Implementation of the Transaction will be entitled to increased remuneration as a result of Implementation of the Transaction and Vikesh Ramsunder will receive an enhanced remuneration package and his incentives will be subject to the treatment outlined in section 12.2 if the Transaction is implemented. Further details on the interests of the Sigma Directors, are disclosed in sections 8.10, 12.1 and 12.2

| Question | More information |
|---|---|
| <p>How are the Sigma Directors intending to vote?</p> <p>Each of the Sigma Directors intends to vote in favour of the Resolutions in respect of all the Sigma Shares controlled or owned by them, or on their behalf, in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.</p> <p>The relevant interests of the Sigma Directors in Sigma Shares are set out in section 12.1.</p> | <p>Letter from the Chair of the Sigma Board and section 4.1</p> |
| Key considerations relevant to your vote | |
| <p>Why might I consider voting in favour of the Resolutions?</p> <p>Reasons why you may consider voting in favour of the Resolutions include:</p> <ul style="list-style-type: none"> the Transaction will create a leading Australian retail pharmacy franchisor and a full-line pharmaceutical wholesaler and distributor with diversified and scaled operations and earnings base and the Resolutions are necessary to effect the Transaction; the Sigma Directors believe the Transaction has the potential to create significant value for Sigma Shareholders, with Sigma's post announcement trading share price implying a material premium to its undisturbed share price; the Merged Group will have a wide range of growth opportunities; the Merged Group is expected to deliver potential cost synergies of approximately \$60 million per year;⁸ the Sigma Directors have considered the advantages and disadvantages of the Resolutions and unanimously recommend that Sigma Shareholders vote in favour of the Resolutions in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders;⁹ the Sigma Independent Expert has concluded that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable to non-associated Sigma Shareholders; and the trading price of Sigma Shares may fall in the near term if the Transaction is not Implemented and in the absence of a Sigma Superior Proposal. | Section 4.2 |
| <p>Why might I consider voting against the Resolutions?</p> <p>Reasons why you may consider voting against the Resolutions include:</p> <ul style="list-style-type: none"> you may not agree with the unanimous recommendation of the Sigma Directors; you may wish to confine your investment and exposure to a business with Sigma's specific characteristics; you may be concerned about specific risks associated with the business of the Merged Group; your shareholding and voting power will be diluted by the New Sigma Shares to be issued under the Transaction; ownership of a significant proportion of the Merged Group's shares will be concentrated upon Implementation; and you may not agree with the Sigma Independent Expert's conclusion on the Existing Related Party Arrangements and Future Related Party Dealings or may be concerned about those arrangements. | Section 4.3 |
| <p>What is the Sigma Independent Expert's opinion on the Existing Related Party Arrangements and Future Related Party Dealings?</p> <p>The Sigma Independent Expert has concluded that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable to the non-associated Sigma Shareholders.</p> <p>Sigma Shareholders are urged to carefully read the Sigma Independent Expert's Report to understand its scope, methodology of the valuation and the sources of information and assumptions made.</p> <p>The Sigma Independent Expert's Report is set out in full in Appendix 2 to this Explanatory Memorandum.</p> | Section 3.5 and Appendix 2 |

8. One-off costs of approximately \$75 million are estimated to be incurred to achieve these potential synergies.

9. Michael Sammells has an interest in 258,448 Sigma Shares, Chris Roberts has an interest in 12,014 Sigma Shares, Annette Carey has an interest in 21,212 Sigma Shares, Neville Mitchell has an interest in 30,295 Sigma Shares, Kate Spargo has an interest in 719,679 Sigma Shares and Vikesh Ramsunder has an interest in 11,662,028 Sigma Shares and 6,088,884 Performance Rights and up to an additional \$267,159 of Performance Rights. The non-executive directors who remain on the board of the Merged Group following Implementation of the Transaction will be entitled to increased remuneration as a result of Implementation of the Transaction and Vikesh Ramsunder will receive an enhanced remuneration package and his incentives will be subject to the treatment outlined in section 12.2 if the Transaction is implemented. Further details on the interests of the Sigma Directors, are disclosed in sections 8.10, 12.1 and 12.2.

1. Frequently asked questions continued

| Question | More information |
|---|----------------------------|
| <p>What if the Sigma Independent Expert changes its opinion on the Existing Related Party Arrangements and Future Related Party Dealings?</p> <p>If the Sigma Independent Expert changes its opinion on the Existing Related Party Arrangements and Future Related Party Dealings, this will be announced to ASX and disclosed to Sigma Shareholders. In such circumstances, the Sigma Board will consider the Sigma Independent Expert's revised opinion and advise Sigma Shareholders of its recommendation.</p> <p>The Sigma Board, and the Sigma Directors individually, may withdraw, adversely modify or adversely qualify their recommendation to vote in favour of the Resolutions.</p> | Section 3.5 and Appendix 2 |
| <p>What happens if the Resolutions are approved?</p> <p>If the Resolutions are approved, Sigma will be able to proceed with the Transaction and Sigma will be able to acquire 100% of the issued shares in Chemist Warehouse. This is subject to all other Conditions Precedent under the Merger Implementation Agreement being satisfied (or waived, if capable of being waived).</p> | Section 3.3 |
| <p>What happens if the Resolutions are not approved?</p> <p>If the Transaction Resolutions are not approved, unless the Condition Precedent is waived in respect of the relevant Transaction Resolution by agreement between Sigma and Chemist Warehouse, Sigma will not be able to proceed with the Transaction and Sigma will not acquire 100% of the issued shares in Chemist Warehouse.¹⁰</p> <p>Sigma may also be required to pay a break fee to Chemist Warehouse, depending on the circumstances in which the Transaction does not proceed. Further information regarding the break fee and the circumstances in which it may become payable are described in section 12.3(g).</p> | Section 3.4 |
| <p>What are the risks associated with the Transaction?</p> <p>The Transaction is subject to several key risks. Further details on these risks are detailed in section 11.2.</p> | Section 11.2 |
| Meeting | |
| <p>When and where will the Meeting be held?</p> <p>The Meeting will be held at 2.00pm (Melbourne time) on 29 January 2025 at the Sofitel, 25 Collins Street, Melbourne Victoria 3000 and online at https://meetings.linkgroup.com/SIGEGM25.</p> | Section 2.2 and Appendix 1 |
| <p>What will Sigma Shareholder be asked to vote on at the Meeting?</p> <p>At the Meeting, Sigma Shareholders will be asked to vote on the Resolutions.</p> | Section 3.2 and Appendix 1 |
| <p>Am I entitled to vote at the Meeting?</p> <p>If you are registered as a Sigma Shareholder on the Sigma Share Register at 7.00pm (Melbourne time) on 27 January 2025, you will be entitled to attend and vote at the Meeting.</p> | Section 2.2(b) |
| <p>How can I vote if I cannot attend the Meeting?</p> <p>If you would like to vote but cannot attend the Meeting in person, you can vote by appointing a proxy or attorney to attend and vote on your behalf. You may also vote by corporate representative if that option is applicable to you.</p> <p>You can also participate and vote via the Online Meeting Platform at https://meetings.linkgroup.com/SIGEGM25.</p> | Section 2.2 and Appendix 1 |
| <p>How do I vote at the Meeting?</p> <p>If you are a Sigma Shareholder entitled to vote at the Meeting, you may vote at the Meeting in the following ways:</p> <ul style="list-style-type: none">• by attending the Meeting in person at the Sofitel, 25 Collins Street, Melbourne Victoria 3000;• by attending the Meeting online at https://meetings.linkgroup.com/SIGEGM25; or• by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative to attend and vote at the Meeting on your behalf (whether in person or through the Online Meeting Platform). <p>Full details of how to vote at the Meeting and how to lodge a Proxy Form, corporate representative appointment or power of attorney are set out in the Notice at Appendix 1.</p> | Section 2.2 and Appendix 1 |

10. Resolutions 4, 10 and 11 may be waived by agreement between Sigma and Chemist Warehouse.

| Question | More information |
|--|----------------------------|
| <p>Is voting compulsory?</p> <p>Voting is not compulsory. However, Sigma will only be able to proceed with the Transaction if each of the Transaction Resolutions are approved by the Sigma Shareholders (or, if applicable, waived¹¹), so voting is important and the Sigma Directors encourage you to vote.</p> | Section 2.2 and Appendix 1 |
| <hr/> | |
| The Merged Group | |
| <p>What is the Merged Group?</p> <p>The Merged Group is the combined Sigma and Chemist Warehouse group of entities upon Implementation of the Transaction.</p> <p>Following Implementation, the Merged Group will be a leading Australian retail pharmacy franchisor and a full-line pharmaceutical wholesaler and distributor. The Merged Group will also have international operations.</p> | Section 8 |
| <p>What will be the Merged Group's operations?</p> <p>As a leading retail pharmacy franchisor and a full-line wholesaler and distributor, the principal activities of the Merged Group will consist of:</p> <ul style="list-style-type: none"> • provision of branding and support services to the Australian Franchise Network; • full-line wholesaler and distributor of prescription products (including PBS medicines), OTC and FOS products to pharmacy customers, as well as third-party logistics services to pharmaceutical manufacturers and other supplier partners; • advertising and marketing activities; • sales of consumer goods through online channels; • sales and distribution of owned, private label and exclusive consumer brands; • ownership of several other businesses which complement the capabilities and key competitive proposition of the Merged Group; and • strategic equity positions in several suppliers. | Sections 8.2 and 8.3 |
| <p>Who will own the Merged Group post-Implementation?¹²</p> <p>The Merged Group will be approximately 85.75% owned by Chemist Warehouse Shareholders and approximately 14.25% owned by existing Sigma Shareholders immediately following Implementation.</p> <p>Approximately 48% of the Merged Group's shares will be held by the Chemist Warehouse Founders.</p> | Section 8 |
| <p>What will be the Merged Group's growth strategy?</p> <p>Until Implementation has occurred, there are legal limitations imposed by Australian competition laws on the degree to which Sigma and Chemist Warehouse may make joint decisions about the future operation of the Merged Group. The Merged Group will undertake a detailed strategic review of the business following Implementation in order to develop a broader growth strategy and business plan.</p> <p>The Merged Group's growth strategy is expected to include pursuing multiple lower-risk growth opportunities which, amongst other things, include:</p> <ul style="list-style-type: none"> • the continued roll-out of Australian Franchise Network stores; • the continued roll-out of Chemist Warehouse branded stores internationally; • expansion of owned, private label, licenced and exclusive brands and products; • increased online penetration and omni-channel capabilities; • expansion of in-house media and marketing capabilities; • supporting franchisees to deliver pharmacy services to customers; • continuing to achieve profitable growth in the Merged Group's wholesale and third-party logistics business; and • improving the efficiency of supply chains and logistics. | Section 8.8 |

11. Resolutions 4, 10 and 11 may be waived by agreement between Sigma and Chemist Warehouse.

12. On a fully diluted basis (including cash-settled and share-based rights, grants or other incentive arrangements which have either been exercised, exchanged or converted for cash since 11 December 2023 or remain outstanding upon Implementation). For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

1. Frequently asked questions continued

| Question | More information |
|---|------------------------------|
| <p>Who will the Merged Group Board and management team be following Implementation?</p> <p>The Merged Group Board will comprise of:</p> <ul style="list-style-type: none">• four existing non-executive directors from Sigma, being Michael Sammells, Annette Carey, Neville Mitchell and Christopher Roberts AO;• four nominee directors from Chemist Warehouse, being:<ul style="list-style-type: none">– Jack Gance as a non-executive director; and– Mario Verrocchi, Damien Gance and Danielle Di Pilla as executive directors; and• Vikesh Ramsunder (current Chief Executive Officer and Managing Director of Sigma). <p>Mark Davis, the current Chief Financial Officer of Chemist Warehouse, will be the Chief Financial Officer of the Merged Group following Implementation.</p> | Section 8.9 |
| <p>What is the Merged Group's dividend framework?</p> <p>The Merged Group's proposed dividend policy is set out in section 9.15.</p> | Section 9.15 |
| <p>What are the risks associated with the Merged Group?</p> <p>An investment in the Merged Group is subject to several key risks. Further details on these risks are detailed in section 11.1.</p> | Section 11.1 |
| Other questions | |
| <p>What are the costs of the Transaction?</p> <p>The Merged Group will incur fees related to the Transaction of approximately \$105 million if the Transaction is implemented, and Sigma will incur fees related to the Transaction of \$15 million¹³ if the Transaction is not implemented.</p> <p>Sigma may also be required to pay a reverse break fee to Chemist Warehouse if the Transaction does not proceed, depending on the circumstances. Chemist Warehouse may also be required to pay a break fee to Sigma if the Transaction does not proceed, depending on the circumstances.</p> <p>Further information regarding the break fee and reverse break fee, and the circumstances in which either may become payable, are described in sections 12.3(h) and 12.3(g) respectively.</p> | Sections 12.3(g) and 12.3(h) |
| <p>Is a Sigma Superior Proposal likely to emerge?</p> <p>Since the announcement of the execution of the Merger Implementation Agreement on 11 December 2023, and up to the date of this Explanatory Memorandum no Sigma Superior Proposal has emerged.</p> <p>The Sigma Directors are not aware of any Sigma Superior Proposal likely to emerge as at the date of this Explanatory Memorandum.</p> | N/A |
| <p>What happens if a Sigma Competing Proposal is received?</p> <p>If a Sigma Competing Proposal is received, the Sigma Directors will carefully consider it.</p> <p>Sigma must notify Chemist Warehouse of the Sigma Competing Proposal in accordance with the Merger Implementation Agreement.</p> <p>Sigma Shareholders should note that Sigma has agreed to certain exclusivity and reverse break fee provisions in favour of Chemist Warehouse under the Merger Implementation Agreement. These are described in section 12.3(g).</p> | Section 12.3(g) |
| <p>What if I want further information?</p> <p>If you have any questions about the Transaction, please contact the Transaction Information Line on 1300 103 401 (within Australia) or +61 2 9066 4063 (outside Australia), between 8.30am and 5.00pm (Melbourne time), Monday to Friday (excluding public holidays).</p> <p>The Explanatory Memorandum is available on the ASX website at www.asx.com.au and at https://sigmahealthcare.com.au/.</p> <p>For more information about your individual financial or taxation circumstances, please consult your financial, legal, taxation or other professional adviser.</p> | N/A |

13. Includes fees paid or payable by Sigma in connection with the Transaction and the preparation of this Explanatory Memorandum. Excludes potential reverse break fee. Further detail regarding the reverse break fee is set out in section 12.3(g).

2. What should you do?

2.1 Step 1: Read this Explanatory Memorandum

You should carefully read this Explanatory Memorandum in its entirety (including the Sigma Independent Expert's Report) before deciding whether to vote in favour of the Resolutions.

If you have any questions, please contact the Transaction Information Line on 1300 103 401 (within Australia) or +61 2 9066 4063 (outside Australia), between 8.30am and 5.00pm (Melbourne time), Monday to Friday (excluding public holidays).

If you are in any doubt as to what you should do, please consult your legal, financial, tax or other professional adviser without delay.

2.2 Step 2: Vote on the Resolutions

(a) Your vote is important

For the Transaction to proceed, it is necessary that a sufficient number of Sigma Shareholders vote in favour of the Resolutions.

(b) Who is entitled to vote?

If you are registered on the Sigma Share Register at 7.00pm (Melbourne time) on 27 January 2025, you will be entitled to vote on the Resolutions.

(c) Notice of Meeting

The Meeting to approve the Resolutions is scheduled to be held in person at the Sofitel, 25 Collins Street, Melbourne Victoria 3000 and online at <https://meetings.linkgroup.com/SIGEGM25> at 2.00pm (Melbourne time) on 29 January 2024.

(d) How to vote?

Sigma Shareholders may vote:

- **in person**, by attending the Meeting in person at the Sofitel, 25 Collins Street, Melbourne Victoria 3000;
- **online**, by participating and voting via the online platform at <https://meetings.linkgroup.com/SIGEGM25>;
- **by proxy**, by completing and submitting a proxy form for the Meeting (which accompanies this Explanatory Memorandum as Appendix 4) in accordance with the instructions set out in the proxy form or by submitting a proxy online at <https://investorcentre.linkgroup.com/>. To be valid, your proxy form must be received by the Sigma Share Registry by 2.00pm (Melbourne time) on 27 January 2025;
- **by attorney**, by appointing an attorney to attend and vote at the Meeting on your behalf and providing a duly executed power of attorney to the Sigma Share Registry by 2.00pm (Melbourne time) on 27 January 2025; or
- **by corporate representative**, in the case of a body corporate which is a Sigma Shareholder, by appointing a corporate representative to attend and vote at the Meeting on behalf of that Sigma Shareholder and providing a duly executed 'Appointment of Corporate Representative' form (in accordance with section 250D of the Corporations Act) prior to the Meeting.

Further details on how to vote are contained in the Notice in Appendix 1.

3. Overview of the Transaction

3.1 Overview of the Transaction

On 11 December 2023, Sigma announced that it had entered into the Merger Implementation Agreement to merge with Chemist Warehouse. Under the Merger Implementation Agreement, Sigma will acquire all the shares in Chemist Warehouse by way of a scheme of arrangement under Part 5.1 of the Corporations Act in exchange for \$700 million cash (subject to any leakage adjustment) and Sigma Shares.

An extension of the End Date under the Merger Implementation Agreement was announced on 11 December 2024.

Upon Implementation of the Transaction, the Chemist Warehouse Shareholders will hold approximately 85.75% of the Merged Group and the Sigma Shareholders will hold approximately 14.25% of the Merged Group,¹⁴ and the Chemist Warehouse Founders will hold 48% of the Merged Group.

In addition to the cash consideration of \$700 million paid to Chemist Warehouse Shareholders, Sigma will refinance approximately \$300 million of existing Chemist Warehouse Group debt (net of cash at bank). The cash consideration and debt refinance will be funded through a new \$1.5 billion debt facility (described further in section 12.6) and cash at bank.

The Transaction is subject to a number of conditions precedent, including:

- ACCC clearance or authorisation, with such clearance being received on 7 November 2024 (subject to an undertaking provided to the ACCC);
- Sigma receiving all required consents from the Overseas Investment Office in New Zealand, which was received on 5 July 2024;
- other regulatory approvals that Chemist Warehouse and Sigma agree are necessary or desirable to implement the Transaction;
- approval of the Scheme by Chemist Warehouse Shareholders in accordance with the Corporations Act, which is proposed to be sought at a meeting of Chemist Warehouse Shareholders scheduled for 29 January 2025;
- approval of various resolutions in respect of the Transaction by Sigma Shareholders by the requisite majorities, including as required under Listing Rules and the Corporations Act, which are proposed to be sought at the Meeting;
- Court approval of the Scheme in accordance with the Corporations Act;
- the independent expert appointed by Chemist Warehouse issuing a report which concludes that the Scheme is in the best interests of the Chemist Warehouse Shareholders which does not change and is not withdrawn by the independent expert before 8.00am on the Second Court Date. The Chemist Warehouse Independent Expert has concluded that the Scheme is in the best interests of the Chemist Warehouse Shareholders;
- the independent expert appointed by Sigma issuing a report which concludes that certain related party arrangements are fair and reasonable or not fair but reasonable to the non-related party shareholders which does not change and is not withdrawn by the Sigma Independent Expert before 8.00am on the Second Court Date. As stated in section 3.5, the independent expert has concluded that the related party arrangements are fair and reasonable or not fair but reasonable to the non-related party shareholders; and
- Chemist Warehouse obtaining a draft ruling from the ATO confirming that scrip-for-scrip rollover relief will be available for eligible Chemist Warehouse Shareholders, which was issued by the ATO on 29 October 2024.

On 7 November 2024 a key milestone was achieved, with the ACCC announcing it would not oppose the merger, subject to an undertaking provided to the ACCC, paving the way to now seek shareholder approval at the Meeting.

3.2 Why is Sigma Shareholder approval required?

The Transaction is conditional on, amongst other things, the following resolutions being passed by Sigma Shareholders:

- an ordinary resolution of Sigma Shareholders under Listing Rule 11.1.2 in respect of the significant change to the nature and scale of Sigma's activities (**Significant Change Approval**);
- an ordinary resolution of Sigma Shareholders under Listing Rule 7.1 in respect of the approval of the issuance of Sigma Shares in connection with the Transaction (**Placement Capacity Approval**);
- an ordinary resolution of Sigma Shareholders under Listing Rule 10.1 in respect of certain transactions between Chemist Warehouse and interests associated with persons who will become related parties of Sigma following completion of the Transaction, including in relation to the Future Related Party Dealings under which future transactions may be approved (**Related Party Arrangements Approval**);
- a special resolution of Sigma Shareholders for the purposes of section 260B(2) of the Corporations Act to approve the financial assistance to be provided by some or all of the Chemist Warehouse Group Members in connection with the Transaction arising from, amongst other things, their accession to, and their giving of guarantees and security in respect of, the facilities under the Debt Finance Documents (**Financial Assistance Approval**);
- ordinary resolutions of Sigma Shareholders under rule 3.4 of the Sigma Constitution to appoint each of the Chemist Warehouse nominees to the Sigma Board nominated in accordance with clause 12 of the Merger Implementation Agreement, (together, the **Transaction Resolutions**); and

14. On a fully diluted basis (including cash-settled and share-based rights, grants or other incentive arrangements which have either been exercised, exchanged or converted for cash since 11 December 2023 or remain outstanding upon Implementation). For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

- ordinary resolutions of Sigma Shareholders under Listing Rules 6.23.2 and 6.23.4 to approve the cancellation of, and changes to, existing performance rights,

(together, the **Transaction Resolutions**).

The Transaction Resolutions being approved by Sigma Shareholders by the requisite majorities at the Meeting is a Condition Precedent under the Merger Implementation Agreement.¹⁵ Each of the Transaction Resolutions must be passed for the Condition Precedent to be satisfied. If any one Transaction Resolution is not passed or (if applicable) waived, the relevant Condition Precedent under the Merger Implementation Agreement will not be satisfied and the Transaction will not proceed.¹⁶

Sigma is also seeking shareholder approval for an ordinary resolution of Sigma Shareholders under Listing Rule 10.17 and rule 10.2 of the Sigma Constitution in respect of the approval of an increase in the non-executive Sigma Director fee pool (the **Ancillary Resolution**). The Transaction Resolutions and the Ancillary Resolution are, together, the **Resolutions**.

Please refer to section 10 for further information on the Resolutions.

3.3 Implications of the Transaction proceeding

If the Resolutions are approved (and all Conditions Precedent under the Merger Implementation Agreement are satisfied or (if applicable) waived) and the Transaction proceeds, there will be various implications, including:

- Sigma will acquire Chemist Warehouse;
- Sigma will be able to draw down a new \$1.5 billion debt facility (described further in section 12.6);
- the merger between Sigma and Chemist Warehouse will proceed and Sigma will issue the New Sigma Shares and pay the cash consideration to Chemist Warehouse Shareholders;
- the financial assistance contemplated by the Financial Assistance Approval will be given by some or all of the Chemist Warehouse Group Members; and
- the expected advantages, disadvantages and other matters arising from the Transaction proceeding set out in this Explanatory Memorandum may occur.

3.4 Implications of the Transaction not proceeding

If not all of the Transaction Resolutions are approved (or any Condition Precedent under the Merger Implementation Agreement is not satisfied or (if applicable) waived¹⁷) and the Transaction does not proceed, there will be various implications, including:

- Sigma will not acquire Chemist Warehouse;
- the merger between Sigma and Chemist Warehouse will not proceed and Sigma will not issue the New Sigma Shares or pay the cash consideration to Chemist Warehouse Shareholders;
- the financial assistance contemplated by the Financial Assistance Approval will not be given by any Chemist Warehouse Group Member;
- the expected advantages, disadvantages and other matters arising from the Transaction proceeding set out in this Explanatory Memorandum will not occur;
- Sigma will continue to operate in its current form; and
- Sigma's transaction costs will be borne by Sigma alone, subject to any off set by way of any break fee payment from Chemist Warehouse (if applicable). Sigma may also be required to pay a reverse break fee to Chemist Warehouse. Further information regarding the reverse break fee and the circumstances in which it may become payable are described in section 12.3(g).

3.5 Sigma Independent Expert's Report

Listing Rule 10.5.10 requires a notice of meeting containing a resolution to approve a transaction under Listing Rule 10.1 to include a report on the transaction in respect of which Listing Rule 10.1 approval is being sought from an independent expert. The report must state the expert's opinion as to whether the transaction in respect of which Listing Rule 10.1 approval is being sought is fair and reasonable to holders of the company's shares whose votes in favour of the transaction are not to be disregarded under Listing Rule 14.11.

The Sigma Independent Expert's Report sets out a detailed independent examination of the Existing Related Party Arrangements and Future Related Party Dealings, being the transactions in respect of which Listing Rule 10.1 approval is being sought, to enable non-associated Sigma Shareholders to assess the merits and decide whether to vote in favour of Resolution 3.

The Sigma Independent Expert has concluded that the Existing Related Party Arrangements and Future Related Party Dealings are **FAIR AND REASONABLE** to the non-associated Sigma Shareholders.

Sigma Shareholders are urged to carefully read the Sigma Independent Expert's Report to understand its scope, methodology of the valuation and the sources of information and assumptions made.

The Sigma Independent Expert's Report is set out in full in Appendix 2 to this Explanatory Memorandum.

15. Resolutions 4, 10 and 11 may be waived by agreement between Sigma and Chemist Warehouse.

16. Resolutions 4, 10 and 11 may be waived by agreement between Sigma and Chemist Warehouse.

17. Resolutions 4, 10 and 11 may be waived by agreement between Sigma and Chemist Warehouse.

4. Sigma Directors' unanimous recommendation and key considerations relevant to your vote

4.1 Sigma Directors' unanimous recommendation and voting intentions

The Sigma Directors unanimously recommend that Sigma Shareholders **vote in favour** of the Resolutions (including each of the Transaction Resolutions) at the Meeting in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.¹⁸

Subject to the same conditions, each Sigma Director intends to vote all of the Sigma Shares they own or control in favour of the Resolutions (including each of the Transaction Resolutions).

4.2 Reasons to vote in favour of the Resolutions and advantages of the Transaction

(a) The Sigma Directors have considered the advantages and disadvantages of the Resolutions and unanimously recommend that Sigma Shareholders vote in favour of the Resolutions in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders

The Sigma Directors unanimously recommend that Sigma Shareholders vote in favour of the Resolutions in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable to non-associated Sigma Shareholders.

The Sigma Directors have reached this recommendation having regard to the reasons to vote in favour of the Resolutions, or against the Resolutions, as set out in this Explanatory Memorandum. In undertaking their assessment of the Transaction, the Sigma Directors have also considered alternative options to deliver value to Sigma Shareholders, including continuing to deliver on growth opportunities as a standalone company, and unanimously consider the Transaction to be in the best of interests of Sigma Shareholders.

Subject to the same conditions as the unanimous recommendation, and as stated in section 4.1 above, each Sigma Director intends to vote all of the Sigma Shares they own or control in favour of the Resolutions.

The interests of the Sigma Directors are set out in section 12.1.

(b) The Transaction will create a leading Australian retail pharmacy franchisor and a full-line pharmaceutical wholesaler and distributor with diversified and scaled operations and earnings base

Following Implementation of the Transaction, the Merged Group will be a leading Australian retail pharmacy franchisor and a full-line pharmaceutical wholesaler and distributor.

As a leading retail pharmacy franchisor, the Merged Group will provide intellectual property and support services to a combined network of 880 franchised pharmacies across Australia via a core suite of four franchise brands – Chemist Warehouse, My Chemist, Amcal and Discount Drug Stores.¹⁹

As a full-line wholesaler and distributor, the Merged Group will supply and deliver prescription products (including PBS medicines), OTC products and FOS products to over 3,500 pharmacy customers.²⁰ The Merged Group's Australian wholesale and distribution operations will be supported by its national distribution centre network.

18. Michael Sammells has an interest in 258,448 Sigma Shares, Chris Roberts has an interest in 12,014 Sigma Shares, Annette Carey has an interest in 21,212 Sigma Shares, Neville Mitchell has an interest in 30,295 Sigma Shares, Kate Spargo has an interest in 719,679 Sigma Shares and Vikesh Ramsunder has an interest in 11,662,028 Sigma Shares and 6,088,884 Performance Rights and up to an additional \$267,159 of Performance Rights. The non-executive directors who remain on the board of the Merged Group following Implementation of the Transaction will be entitled to increased remuneration as a result of Implementation of the Transaction and Vikesh Ramsunder will receive an enhanced remuneration package and his incentives will be subject to the treatment outlined in section 12.2 if the Transaction is implemented. Further details on the interests of the Sigma Directors, are disclosed in sections 8.10, 12.1 and 12.2.

19. As at 30 June 2024.

20. As at 30 June 2024. Includes pharmacies within the Retail Network, as well as third party pharmacies. Core franchise brands exclude the PharmaSave brand. Sigma ceased supporting the Guardian brand on 31 January 2024 and all remaining members were provided with 30 days' notice of such cessation. As at 30 June 2024, there were 37 PharmaSave stores and no Guardian stores. Sigma is in the process of working with PharmaSave branded franchise store owners to re-brand those stores to Amcal or DDS branded franchise stores. The Merged Group will continue this initiative post Implementation (to the extent not completed pre-Implementation). Sigma will continue to provide support to PharmaSave franchisees in accordance with existing agreements.

By combining Sigma's automated distribution infrastructure with Chemist Warehouse's leading retail expertise, the Merged Group is expected to be better positioned to:

- deliver exceptional value to end consumers, franchisees and independent pharmacists by lowering distribution costs and deepening the Merged Group's long-standing supply relationships;
- support the future growth of the Australian Franchise Network by continued consistent, reliable supply of a broad range of stock; and
- assist the international expansion of the Chemist Warehouse brand through application of Sigma's supply chain capabilities and expertise.

The Merged Group Pro Forma EBIT for FY24 is \$605.5 million.

Further detail on Chemist Warehouse and the Merged Group can be found in sections 7 and 8, respectively.

(c) The Sigma Directors believe the Transaction has the potential to create significant value for Sigma Shareholders, with Sigma's post announcement trading share price implying a material premium to its undisturbed share price

Upon Implementation of the Transaction, Sigma Shareholders will hold an approximately 14.25% interest in the Merged Group, which will provide meaningful exposure to the enhanced value proposition of the Merged Group.

The Sigma Directors consider that the trading prices of Sigma Shares following announcement of the Transaction on 11 December 2023 highlight the potential for the Transaction to create significant value for Sigma Shareholders.

The post announcement trading prices of Sigma Shares have increased materially relative to the last trading price of \$0.7625 per Sigma Share prior to announcement of the Transaction on 6 December 2023, including:

- a 277.7% increase based on the last trading price of Sigma Shares of \$2.88 as at the Last Practicable Date;
- a 99.9% increase based on the volume weighted average price of Sigma Shares of \$1.52 between 11 December 2023 and the Last Practicable Date, being the period following announcement of the Transaction; and
- a 36.4% increase based on the last trading price of Sigma Shares of \$1.04 on 13 December 2023, being the first day of commenced trading in Sigma Shares following announcement of the Transaction, to the last trading price of Sigma Shares as at Last Practicable Date.

(d) The Merged Group will have a wide range of growth opportunities

Following Implementation of the Transaction, the Merged Group will continue to pursue opportunities for growth in the Retail Network in Australia and internationally. This will be supported by the expected continued rollout of the Chemist Warehouse Australian Franchise Network stores, which have demonstrated sustained, long-term success since the inception of the Chemist Warehouse brand in 2000. The expected continued rollout of the Chemist Warehouse brand will be complemented by the continued store growth strategies for My Chemist and Sigma's Amcal and Discount Drug Stores franchise brands, which will enable the Merged Group's franchise offering to meet the needs of franchisees and consumers across a diverse range of market segments.

The Merged Group will continue to have offshore expansion opportunities, with Chemist Warehouse having proven ability to extend its reach into international markets including New Zealand, Ireland, China and Dubai. The Merged Group will continue to be able to pursue strong growth opportunities in existing international geographies, as well as evaluate opportunities to enter new international geographies.

The Merged Group will also have multiple other opportunities for growth including:

- expansion of owned, private label, licenced and exclusive brands;
- increased online penetration and omni-channel capabilities;
- expansion of in-house media and marketing capabilities;
- supporting franchisees to deliver pharmacy services to customers;
- continuing to achieve profitable growth in the Merged Group's wholesale and third-party logistics business; and
- improving the efficiency of supply chains and logistics.

4. Sigma Directors' unanimous recommendation and key considerations relevant to your vote continued

Until Implementation has occurred, there are legal limitations imposed by Australian competition laws on the degree to which Sigma and Chemist Warehouse may make joint decisions about the future operation of the Merged Group. The Merged Group will undertake a detailed strategic review of the business following Implementation to develop a broader growth strategy and business plan.

Further detail on Chemist Warehouse and the Merged Group can be found in sections 7 and 8, respectively.

(e) The Merged Group is expected to deliver potential cost synergies of approximately \$60 million per year

Post Implementation of the Transaction, and upon combination and integration of Chemist Warehouse and Sigma, the Merged Group will have the potential to unlock significant synergies and efficiencies, reflecting the strong commercial logic of the Transaction.

As a result of initial work undertaken to date to scope and estimate potential synergies, management estimates that potential cost synergies of approximately \$60 million per year could be realised by the fourth year post-Implementation, with full run rate synergies expected to be achieved in the fifth year post-Implementation.²¹

The projected cost synergies are expected to be derived from rationalisation of corporate costs, consolidation of marketing and general and administration expenses, and supply chain optimisation.

Further information regarding the potential cost synergies can be found in section 8.

(f) The trading price of Sigma Shares may fall in the near term if the Transaction is not Implemented and in the absence of a Sigma Superior Proposal

The last trading price of Sigma Shares prior to announcement of the Transaction was \$0.7625 per Sigma Share on 6 December 2023. The last trading price of Sigma Shares as at the Last Practicable Date was \$2.8800 per Sigma Share.

If the Transaction is not Implemented, and in the absence of a Sigma Superior Proposal, the price of Sigma Shares on the ASX may fall, including to a price that may be below the last trading price of Sigma Shares prior to announcement of the Transaction on 11 December 2023.

The Sigma Directors are unable to predict the price at which Sigma Shares will trade in the future but consider that if the Transaction does not proceed and in the absence of a Sigma Superior Proposal, the price of Sigma Shares may fall.

(g) The Sigma Independent Expert has concluded that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable to non-associated Sigma Shareholders

The Sigma Directors appointed the Sigma Independent Expert to prepare a Sigma Independent Expert's Report opining on whether the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable to non-associated Sigma Shareholders.

The Sigma Independent Expert has concluded that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable to non-associated Sigma Shareholders.

The Sigma Directors, after carefully considering all aspects, benefits and risks of the Transaction, consider the advantages of the Transaction (outlined above) to outweigh the potential disadvantages of the Transaction (outlined below). The Sigma Directors have formed this view recognising the Existing Related Party Arrangements and Future Related Party Dealings are an important part of Chemist Warehouse and its operations and that the Independent Expert considers those arrangements to be fair and reasonable. Notwithstanding the breadth of those arrangements, a reason for Sigma Shareholders to vote in favour of Resolution 3 is that the Independent Expert has reviewed those arrangements and concluded that they are fair and reasonable, and when combined with the broader advantages accruing from the Transaction, this may also be considered a reason to vote in favour of all the Resolutions.

The reasons why the Sigma Independent Expert has formed its conclusion that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable to non-associated Sigma Shareholders are set out in the Independent Expert's Report, a copy of which is included as Appendix 2 of this Explanatory Memorandum.

Sigma Shareholders should review and consider the Sigma Independent Expert's Report in its entirety when determining whether to vote in favour of the Resolutions.

As at the date of this Explanatory Memorandum, the Sigma Independent Expert has not changed or qualified its conclusion, and no Sigma Superior Proposal has emerged.

21. Management is currently estimating one-off costs of approximately \$75 million will need to be incurred to achieve these potential synergies.

4.3 Reasons to vote against the Resolutions and disadvantages of the Transaction

(a) You may not agree with the unanimous recommendation of the Sigma Directors

Notwithstanding the unanimous recommendation of the Sigma Directors, you may believe or receive advice that the Resolutions are not in your best interest. You are not obliged to follow the recommendation of the Sigma Directors nor to agree with the Sigma Independent Expert's conclusion.

(b) You may wish to confine your investment and exposure to a business with Sigma's specific characteristics

Sigma Shareholders may wish to preserve their investment in a company with the specific characteristics of Sigma. Notwithstanding that the businesses of Sigma and Chemist Warehouse are largely complementary, the asset composition and exposure, earnings mix and risk profile of the two companies on a standalone basis are different. Sections 6 and 7 set out further detail on the standalone businesses of Sigma and Chemist Warehouse respectively.

Implementation of the Transaction may represent a disadvantage if you do not want to change your investment profile. Sigma Shareholders should read this Explanatory Memorandum carefully to understand the implications of the Resolutions and should seek investment, legal or other professional advice in relation to their own circumstances. Further information on the Merged Group can be found in section 8.

(c) You may be concerned about specific risks associated with the business of the Merged Group

You should read section 8, which summarises the business operations and strategy of the Merged Group, to understand what additional businesses and assets you would be exposed to as a Merged Group shareholder on Implementation of the Transaction.

Additionally, there are a number of risks specific to holding an interest in the Merged Group, which are described in further detail in section 11. Sigma Shareholders should take these risks into account before deciding whether to vote in favour of the Resolutions.

(d) Your shareholding and voting power will be diluted by the New Sigma Shares to be issued under the Transaction

Upon Implementation of the Transaction, New Sigma Shares will be issued to Chemist Warehouse Shareholders which will dilute Sigma Shareholders' interest in Sigma. Chemist Warehouse Shareholders will hold approximately 85.75% of the Merged Group and Sigma Shareholders will hold approximately 14.25% of the Merged Group.²²

(e) Ownership of a significant proportion of the Merged Group's shares will be concentrated upon Implementation

Upon Implementation of the Transaction, approximately 48% of the Merged Group's shares will be held by Mario Verocchi, Jack Gance and Sam Gance, the Chemist Warehouse Founders. The Chemist Warehouse Founders are subject to the escrow restrictions outlined in section 12.5.

Sigma Shareholders should note that, should the Chemist Warehouse Founders choose to act in concert or find their interests aligned, their combined voting power may be able to block special resolutions of Sigma Shareholders and pass or block ordinary resolutions of Sigma Shareholders. This may result in a situation where the Chemist Warehouse Founders can exercise effective control over the Merged Group.

(f) You may not agree with the Sigma Independent Expert's conclusion

Notwithstanding the conclusion of the Sigma Independent Expert that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable to non-associated Sigma Shareholders, you may disagree. You may not want to be a shareholder of a business where a material proportion of its property leasing and franchising activities involve counterparties which are or include Related Parties (that is, the Existing Related Party Arrangements) and which may enter into Future Related Party Dealings. There are a number of risks specific to the related party arrangements of the Merged Group, which are described in further detail in section 11.

22. On a fully diluted basis (including cash-settled and share-based rights, grants or other incentive arrangements which have either been exercised, exchanged or converted for cash since 11 December 2023 or remain outstanding upon Implementation). For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

5. Industry overview

5.1 Introduction

The Merged Group will primarily operate in the supply chain of the Australian pharmacy industry as a pharmaceutical wholesaler, distributor and retail franchisor (together with international operations as described in section 5.4). The Australian retail pharmacy industry is a channel within the broader Australian health and beauty retail industry which includes the sale of health and beauty products through alternative channels such as supermarkets, a range of other retailers and specialist health and beauty stores.

The supply chain of the Australian pharmacy industry is defined by four key segments:

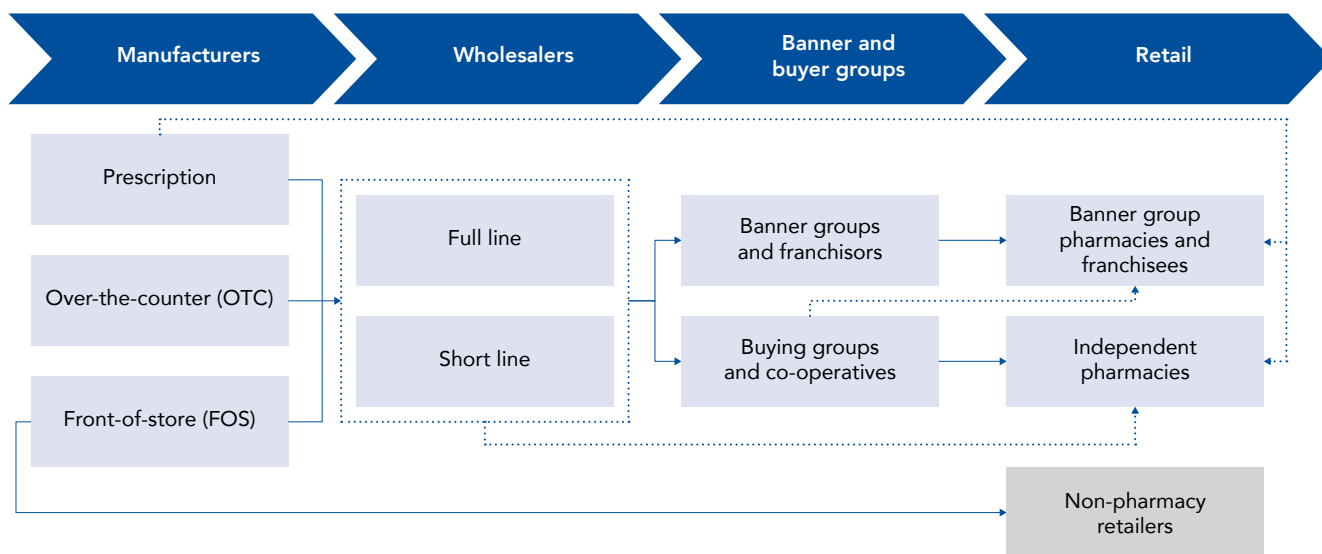
- Pharmaceutical manufacturers:** Pharmaceutical manufacturing involves manufacturing products such as prescription products and “over-the-counter” products (**OTC products**) generally only available in pharmacies and may also involve manufacturing a range of complementary and other “front-of-store” products (**FOS products**) available in retail outlets other than pharmacies. FOS products also include a broad range of products which are not medicines and are not manufactured by pharmaceutical manufacturers, such as beauty products.
- Pharmaceutical wholesalers:** Pharmaceutical wholesaling involves product procurement, storage, and distribution. Participants may either be “full line” wholesalers that distribute the majority of products that a pharmacy may require, or “short line” wholesalers that generally deal in a narrower product range. Wholesalers of pharmaceutical benefits scheme (**PBS**) medicines may enter into Community Service Obligation (**CSO**) agreements with the Federal Government (known as CSO distributors). CSO distributors are eligible to earn income from the Federal Government’s CSO funding pool if they comply with obligations to deliver the full range of PBS medicines to all pharmacies irrespective of the size or location of the pharmacy (with limited exceptions), within prescribed timeframes (within 24 hours for low volume medicines) and in accordance with strict service standards and compliance requirements.
- Banner and buying groups:** Banner groups are groups of pharmacies operating under a common brand, which are often operated as franchises. Banner groups typically provide services and support to their members. Many banner groups also provide their members with intellectual property and branding which members may utilise. The services and support provided to banner group members will depend on the particular banner group but can include administration/head-office functions, marketing and advertising services, access to advantageous trading terms in supply agreements, assistance with store layout, fit-out and location selection, and in some cases business advice and financial support.

Buying groups are groups of pharmacies where the buying group collectively negotiates with wholesalers for the benefit of the members of the buying group who can avail themselves of the negotiated prices. Pharmacies may also receive other benefits such as corporate support and marketing services, while retaining their own independent branding.

Pharmacies do not need to be a part of a banner or buying group and choose the commercial arrangements which best suit their requirements.

- Retail pharmacies:** Retail pharmacies supply prescription products, OTC products and FOS products to Australian consumers.

Figure 1: Overview of the Australian pharmacy industry



While the activities of the Merged Group will be confined to participation as a wholesaler, distributor and retail franchisor (banner group) in Australia, demand for the Merged Group’s products and services will ultimately be determined by demand from retail consumers for prescription, OTC and FOS products and related services supplied by pharmacies.

This section provides an overview of the Australian retail pharmacy industry, being the retail segment of the broader pharmacy industry, including a summary of the key trends and competitive dynamics. It also provides an overview of the Australian pharmaceutical wholesale and distribution industry given that post-Implementation, the Merged Group will supply prescription, OTC and FOS products to pharmacies including independent pharmacies.

5.2 Retail

(a) Size

There are approximately 6,000 pharmacies registered to dispense PBS medicines in Australia.²³ The number of registered pharmacies in Australia has been broadly stable over time, increasing from approximately 5,800 pharmacies in 2019.²⁴

Total spending on retail pharmacy products is growing, driven by a number of structural and demographic trends including:

- **Population ageing:** In the 30-year period from 1993 to 2023, the proportion of the Australian population aged 65 and over has increased from 12% to 17%.²⁵ This age group demographic is estimated to account for 53%²⁶ of pharmaceutical consumption within the industry. This growing ageing demographic has increased demand for pharmaceutical products, representing a significant growth driver of the Australian retail pharmacy industry.
- **Growing healthcare spending:** According to the World Bank, between 2000 and 2021, total healthcare spending in Australia increased from 7.6% of gross domestic product in 2000 to 10.5% of gross domestic product in 2021.²⁷ Total Government expenditure on health in 2023-24 is estimated to be \$101 billion, representing 15.5% of the Australian Government's total expenditure, and this is expected to increase to \$123 billion in 2027-28.²⁸

Total Government expenditure on PBS medicines was \$17.0 billion in 2022-23 and has grown at a compound annual growth rate of 6.7% since 2001-02 until 2022-23.²⁹ In the 2024-25 Budget, the Federal Government announced additional funding of \$3.4 billion over five years for new and amended listings on the PBS.³⁰

- **Product innovation:** The continuing development of novel medications and wellness products is expected to drive an increase in the level of pharmaceutical and wellness product consumption as manufacturers offer new treatment options to address the range of healthcare needs.
- **Growth in value-added services:** In the midst of a competitive environment, some pharmacies are seeking to expand their full scope of practice, adopting a model focused on professional health services, such as patient medication reviews, providing dosage administration aids, immunisations and pharmaceutical assistance with preventative care for people with chronic conditions. In 2023, over 50% of pharmacies in Australia strengthened their professional service offering.³¹
- **Rising health consciousness:** Australian consumers have become increasingly aware of their health and wellbeing. This trend is driving consumers towards purchasing decisions aligned with this awareness, such as increasing spend on health products including vitamins and mineral supplements.³²

(b) Product mix

Australian pharmacy retailing includes the sale of prescription products, OTC products and a broad range of FOS products.

- **Prescription products:** These are products which can only be made available to a patient on the written instruction of an authorised health practitioner. These products may include PBS medicines or non-PBS products. All prescription products are approved by the TGA before they are able to be supplied. Examples of prescription products include blood pressure tablets, cancer medicine and strong painkillers.
- **OTC products:** These are products which do not require a prescription to purchase them, but are still evaluated by the TGA for quality, safety and efficacy. Many OTC products are only available in pharmacies. Some OTC products can be supplied without the involvement of a pharmacist (ie on the shelf; known as Schedule 2 medicines) while others can only be purchased after consultation with a pharmacist (known as Schedule 3 medicines). Examples of OTC products include non-prescription analgesics such as aspirin and paracetamol, hayfever treatments containing antihistamines, antiseptics, and some topical antifungals.

23. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%2013%20June%202024_0.pdf).

24. PBS Expenditure and Prescriptions Report, 30 June 2019 (https://m.pbs.gov.au/statistics/expenditure-prescriptions/2019-2020/PBS_Expenditure_and_Prescriptions_Report_1-July-2019_to_30-June-2020.pdf).

25. Australian Institute of Health and Welfare, Profile of Australia's Population, accessed 28 October 2024 (<https://www.aihw.gov.au/reports/australias-health/profile-of-australias-population>).

26. Australian Institute of Health and Welfare, Older Australians, accessed 28 October 2024 (<https://www.aihw.gov.au/reports/older-people/older-australians/contents/health/health-care-gps-specialists>).

27. World Health Organization Global Health Expenditure Database, Current Health Expenditure Australia, 15 April 2024 (<https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS?locations=AU>).

28. Australian Federal Budget Paper No. 1, 14 May 2024 (https://budget.gov.au/content/bp1/download/bp1_2024-25.pdf).

29. PBS Expenditure and Prescriptions Report 2022-23, accessed 28 October 2024 (<https://www.pbs.gov.au/statistics/expenditure-prescriptions/2022-2023/PBS-Expenditure-prescriptions-report-2022-23.pdf>).

30. Australian Government | Department of Health and Aged Care, Budget 2024-25: Cheaper Medicines, 14 May 2024 (https://www.health.gov.au/sites/default/files/2024-05/budget-2024-25-cheaper-medicines_0.pdf).

31. CommBank Pharmacy Insight 2023, 17 August 2023 (<https://www.commbank.com.au/articles/newsroom/2023/08/Pharmacy-Insights-2023.html>).

32. IBISWorld Vitamin and Supplement Manufacturing in Australia Report, accessed 28 October 2024 (<https://www.ibisworld.com/au/industry/vitamin-and-supplement-manufacturing/5417/>).

5. Industry overview continued

- **FOS products:** These are products which are not prescription products nor OTC products. Examples of FOS products include vitamins, cosmetics, skincare, and fragrances. Australian medicine scheduling legislation allows for some pharmaceuticals (unscheduled medicines), for example paracetamol in small pack sizes, to be sold by general retail stores and are therefore also FOS products.

For further information on the regulation of medicines, please refer to section 5.5.

In addition to these products, pharmacies also generate revenue from offering professional services to consumers. These services include, but are not limited to, vaccination services, cholesterol testing, medication reviews and management, diabetes screening and management, and the packing of dose administration aids.

(c) Competition

(i) Pharmacies

Pharmacies compete on a number of factors including price, breadth of product range, scope of services, brand, location and convenience, including opening hours.

Pharmacies operate in a highly regulated environment. Establishing a new pharmacy (or relocating an existing pharmacy) is regulated at the Commonwealth level through the pharmacy location rules. For further information on the pharmacy location rules, please refer to section 5.5(a)(vi).

In addition, under State and Territory laws, pharmacies in Australia must be owned by pharmacists, with limited exceptions. For further information on the pharmacy ownership laws, please refer to section 5.5(a)(vi). Whilst the ownership of pharmacies is highly fragmented (with regulations generally in place restricting the number of pharmacies capable of being owned by any one individual), some pharmacies may decide to enter into arrangements with a banner group and choose to provide their services under such banner brand, and/or they may choose to be part of a buying group.

(ii) Banner groups and buying groups

Around 60% of Australia's pharmacies are part of a banner group, with the remainder being independents.³³

Banner group services may be offered to pharmacists by retail franchisors. Retail franchisors compete for members on a number of factors including franchise fees, trading terms, brand offer and intellectual property rights, and the suite of support and marketing services they offer members or franchisees, including promotional campaigns and offers. In addition to acquiring services from retail franchisors, pharmacists may also – or alternatively – choose to acquire services from or participate as a member of pharmacy buying groups. Under these arrangements the buying group may collectively negotiate with wholesalers and in doing so, members of the buying group can avail themselves of the negotiated prices. Independent pharmacies often use buying group services.

There are a significant number of franchisors of pharmacy banner brands, as well as pharmacy buying groups. Approximately 40-45% of all pharmacies operate under banner brands owned by one of the following major retail franchisors:³⁴

- **The Merged Group (from Implementation):** Chemist Warehouse, MyChemist, Amcal, and Discount Drug Stores brands, and Pipeline Stores (880 franchise pharmacies operating under these brands).³⁵
- **EBOS:** TerryWhite Chemmart, healthSAVE, Ventura Health (which itself includes a number of brands, namely, Cincotta Discount Chemist and Max Value Pharmacy), and Good Price Pharmacy Warehouse (approximately 700 franchise pharmacies operating under these brands).³⁶

33. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%2013%20June%202024_0.pdf).

34. The number of franchise pharmacies aligned to a particular retail franchisor can change frequently and the exact position at any point in time may not be accurately or consistently disclosed in public sources. In this Explanatory Memorandum, the approximate number of franchise pharmacies for some retail franchisors other than Merged Group have been sourced from the ACCC Sigma/Chemist Warehouse Statement of Issues (dated 13 June 2024). These figures may understate or overstate the exact position as at 30 June 2024, however are included in this Explanatory Memorandum to provide directional guidance as to the relative size of some of the Merged Group's retail franchisor competitors. While these figures may have changed subsequent to the publication of the ACCC Statement of Issues (for example, on 22 July 2024 EBOS announced that its TerryWhite Chemmart brand had grown to 600 franchise pharmacies during July 2024) incomplete disclosure means it is not possible to accurately update this market data for all of the Merged Group's retail franchisor competitors and their respective banner brands.

35. As at 30 June 2024, there were 567 Chemist Warehouse Australian Franchise Network stores, comprising 517 Chemist Warehouse branded stores, 21 My Chemist branded stores, and 29 Pipeline Stores, and 313 Sigma franchise stores, comprising 209 Amcal branded stores, and 104 Discount Drug Stores branded stores. In September 2022, Sigma began a retail brand consolidation process to simplify its retail strategy by seeking to convert Guardian and PharmaSave branded stores to Amcal and Discount Drug Stores. Sigma closed the Guardian brand with effect from 31 January 2024. Since September 2022, Sigma no longer offers the PharmaSave brand to new members. As at 30 June 2024, there were 37 PharmaSave branded stores, which are not included in the Merged Group's Retail Network figures presented. Sigma continues to provide support to PharmaSave stores in accordance with existing agreements.

36. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%2013%20June%202024_0.pdf).

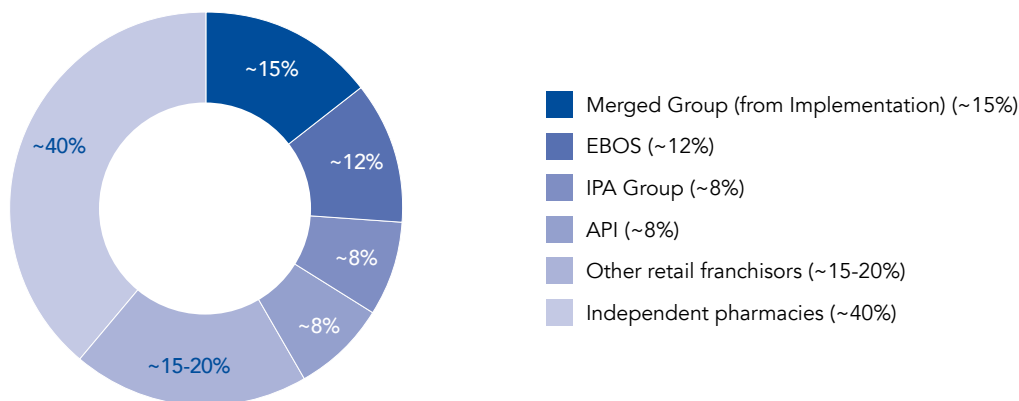
- **Independent Pharmacies of Australia Group (IPA Group):** a buying group, which also offers brand services under the Alliance Pharmacy, Advantage Pharmacy, and Chemist Discount Centre brands (approximately 500 franchise pharmacies operating under these brands).³⁷
- **Australian Pharmaceutical Industries (API):** Priceline, Soul Pattinson Chemist, and Pharmacist Advice brands (approximately 500 franchise pharmacies operating under these brands).³⁸

A further 15-20% of pharmacies operate under banner brands owned by small to medium retail franchisors.³⁹ Examples of small to medium retail franchisors include:

- **Chempro:** Chempro brand.
- **Blooms the Chemist:** Blooms the Chemist brand.
- **Direct Chemist Outlet:** Direct Chemist Outlet brand.
- **Pharmacy4Less:** Pharmacy4Less brand.
- **Pharmacy 777:** Pharmacy 777 brand.
- **Caremore:** a buying group and Caremore brand.

Of the franchisors set out above, Sigma (which will be part of the Merged Group on Implementation), EBOS, and API are also pharmaceutical wholesalers.

Figure 2: Pharmacies by retail franchisor group (% of total registered pharmacies)⁴⁰



(iii) Non-pharmacy retailers

Pharmacies also compete with non-pharmacy retailers for FOS products such as vitamins, dietary supplements, sports nutrition and other beauty and wellness products, as well as non-scheduled medicines. The top non-pharmacy retailers of FOS products include general retail stores including supermarkets, department stores, specialty stores including beauty and cosmetics retailers, vitamin and supplements retailers and online retailers. Legislation restricts the type of pharmaceuticals that general retail stores can stock, and the pack sizes they can offer. Only a small subset of all pharmaceuticals (such as paracetamol in small pack sizes) are able to be sold outside pharmacies in Australia.

37. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%202013%20June%202024_0.pdf).

38. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%202013%20June%202024_0.pdf).

39. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%202013%20June%202024_0.pdf).

40. ACCC Sigma Chemist Warehouse Statement of Issues, 13 June 2024 (https://www.accc.gov.au/system/files/public-registers/documents/Sigma%20Chemist%20Warehouse%20-%20Statement%20of%20Issues%20-%202013%20June%202024_0.pdf).

5. Industry overview continued

(d) Consumer trends

There are several consumer trends in Australia that are expected to impact the pharmacy market dynamics including:

- **Cost of living pressures:** The Consumer Price Index, a core measure of consumer inflation, has been at or above 3.0% (the upper end of the RBA's 2.0-3.0% inflation target) since June 2021, reaching a peak of 7.8% in December 2022 and remains elevated at 3.8% (as at June 2024).⁴¹ In turn, real wages have fallen significantly over the same period.⁴² As the cost of living increases, consumers may reduce spending on discretionary items or opt for more affordable alternatives. This may result in pharmacy consumers choosing discount formats or increasing demand for private label products.
- **Convenience:** Convenience is a primary driver in a consumer's decision of which pharmacy they visit, with convenience and location being the most important factor for one out of two Australians.⁴³
- **Sustainability:** Australian consumers are increasingly aware of the impact of their purchasing decisions on the environment and society at large. This trend is expected to continue and may drive consumers towards purchasing decisions aligned with this awareness, such as being willing to pay more for products and services that are sustainable. This may result in pharmaceutical industry participants adopting initiatives to minimise waste across the supply chain and promote more sustainable product packaging.
- **Digital health:** Consumers are increasingly using technology to access healthcare services, including the use of electronic prescriptions and health apps. Over 219 million electronic prescriptions have been issued since May 2020, by more than 85,000 prescribers.⁴⁴ The use of technology is assisting in delivering superior healthcare services and is becoming increasingly mainstream given the convenience of the offerings.

5.3 Wholesale and distribution

(a) Overview

Pharmaceutical wholesalers distribute prescription products, OTC products and FOS products to pharmacies and other non-pharmacy retailers.

Wholesalers are typically either full line or short line wholesalers:

- **Full line wholesalers:** distribute the majority of pharmaceutical, healthcare and other products that pharmacies, hospitals and other health-related facilities and businesses may require (although some full line wholesalers may only distribute to certain channels, eg pharmacies).
- **Short line wholesalers:** provide a more limited range and service than full line wholesalers.

Wholesalers may also be CSO distributors (refer to section 5.1 for further information).

(b) Competition

There are six full line pharmaceutical wholesalers in Australia. Four of these wholesalers operate nationally, while two are State-based. Each of the six full line wholesalers are CSO distributors. The six full line wholesalers are:

- Symbion (EBOS) (a national operator);
- Australian Pharmaceutical Industries (Wesfarmers) (a national operator);
- Sigma (to be part of the Merged Group from Implementation) (a national operator);
- Clifford Hallam Healthcare (CH2) (a national operator);
- NPD (National Pharmacies) (a State-based operator with a presence in South Australia and Victoria); and
- Barretts (a State-based operator with a presence in Victoria).

41. Australian Bureau of Statistics, Consumer Price Index, 31 July 2024 (<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/jun-quarter-2024>).

42. Australian Bureau of Statistics, Wages, accessed 28 October 2024 (<https://www.abs.gov.au/statistics/measuring-what-matters/measuring-what-matters-themes-and-indicators/prosperous/wages>).

43. NAB Pharmacy Survey 2021, 19 August 2021 (<https://business.nab.com.au/wp-content/uploads/2021/08/NAB-Pharmacy-report-FINAL.pdf>).

44. Digital Health, Electronic Prescriptions, accessed 28 October 2024 (<https://www.digitalhealth.gov.au/initiatives-and-programs/electronic-prescriptions>).

Of these wholesalers, EBOS, API and Sigma are also retail pharmacy franchisors, while National Pharmacies is also a friendly society.

There are a number of requirements for participating in pharmaceutical wholesaling due to the high level of regulation, including for CSO distributors. For CSO distributors, there are eligibility requirements to attract CSO funding, which subsidises the high costs of delivery of PBS medicines to all pharmacies. To be appointed as a CSO distributor, there are certain criteria that are required to be met, and a distributor must enter into a CSO Deed with the Commonwealth. CSO Deeds have set terms (usually 5 years) and are negotiated on a periodic basis. For further information regarding regulatory barriers that pharmaceutical wholesalers are subject to, please refer to section 5.5(a)(vii)(C).

Other requirements in pharmaceutical wholesaling are high upfront capital costs and the need to maximise economic efficiencies. Pharmaceutical wholesaling involves significant upfront capital costs associated with establishing the necessary infrastructure, including distribution centres. In addition to the upfront cost of the distribution centres, which can be leased, there is also a need for scale of distribution in order to achieve economies of efficiency, which supports the financial viability of a wholesaling venture. Further, there are significant costs involved in building-up inventory as CSO distributors are required to stock at least one brand of every medicine listed on the PBS and where there are multiple brands, the innovator brand and at least one generic equivalent.

In addition, the revenue streams on the distribution of PBS medicines are regulated based on a capped mark-up applied to the price of PBS medicines. CSO distributors are required to supply PBS medicines at or below the regulated marked-up price (please refer to section 5.5(a)(vii) for further information). As such, due to being businesses with a high fixed cost base, significant upfront capital intensity, and with regulated revenue streams, wholesalers are incentivised to maximise volumes through their distribution networks. This results in considerable price competition between wholesalers to win volumes and utilise their distribution capacity.

While pharmaceutical wholesalers primarily compete on the basis of price, purchasing decisions of their customers are also influenced by their available product range, trading terms, and wholesale service standards including delivery times and stock availability. Pharmacies tend to have a first-line wholesaler from whom they acquire a larger proportion of their PBS and other products to minimise transaction costs and maximise discounts and volume rebates. However, pharmacies may also have second and often third-line wholesalers, which they use as an alternative source of supply for their products. While a franchisor may have (or franchisors that also have wholesale operations, may offer) a first-line wholesale supply agreement with their franchise members, those members may still choose to buy from other wholesalers if they receive better trading or service terms. Furthermore, CSO distributors are still legally required to supply any pharmacies, including franchise members of banner brands that they do not own.

(c) Wholesale trends

There are a number of key trends impacting wholesaler revenues:

- **Continuous government investment in new medicines:** Government investment in new PBS medicines continues to grow. The Federal Government approved additional funding for over 250 new and amended listings on the PBS from July 2022⁴⁵ until October 2024, and has announced in the 2024-25 budget that it will provide \$3.4 billion in funding over the next five years for new and amended listings on the PBS.⁴⁶
- **Price reductions on existing PBS medications:** The Federal Government keeps track of in-market pricing through a process called price transparency and may reduce the Australian ex-manufacturer price in certain circumstances, which has an adverse impact on the wholesale mark-up received by PBS distributors (see section 5.5(a)(vii) for further details).
- **Regulations to improve affordability and public access:** Government regulations designed to improve public access to prescription products, such as multiple pack and 60 day dispensing, may impact the profitability of distributing certain products or the adequacy of the existing Government CSO funding arrangements.
- **Increase in the proportion of complex/high care medicines:** The introduction of medicines with specialised storage and handling requirements may require investment in dedicated supply chain solutions, as well as specialised security and reporting measures.

5.4 Other geographies

Outside of Australia, the Merged Group will also operate in New Zealand, Ireland, China and Dubai. The business model in each country differs (refer to section 5.5), with the Merged Group primarily intending to operate as either a retail pharmacy franchisor or retail pharmacy owner (either partially or wholly).

45. Department of Health and Aged Care, New Cheaper Medicines for Autoimmune Conditions, Cancer, and Heart Disease, 8 October 2024 (<https://www.health.gov.au/ministers/the-hon-mark-butler-mp/media/new-cheaper-medicines-for-autoimmune-conditions-cancer-and-heart-disease?language=en>).

46. Australian Federal Budget Paper No. 2, 14 May 2024 (https://budget.gov.au/content/bp2/download/bp2_2024-25.pdf).

5. Industry overview continued

Figure 3: Key international markets

| Geography | Key characteristics and drivers |
|---------------------------|---|
| New Zealand ⁴⁷ | <p>The New Zealand retail pharmacy industry is mature and is characterised by pharmacy ownership regulation and increasing competitive pressures.</p> <p>Key legislation includes the <i>Medicines Act 1981</i> (NZ) (Medicines Act), which includes ownership regulations requiring that more than 50% of the share capital in a company which operates a pharmacy must be owned by registered pharmacists (albeit the pharmacists' economic interest may be less than 50%) and that those registered pharmacists have 'effective control' of the company. For further information on the regulatory framework in New Zealand, please refer to section 5.5(b).</p> <p>Key drivers of this market include a growing and ageing population (the primary consumers of pharmaceutical products), technological innovation, and rising health consciousness among consumers.</p> <p>There are approximately 1,000 registered pharmacies in New Zealand.⁴⁸</p> |
| Ireland ⁴⁹ | <p>The Irish pharmacy retail industry is characterised by pricing regulations, recent industry consolidation, and corporate fragmentation.</p> <p>Unlike Australia and New Zealand, the ownership of pharmacies in Ireland is deregulated and not subject to the rules mandating ownership or minimum ownership by registered pharmacists. For further information on the regulatory framework in Ireland, please refer to section 5.5(c).</p> <p>As a result of the COVID-19 pandemic, the Irish market has seen medicine shortages and a lack of qualified pharmacists. However, ongoing measures to address medicine shortages (eg EU initiatives to stockpile medicines) and staff shortages (in December 2023, the Irish government increased the list of critical skills occupations, making it easier for employers to obtain permits for workers from abroad) are expected to drive growth in the sector.</p> <p>Key drivers of this market include a growing trend towards health and wellbeing and preventative health, and the growing presence of discount pharmacies which represent an attractive offering to the Irish consumer under inflationary pressure.</p> <p>There are approximately 2,000 registered pharmacies in Ireland.⁵⁰</p> |
| China ⁵¹ | <p>The Merged Group's operations in China relate to FOS goods and OTC Products, but no prescription products are sold.</p> <p>The Chinese health and beauty industry is a large and growing market.</p> <p>For information on the regulatory framework in China, please refer to section 5.5(d).</p> <p>Key drivers of this market include changing consumer demographics and rising disposable incomes, increasing demand for natural and organic products, and the continued rise in e-commerce and retail digitalisation as more consumers choose to transact online.</p> <p>The health and beauty industry in China is highly fragmented.</p> |
| Dubai ⁵² | <p>The Dubai retail pharmacy industry is characterised by convenience-focused consumers given the high-population density and growing competition from international brands.</p> <p>For information on the regulatory framework in Dubai, please refer to section 5.5(e).</p> <p>Key drivers of this market include a growing population with rising disposable incomes, the continued presence of Dubai as the commercial capital of the UAE, and continued government support for the retail pharmacy sector.</p> <p>There are approximately 1,500 registered pharmacies in Dubai.⁵³</p> |

47. BDO, Pharmacy in New Zealand: A Dynamic and Exciting Industry, 3 October 2021 (<https://www.bdo.nz/en-nz/insights/pharmacy/pharmacy-in-new-zealand-a-dynamic-and-exciting-industry>).

48. Health New Zealand, Community Pharmacy, accessed 28 October 2024 (<https://www.tewhatoora.govt.nz/health-services-and-programmes/community-pharmacy>).

49. IBISWorld Dispensing Chemists in Ireland Report, accessed 28 October 2024 (<https://www.ibisworld.com/ireland/market-research-reports/dispensing-chemists-industry/#Methodology>).

50. Pharmaceutical Society of Ireland, 2023 Annual Report, 28 June 2024 (https://www.psi.ie/sites/default/files/2024-06/Annual%20Report_2023.pdf).

51. China Briefing, China's Cosmetics and Personal Care Market: Key Trends and Business Outlook, 20 July 2023 (<https://www.china-briefing.com/news/chinas-cosmetics-and-personal-care-market-key-trends-and-business-outlook/>).

52. Tech Sci Research, UAE Pharmacy Retail Market, accessed 1 November 2024 (<https://www.techsciresearch.com/report/uae-pharmacy-retail-market/9407.html>).

53. Dubai Health Authority, Dubai Medical Registry (<https://services.dha.gov.ae/sheryan/wps/portal/home/medical-directory>).

5.5 Regulatory framework

(a) Australia

(i) Introduction

The main areas of regulation which will affect the Merged Group's business are:

- (A) Federal therapeutic goods legislation which applies at the product level, to regulate the pharmaceuticals that are permitted to be supplied in Australia and the indications for which they may be sold and used.
- (B) State and Territory medicines and poisons legislation, which regulates physical access to pharmaceuticals (along with other potentially dangerous substances), including requiring wholesalers of medicines to be licensed and regulating prescriptions. Retail access to pharmaceuticals is also impacted by Federal therapeutic goods legislation which regulates the advertising of medicines.
- (C) State and Territory health practitioner registration legislation. These laws regulate the profession of pharmacy (along with other health professions).
- (D) State and Territory pharmacy ownership laws, which prohibit non-pharmacists from having an ownership/proprietary or financial (NSW only) interest in pharmacy businesses (with limited exceptions).
- (E) Federal legislation regulating the PBS. The PBS is a scheme under which the Commonwealth subsidises the cost of many pharmaceuticals purchased by Australian citizens and residents from approved pharmacies. To support the PBS, the Federal Government also pays subsidies direct to eligible wholesalers for distributing PBS pharmaceuticals under and in compliance with contractual arrangements known as CSO Deeds.
- (F) The Franchising Code of Conduct (**Franchising Code**) which is a mandatory industry code applying to franchise agreements under the CCA. The Franchising Code applies to franchisors and pharmacy businesses which choose to operate under a franchise brand and system.

(ii) Product regulation of pharmaceuticals

It is prohibited to supply pharmaceuticals in Australia unless the product is either 'listed' or 'registered' by the TGA on the ARTG (unless the product is excluded or exempt).

Whether a product needs to be listed or registered depends on how it is intended to be used (which are referred to as its 'indications'). Products with low-risk indications – for example, for use in the relief of symptoms associated with low risk conditions – may be listed, provided that they only contain ingredients which are known to be safe. Products with higher risk indications, or which are used to treat or manage more serious conditions, must be registered – which requires that – the 'sponsor'⁵⁴ submits data to the TGA which demonstrates the quality, safety and efficacy of the pharmaceutical.

Wholesalers require licences under State and Territory legislation for the wholesale supply of listed and registered pharmaceuticals. Australian manufacturers of both listed and registered pharmaceuticals must be licensed by the TGA.

(iii) Physical access to pharmaceuticals

Australia uses a risk-based approach to regulating physical access to pharmaceuticals. An expert committee (the Advisory Committee on Medicines Scheduling) makes recommendations to the Secretary of the Federal Department of Health about the appropriate level of access to various substances, and therefore to pharmaceuticals which contain such substances. Substances are categorised into 'schedules' under a Federal regulation – the Poisons Standard (also known as the Standard for the Uniform Scheduling of Medicines and Poisons) – based on these recommendations. The Poisons Standard is given effect through relevant State and Territory medicines and poisons legislation, with the vast majority of medicines and poisons classified by State or Territory governments in accordance with the Poisons Standard. State and Territory legislation may include additional requirements regarding access to some substances.

Relevant schedules under the Poisons Standard are:

- Schedule 2 (**S2**) – pharmacy medicines;
- Schedule 3 (**S3**) – pharmacist only medicines;
- Schedule 4 (**S4**) – prescription only medicines; and
- Schedule 8 (**S8**) – controlled medicines.

S2 and S3 medicines are referred to in this document as 'OTC products', and S4 and S8 medicines are referred to as 'prescription products'. Low risk pharmaceuticals are 'unscheduled' which means they can be sold in any retail setting, including supermarkets. Examples include paracetamol in smaller pack sizes.

54. The sponsor is a person or company who exports or imports goods into or from Australia, manufactures therapeutic goods for supply in Australia or elsewhere or arranges for another party to import, export or manufacture therapeutic goods.

5. Industry overview continued

Under State and Territory medicines and poisons legislation, businesses which sell S2, S3, S4 or S8 medicines by wholesale must have a wholesale licence. A separate licence may be required for each location from which the business supplies OTC and prescription products by wholesale. These laws also regulate the permitted categories of customers to which licensed wholesalers may sell OTC and prescription products, including pharmacy businesses and other licensed wholesalers.

Supply of pharmaceuticals at the retail level (that is, to the consumer) may only be undertaken by certain categories of businesses and institutions (eg by hospitals to inpatients). Pharmacies are permitted to supply S2, S3, S4 and S8 medicines at the retail level as follows:

- S2 medicines may be displayed for purchase off the shelf by consumers within a pharmacy. The sale does not need to be processed by a pharmacist, but a pharmacist must be in charge of the pharmacy business at all times it is open.
- The rules for S3 medicines (also referred to as behind the counter medicines) vary between jurisdictions eg in NSW the pharmacist must 'personally hand' the medicine to the customer; whereas in Queensland the requirement is that the pharmacist has determined that the patient has a therapeutic need for the medicine (in both cases, instructions for use must be given at the time of supply).
- S4 medicines can only be supplied where the pharmacy has received a valid physical or electronic prescription. Prescriptions can only be issued by medical practitioners and (in certain circumstances) other health practitioners (eg nurse practitioners and dentists). Supply based on a verbal instruction with a written prescription to follow is permissible in emergencies.
- S8 medicines (eg medicines with addictive properties) can only be supplied on prescription and are subject to additional controls.

(iv) Advertising of pharmaceuticals

S2 and some S3 medicines can be advertised to consumers. Other S3 medicines, S4 and S8 medicines cannot be advertised to consumers, but can be the subject of marketing activities exclusively directed towards health professionals. Where advertising is permitted, it must be accurate, balanced, not misleading or likely to be misleading, and promote the safe and proper use of the medicine (among other requirements). For products which are listed (rather than registered) on the ARTG, where efficacy data has not been submitted to the TGA, this restricts the statements that can be made about the product – for example, it may be permissible to advertise a complementary medicine as being 'traditionally used' for a particular indication, but not as a treatment for that indication.

Certain compulsory statements (eg 'Always read the label and follow the directions for use') must be included in advertisements for some product categories.

(v) Pharmacist professional registration

Australia operates a national system for health practitioner registration under standardised State and Territory laws, each referred to as the 'Health Practitioner Regulation National Law' of the relevant State or Territory (generically, **National Law**). Where a profession is listed as a 'health profession' under the National Law, a person must not adopt a title associated with that profession unless they have been registered by the relevant national Board – relevantly for the Merged Group, 'pharmacist' is a regulated title and pharmacists must be registered by the Pharmacy Board of Australia.

(vi) Pharmacy ownership laws

When Australia standardised its health practitioner registration laws in 2009, it was left to individual States and Territories to determine how they wanted to regulate the ownership of pharmacy businesses and accordingly these laws vary between jurisdictions. All States and Territories prohibit someone other than a pharmacist⁵⁵ or a corporate entity controlled by pharmacists having an ownership or proprietary interest in a pharmacy business. In NSW, it is also prohibited for someone other than a pharmacist to have a 'financial interest' in a pharmacy business (a financial interest includes a proprietary interest).

These laws do not prohibit normal contractual relationships between commercial counterparties and pharmacy businesses – for example landlord/tenant, wholesaler/customer, franchisor/franchisee and lender/borrower. However, a commercial counterparty cannot have an interest in the revenue or profit of a pharmacy business, and/or a level of control over a pharmacy business, which is similar to the position of an owner or part-owner of the pharmacy business. For example, a landlord can charge a pharmacy business tenant a market rate of rent as a lump sum but cannot charge turnover rent.

Every State and Territory other than Queensland⁵⁶ requires that before a pharmacy business is opened, relocated, or subject to a change of ownership, an approval is obtained from the pharmacy business regulator in that jurisdiction. These regulators require that certain commercial agreements proposed to be entered into (or already in place, in the context of a relocation or change of ownership) to support the pharmacy business are submitted with the application, and if the regulator considers that the agreements will result in a commercial counterparty having a prohibited interest in the pharmacy business, the application will be rejected.

55. Or, in some jurisdictions, a pharmacist's spouse or close relative.

56. The Queensland Parliament has passed the Pharmacy Business Ownership Act 2024 which, when fully commenced, will introduce a system of licensing for pharmacy businesses in Queensland for the first time. Commencement of the licensing provisions is expected to occur in late 2025 (by proclamation) or will otherwise automatically commence on 29 March 2026.

In addition, every Australian jurisdiction (but not the ACT or Northern Territory, where there is no maximum) regulates the maximum number of pharmacy businesses in which a pharmacist (or other eligible person) can hold an ownership/proprietary (or, in NSW, a financial) interest. The maximum number is 6 in South Australia, 5 in NSW, Victoria and Queensland and 4 in Western Australia and Tasmania. These numbers are not cumulative eg a single pharmacist can have an interest in 5 pharmacies in NSW, another 5 in Victoria, another 5 in Queensland and so on.

NSW, Victoria and Queensland laws also render certain provisions in agreements between commercial counterparties and pharmacy businesses void, including consideration that varies with the revenue or profits of the pharmacy business, and provisions which confer control of the pharmacy business on the commercial counterparty.⁵⁷ NSW's and Queensland's laws additionally render void any requirement that the pharmacy business must purchase goods or services from a particular supplier.

(vii) Pharmaceutical benefits scheme

(A) Pricing and co-payments

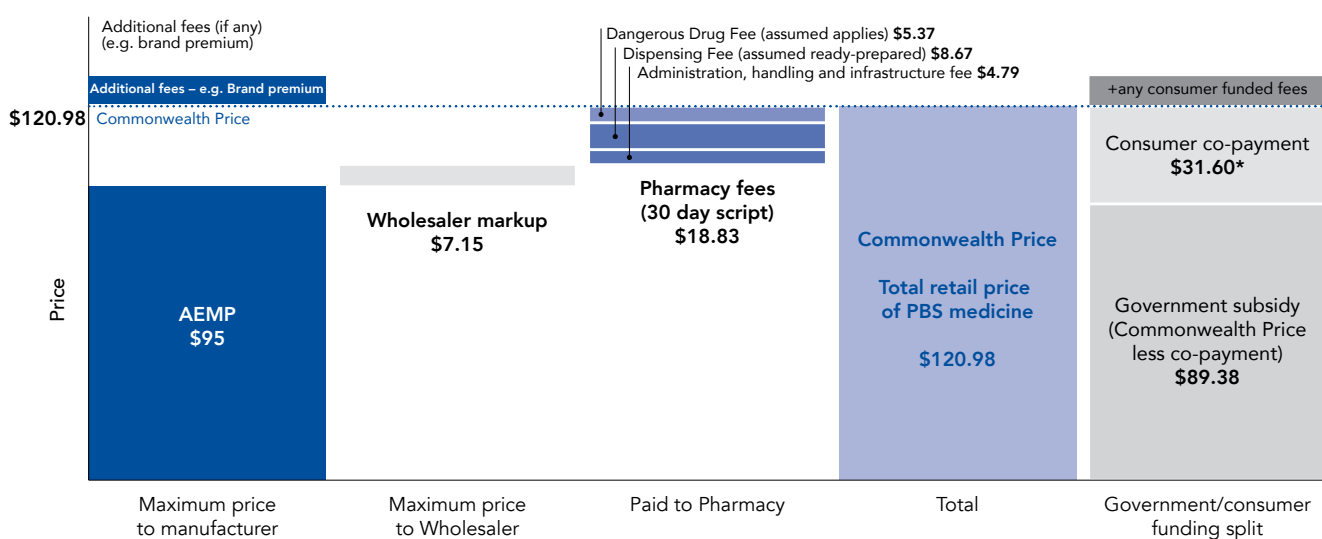
Most of the prescription products which are commonly used in Australia are listed on the PBS, which means that when an Australian citizen or resident buys the pharmaceutical from a pharmacy, the Federal Government regulates the retail price charged by the pharmacy.

At the retail level, the regulated price is known as the 'Commonwealth Price'. The Commonwealth subsidises the cost to consumers if the Commonwealth (ie retail) Price is above a certain threshold, known as the 'co-payment'.⁵⁸ In this case, the consumer will only pay the co-payment with the balance of the Commonwealth Price paid as a subsidy to the pharmacy business.

There are two levels of co-payment – one for individuals who hold a government concession card (currently \$7.70 per prescription) and one for other consumers (currently \$31.60 per prescription).⁵⁹

Figure 4 below provides a simplified illustration of the components of the Commonwealth Price.⁶⁰

Figure 4: Commonwealth Price components



* For concessional consumers, the co-payment is \$7.70. Under safety net arrangements, once a threshold amount of co-payment expenses is met in a calendar year, the co-payment reduces to \$7.70 (general) and nil (concessional). In each case, if the co-payment is lower, the Government subsidy increases by the same amount. Where discounting is permitted, and the pharmacy opts to discount the co-payment, the 'Paid to Pharmacy' amount is reduced by the amount of the discount and there is no corresponding increase in the Government subsidy.

57. This is an offence in the Northern Territory.

58. There are some instances where a consumer is required to pay certain allowable amounts or fees above the co-payment which the Federal Government does not subsidise. An example is where a consumer chooses a branded PBS pharmaceutical rather than the substitutable generic version, and the manufacturer of the brand charges a 'brand premium'. The pharmacy must charge the brand premium to the consumer.

59. Safety net arrangements are in place to reduce the co-payments once a person's aggregate co-payments in a calendar year reach a threshold.

60. Assumptions: i) Assumed AEMP of \$95.00; ii) wholesale mark-up calculated at 7.52% of \$95.00 AEMP (\$7.15, rounded to 2 decimal places); iii) AHI fee calculated at tier 1 AHI fee (set at \$4.79); (iv) Dispensing fee assumed to be ready-prepared, which is currently fixed at \$8.67; (v) Dangerous drug fee assumed to apply, which is currently fixed at \$5.37; (vi) pharmacy fees assume 30 day script only, and does not take into account any 'Additional Community Supply Support' payments payable under the 8CPA in respect of 60 day dispensing; vii) total Commonwealth Price (the sum of the AEMP + wholesaler mark-up + pharmacy fees) is \$120.98. As the total Commonwealth Price is above the co-payment, additional pharmacy fees are not applicable (ie the safety net recording fee and allowable additional patient charge); (viii) Assumed no allowable additional consumer fees apply, although if applicable, these would be funded by the consumer as shown (ix) Total consumer payment is the co-payment of \$31.60 (+ any additional consumer funded fees). Government subsidy is calculated at \$89.38 (Commonwealth price less co-payment).

5. Industry overview continued

As Figure 4 shows, the Commonwealth price for a PBS pharmaceutical is based on:

- **AEMP:** this is the maximum price a manufacturer/sponsor can charge and is approved by the Federal Government as part of the process for listing a pharmaceutical on the PBS. Where both branded and generic versions of a pharmaceutical are listed on the PBS, the AEMP is the manufacturer's price for the least-expensive generic version of the pharmaceutical available in Australia.
- **Wholesaler mark-up:** this is the maximum mark-up a wholesaler can charge and is calculated using a prescribed formula.
- **Pharmacy Fees:** these fees represent the remuneration to which pharmacists are entitled for dispensing PBS pharmaceuticals, and include an administration, handling and infrastructure fee, dispensing fee, and dangerous drug fee (as applicable).⁶¹

The Federal Government keeps track of in-market pricing through a process called price transparency or price disclosure and may reduce the AEMP if in-market pricing is lower than the AEMP, which also reduces the Commonwealth Price for that pharmaceutical.

Importantly, the PBS arrangements do not guarantee that either the manufacturer receives the AEMP from the wholesaler, or that the wholesale price paid by the pharmacy is equal to the AEMP plus the wholesale markup – at both the manufacturer and wholesaler level, actual prices are a function of market forces.

Pharmacies are currently permitted to discount the co-payment by up to \$1.00, however in the 2024-25 Federal Budget, the Federal Government announced that:

- indexation of the co-payment will be frozen for up to five years for concession card holders, and one year for other consumers; and
- the permissible discount will be reduced by the dollar value of the foregone indexation annually until it reaches zero.

Prior to 1 September 2023, participating pharmacies were only authorised to supply up to 30 days' worth of a PBS pharmaceutical in a single sale. Since that date, up to 60 days' worth of certain PBS pharmaceuticals may be supplied in a single sale. The medicines which are eligible for '60 day prescribing' were considered by the Pharmaceutical Benefits Advisory Committee (**PBAC**) to be clinically safe and suitable for supply in larger quantities. An initial approved list applied from 1 September 2023 ('stage 1'), with more medicines added from 1 March 2024 ('stage 2') and 1 September 2024 ('stage 3').

Consumers who receive a 60 day supply pay one co-payment rather than two (as they would have paid for two 30 day supplies), making the pharmaceutical more affordable. Because of the way the Commonwealth Price is calculated, pharmacies generate less revenue from 60 day prescribing compared to two 30 day supplies of the same pharmaceutical, although adjustments to payments to pharmacists agreed under the latest community pharmacy agreement (see section 5.5(a)(vii)(D)) are intended to minimise this impact on pharmacies while making pharmaceuticals cheaper for patients. Similarly, 60 day prescribing means wholesalers may generate less revenue from the wholesaler mark-up, although adjustments to the CSO funding pool (see section 5.5(a)(vii)(C)) are intended to minimise this impact on wholesalers.

(B) Approval of participating pharmacies

Pharmacies are not automatically eligible to participate in the PBS but must hold an approval from the Secretary of the Department of Health, who acts on the recommendation of the Australian Community Pharmacy Authority. A pharmacy which does not hold a PBS approval does not receive subsidies, which may make the business unsustainable. PBS approvals are location specific and eligibility is based on (1) the characteristics of the proposed location eg city, major regional centre, whether or not in a shopping centre; proximity to doctors; in combination with (2) proximity to existing PBS-approved pharmacies. The permissible proximity to existing PBS-approved pharmacies varies depending on the location characteristics. These rules are called the 'location rules'. A PBS approval is not available if the pharmacy can be directly accessed through a supermarket.

The location rules also regulate when a PBS-approved pharmacy can move to another location and retain its approval. Unless an exception applies, relocations are only permitted once every 5 years. The new location must be within a specified distance of the existing location (again, the rules vary for different location characteristics).

61. Other fees may also be permitted in certain circumstances.

(C) CSO deeds

In addition to making PBS medicines affordable at the retail level, Federal Government policy recognises that timely access to the full range of PBS medicines at the retail level requires that pharmaceutical wholesalers are willing to service orders from pharmacies in circumstances which may be uneconomic eg a small order which needs to be delivered promptly to a remote location. To manage this, the Commonwealth enters into CSO Deeds with participating wholesalers, often referred to as 'CSO distributors'. Under the CSO Deeds, a pool of funding ('CSO funding pool') is made available to be paid directly to CSO distributors in exchange for CSO distributors committing to and complying with 'CSO Service Standards' and 'CSO Service Requirements' including the following requirements:

- providing a single entry point for pharmacies to order PBS pharmaceuticals and communicate with the wholesaler;
- maintaining access to established infrastructure and sufficient financial capacity to meet the CSO Deed requirements;
- satisfying quality standards including the Code of Good Wholesaling Practice for Medicines in S2, S3, S4 and S8 (**Wholesaling Code**) (the Wholesaling Code is published by a TGA committee)⁶²;
- supplying to any PBS-approved pharmacy (excluding bad debtors);
- the wholesaler's volume of sales of PBS pharmaceuticals to rural and remote pharmacy businesses not being more than 10% below the industry average;
- supplying any brand of any PBS pharmaceutical (with limited exceptions, such as where the manufacturer is out of stock or cannot supply);
- holding stock in its warehouses or distribution centres of at least one brand of every PBS pharmaceutical or for multi brand pharmaceuticals, at least one originator and one additional brand (ie a generic version);
- supplying low-volume PBS pharmaceuticals on request. The wholesaler's volume of such sales must not be more than 10% below the industry average;
- supplying any PBS pharmaceutical at or below the 'price to pharmacists', which is the AEMP plus the regulated wholesale margin (up to 7.5%), with a cap for high-cost items;
- not imposing cost imposts on PBS-approved pharmacies which double-compensate the wholesaler for distribution costs; and
- supplying any brand of any PBS pharmaceutical to any PBS-approved pharmacy within 24 hours for low volume pharmaceuticals or 72 hours for high volume pharmaceuticals (with limited exceptions, such as remote pharmacies).

CSO distributors receive a proportion of an annual CSO funding pool based on their share of wholesale supply of PBS pharmaceuticals expressed as a proportion of total wholesale supply of PBS pharmaceuticals by all CSO distributors. Historically, the CSO funding arrangements were included as part of previous community pharmacy agreements (discussed below). Existing CSO Deeds expire by 30 June 2025. Through ongoing negotiations with the Federal Government, it is anticipated that new CSO Deeds will be signed, and the pharmaceutical wholesale mark-up will be contained within the new Pharmaceutical Wholesaler Agreement (PWA).

(D) Community Pharmacy Agreements

High level policy settings for the PBS including the location rules (and previously the CSO) are periodically agreed between the Federal Government and the pharmacy profession through the community pharmacy agreements. The CPAs are agreements previously between the Commonwealth, the Pharmacy Guild (which represents the proprietors of retail (community) pharmacies) and the Pharmaceutical Society of Australia (Australia's peak body for pharmacists, including employed pharmacists)⁶³, but most recently only between the Commonwealth and the Pharmacy Guild. The CPAs generally run for 5 years. The current CPA, known as '8CPA'⁶⁴ came into effect on 1 July 2024. The previous iteration (7CPA), was originally due to expire on 30 June 2025, however the renegotiation was brought forward.

(viii) Franchising Code

Because of the pharmacy ownership laws, the Australian pharmacy sector does not include large corporate-owned retail pharmacy businesses, such as Boots in the UK or CVS in the USA. Instead, many pharmacy businesses choose to operate as a franchise under a well-known retail pharmacy brand, to leverage the benefits of brand awareness and scale (particularly in advertising and marketing). Pharmacy franchisors may also be wholesalers.

62. Compliance with the Wholesaling Code is also a condition of the wholesale licence in some States and Territories.

63. The Pharmacy Guild and the Pharmaceutical Society of Australia are industry/professional groups (they are not regulators). Membership of them is not compulsory for owners of pharmacy businesses and/or pharmacists.

64. It is the 8th iteration of this agreement.

5. Industry overview continued

Where a pharmacy business acquires a combination of a brand licence and services from a commercial counterparty and as part of the arrangement may choose to operate under a system or marketing plan determined by that counterparty and make certain types of payments to the franchisor, the commercial relationship is regulated as a franchise under the Franchising Code, even if the parties do not see the relationship as a franchise (Australian law in this area takes a 'substance over form' approach).

Where the agreement(s) between a commercial counterparty and a pharmacy business are deemed to be a franchise under the Franchising Code, the parties must comply with the Franchising Code which regulates the conduct of the parties towards each other. This includes compliance regarding provisions in the relevant agreement(s) and compliance in relation to how the parties' rights under those agreements are exercised. Certain breaches of the Franchising Code attract penalties.

Key obligations under the Franchising Code include:

(A) Act in good faith

Each party to a franchise agreement must act towards the other in good faith in respect of any matter arising in relation to the agreement and the Franchising Code.

(B) Disclosure

Franchisors must maintain a disclosure document and key facts sheet relating to the franchise in a prescribed form. The disclosure document and key facts sheet must be provided to prospective franchisees prior to entry into the agreement and prior to renewal, transfer or extension. These documents include information about the franchisor, its financial performance and the terms of the franchise agreement. Franchisors must update these documents annually (in most cases).

In addition, a franchisor must provide to the franchisee:

- copies of any other specified documentation (such as leases);
- materially relevant facts (eg change of majority ownership or control of the franchisor or the franchise system; legal proceedings);
- notice in writing if the franchisor intends to extend the agreement or enter into a new agreement; and
- detailed information relating to any upcoming capital expenditure required from the franchisee.

A franchisor must also upload key disclosure information on to the Franchise Disclosure Register which is hosted by the Federal Government.

(C) Prohibited terms

Agreements must not contain:

- a general release of the franchisor from liability towards the franchisee;
- a waiver of verbal or written representations made by the franchisor;

an obligation on the franchisee to pay legal costs of the franchisor in relation to entry into the franchise agreement (other than certain pre-disclosed costs related to preparing, executing and negotiating the franchise agreement) or the cost of settling disputes under the franchise agreement; or

jurisdiction clauses which prevent a franchisee from bringing proceedings in the jurisdiction in which they are based.

(D) Capital expenditure

A franchisor must not require a franchisee to undertake significant capital expenditure during the term of the agreement, unless it has been disclosed in the disclosure document provided to the franchisee prior to entering into or extending the agreement.

(E) Termination

The Franchising Code provides a 14-day cooling off period for franchisees after entering into a new franchise agreement. It also prescribes the period of notice that the franchisor must provide to the franchisee for termination when the franchisee is in breach and for particular grounds of termination and requires that the franchisor provide the franchisee with reasonable notice for termination where there has been no breach by the franchisee.

There are various proposed reforms to the Franchising Code currently being consulted on by the Federal Government, including changes which will expand the obligations under the Franchising Code, increase penalty amounts for infringement notices issued for alleged contraventions of civil penalty provisions, and also make all substantive obligations civil penalty provisions if they were not already. The Federal Government has indicated that it plans to remake the Franchising Code before the current version sunsets on 1 April 2025.

(b) New Zealand

The New Zealand regulatory system for access to medicines is similar to Australia, with supply of most medicines restricted to hospitals and retail sales in pharmacies (special licences are available in remote locations). New Zealand law also recognises a category of pharmacy only, non-prescription medicines, ie OTC products. A limited range of low-risk medicines can be sold through general retail outlets. Pharmacies also sell a range of FOS products which is not a licensed activity.

Pharmacy businesses must be licensed by Medicines Control, part of the New Zealand regulator, Medsafe. Licensing is not subject to market-based restrictions (such as permissible proximity to the nearest pharmacy). Key licensing criteria relate to the suitability and capability of the pharmacy operator and the premises.

New Zealand law permits part ownership of pharmacies by non-pharmacists, provided that pharmacists hold a majority interest in the pharmacy. Where the pharmacy operator is a company, to obtain a licence from Medsafe:

- more than 50% of the share capital of the company must be owned by pharmacists who are registered in New Zealand; and
- effective control of the company (including the majority of voting rights at meetings of shareholders of the company and a majority of the voting rights on the board) must be held by pharmacists who are registered in New Zealand.

Provided that these requirements are satisfied, it is possible in New Zealand for a non-pharmacist to hold a majority economic (but not controlling) interest in a pharmacy operator. Underlying ownership of the applicant company is notified to Medsafe as part of the application process for a licence to operate a pharmacy.

No person (whether a registered pharmacist or corporate shareholder) may operate or hold a majority interest in more than 5 pharmacies. However, it is permissible for multiple sister companies (with the same non-majority shareholders) to operate and own more than 5 pharmacies in aggregate between them.

Regardless of the ownership of the pharmacy, a pharmacist must be in charge of the pharmacy at all times it is open and must personally undertake professional services, such as dispensing medicines on prescription.

Similar to Australia, the New Zealand Government subsidises the cost of most essential and widely used medicines as well as certain high cost specialised medicines for New Zealand citizens and residents. Consumers buy subsidised medicines from community pharmacies and pay a regulated co-payment, which the pharmacy can discount. The New Zealand Government pays the pharmacy the balance of the regulated retail price. For some medicines, the subsidy does not cover the entire balance of the retail price above the co-payment, in which case an additional charge may be made to the consumer. Registered pharmacies are not automatically eligible to participate in the subsidy program but require an agreement, known as an 'Integrated Community Pharmacy Agreement', with Health NZ. In order to obtain an Integrated Community Pharmacy Agreement, Health NZ is required to agree that certain criteria are met. However, these agreements are not subject to competitive tender processes. There is no price regulation of non-subsidised medicines.

5. Industry overview continued

(c) Ireland

Unlike in Australia and New Zealand, full corporate (non-pharmacist) ownership of pharmacies is permitted in Ireland and vertically integrated pharmacy businesses, such as Boots, operate in Ireland.

Irish law also distinguishes between on-prescription and pharmacy only products (which can only be sold by pharmacies) and general sale products (which can also be sold by general retail outlets). Pharmacies are required to be registered by the Pharmaceutical Society of Ireland. Standards apply for the premises and the policies and procedures in use in the pharmacy business but provided that these standards can be satisfied, registration is available. Registration is not subject to market-based restrictions. There are no restrictions on the number of pharmacies a company or individual can own. As in Australia and New Zealand, a pharmacist must be in charge of the pharmacy while it is open and undertake professional services within the pharmacy.

The Irish Government operates several schemes which together result in most widely-used medicines, and certain high cost specialised medicines, being partly or fully subsidised for Irish citizens and residents. Whether the customer pays a co-payment or not depends on the scheme – for example customers do not pay a co-payment under the Long-Term Illness Scheme which subsidises medicines for conditions such as diabetes, epilepsy, multiple sclerosis and cystic fibrosis. Co-payments are calculated per item with a monthly cap and discounting is permitted. Unlike in Australia and New Zealand, reimbursement under the subsidy schemes is not based on a retail price which includes a margin for the pharmacy, but rather on the assumed wholesale cost plus a dispensing fee (however if the pharmacy is able to buy the medicine at a wholesale price below the assumed wholesale cost, the pharmacy effectively makes a margin on the sale as well as receiving the dispensing fee). The exception is a program known as the High Tech Drug Scheme which is funded on a capitation model ie the pharmacy receives a monthly amount for customers it is managing under the scheme. Similar to New Zealand, participation in these schemes requires an agreement with the Health Service Executive, and these agreements are generally available. The price of non-subsidised medicines is not regulated in Ireland.

(d) China

It is permissible for locally-registered companies established by foreign investors to own and operate pharmacies and retail shops in China. Apart from the routine and readily accessible business registrations, companies engaging in the retail of pharmaceutical products are required to obtain a Pharmaceutical Business License from the National Medical Products Administration.

Some multinational retailers prefer to operate through service arrangements with local partners. In such case, the local partners must obtain the Pharmaceutical Business Licences if they sell pharmaceutical products.

Companies engaging in retail of pharmaceutical products via online platforms are generally also required to obtain a Pharmaceutical Business License. However, if the pharmaceutical products are retailed to consumers via cross-border e-commerce channels, no Pharmaceutical Business License is required.

(e) Dubai

Full corporate (non-pharmacist) ownership of pharmacies is permitted in Dubai. Pharmacies need to be registered as a 'health facility', a licence is required from the Dubai Health Authority and registration is generally available where standards are met. Each pharmacy must have an 'in charge' licensed pharmacist working on a full-time basis, however this pharmacist does not need to be an owner of the business.

6. Information about Sigma

6.1 Introduction

Sigma is a national full-line pharmaceutical wholesaler, distributor and pharmacy franchisor that is listed on the ASX under the code 'SIG'.

Sigma's principal business activities consist of:

- **Full-line wholesale** and distribution of prescription medicines (including PBS medicines), OTC products and FOS products to over 3,500 pharmacies nationally.
- **Retail pharmacy franchisor services**, including:
 - provision of branding and support services to 313⁶⁵ pharmacies operating as franchises under the Sigma Franchise Network; and
 - supply of private label products to retail pharmacies, including independent pharmacies.
- **Third-party logistics services** to pharmaceutical manufacturers and other supplier partners via its national distribution network.

Figure 5: Sigma overview

| History | Established in 1912 Listed on the ASX in 1999 |
|------------------------------|--|
| Market position | One of four major national full-line pharmaceutical wholesalers in Australia Owner of Australian pharmacies brands |
| Customers | Over 3,500 pharmacies ⁶⁶ including 313 franchisees operating under the Amcal and Discount Drug Stores pharmacy brands |
| Franchise Network | Amcal: 209 pharmacies Discount Drug Stores: 104 pharmacies |
| Products | Over 15,000 SKUs 460 private and exclusive label (PEL) products in the market, with over 220 products expected to launch in the 12 months to 31 January 2025 |
| Operations | 8 distribution centres across Australia with ISO 9001 accreditation ⁶⁷ Over 230 million units distributed in the 12 months to 30 June 2024 Track record of operating excellence, with 99% dispatch on time and 99% delivery in full ⁶⁸ |
| People | Over 800 full time employees ⁶⁹ |
| Key financials ⁷⁰ | Revenue of \$3.5 billion EBIT of \$7.7 million (0.2% margin) |

Sigma is focused on its mission of offering high quality healthcare products and services while providing long-term sustainable growth and shareholder returns. Sigma advances this mission by:

- playing a critical role in delivering a key aim of the Federal Government's National Medicines Policy of 'equitable, timely, safe and affordable access to high-quality and reliable supply of medicines and medicines-related services for all Australians';
- collaborating with customers and suppliers to continuously pursue and implement value-added, cost-effective wholesaling and distribution solutions;
- supporting pharmacists to be innovative, professional service providers in the community, to help shape the future of delivering pharmacy care in Australia; and
- encouraging healthy communities while reducing our environmental impact through good governance and transparency.

65. Excludes PharmaSave and Guardian. As at 30 June 2024, there were 37 PharmaSave stores. In September 2022, Sigma began a retail brand consolidation process to simplify its retail strategy by seeking to convert Guardian and PharmaSave stores to Amcal and Discount Drug Stores. Sigma closed the Guardian brand with effect from 31 January 2024. Since September 2022, Sigma no longer offers the PharmaSave brand to new members.

66. As at 30 June 2024. Includes pharmacies within the Sigma Franchise Network, as well as independent pharmacy customers.

67. Sigma's distribution network does not include Sigma's Eastern Creek distribution centre, which Sigma is sub leasing.

68. For the 12 months to 31 July 2024.

69. As at 30 June 2024.

70. For the 12 months to 31 July 2024.

6. Information about Sigma continued

6.2 History

The history of Sigma is set out in section 8.1(b).

6.3 Operations and strategy

(a) Business units and customer base

Sigma generates revenue through the wholesale and distribution of products to pharmacies, the provision of services to the Sigma Franchise Network, the supply of private label products to pharmacies and the provision of third party logistics services to pharmaceutical manufacturers and other supplier partners.

(i) Wholesale distribution

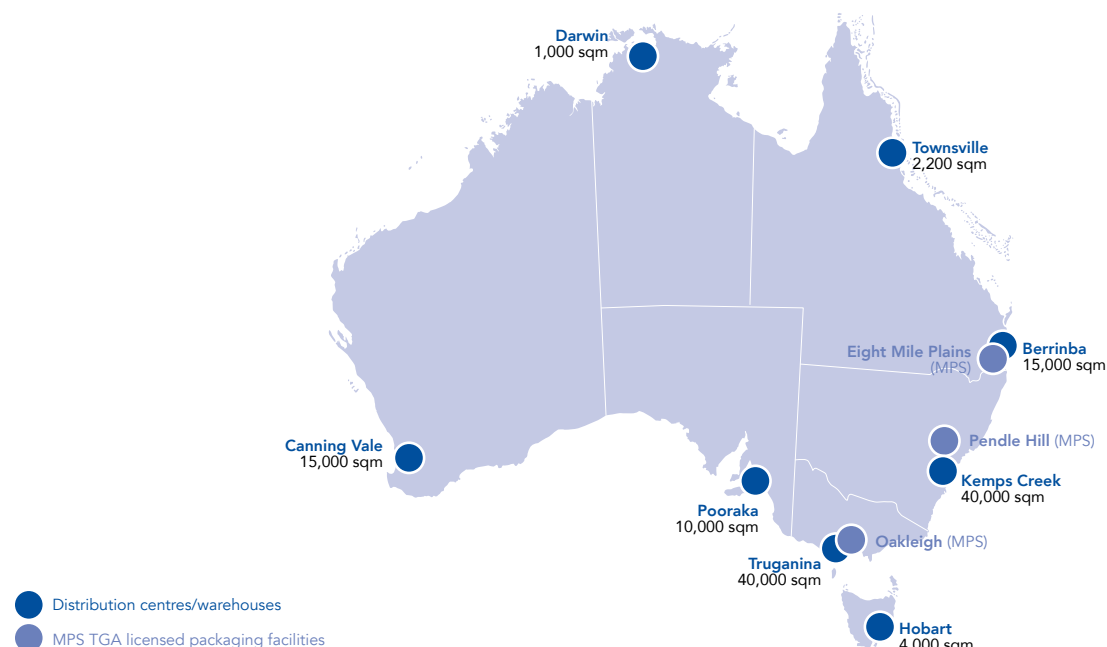
For the 12 months to 31 July 2024, Sigma derived \$3.4 billion in wholesale revenue (representing 96% of its total revenue). Sigma primarily generates wholesale revenue by buying products in bulk from pharmaceutical manufacturers and distributing them to over 3,500 pharmacies across Australia, including to Sigma Franchise Network stores and independent pharmacies.

As a full-line wholesaler, Sigma supplies a wide range of products, including prescription drugs, OTC products and FOS products (see section 5.2(b) for further details).

The PBS regulates the pricing of PBS medicines which is the reference price used when calculating the mark-up that wholesalers such as Sigma are permitted to charge for distributing PBS medicines. As a wholesaler accredited under the CSO arrangements, Sigma also earns CSO income from the Federal Government for supplying PBS medicines and National Diabetes Services Scheme products to any retail pharmacy in Australia in accordance with strict service standards and compliance requirements under its CSO obligations (see section 5.1 for further details).

Sigma's wholesale operations are supported by eight distribution centres across Australia, which are located in all States and Territories except ACT (which is serviced by the NSW network). Sigma's Canning Vale, Townsville and Truganina distribution centres are owned by Sigma, while the remaining distribution centres within its network are leased.

Figure 6: Sigma distribution centres and packing facilities⁷¹



Sigma completed a \$400 million capital investment program in 2023 focused on acquiring new distribution centre land and buildings, as well as deploying automation technology and upgraded IT systems across its distribution network. These investments have improved the operational capacity and efficiency of Sigma's wholesale activities, delivering automated distribution infrastructure to support Sigma's next phase of growth.

71. Sigma's distribution network does not include Sigma's Eastern Creek distribution centre, which Sigma is sub-leasing.

Sigma handled over 230 million units through its distribution network in the 12 months to 30 June 2024 and continues to have excess capacity to support the growth of the wholesale business following the commencement of the Sigma Supply Agreement on 1 July 2024.

Sigma's wholesale customers include the Sigma Franchise Network stores and independent pharmacies. Sigma also operates the PriceSave program, which is Sigma's wholesale offering to independent non-branded pharmacies, offering pharmacy owners improved wholesale trading terms and optional services and support tools such as training support and a customer loyalty program. PriceSave was introduced in February 2023, and has over 400 members as at 30 June 2024.

(ii) Pharmacies



(A) Sigma Franchise Network

Sigma provides a range of brand and support services to franchise retail pharmacies operating in the Sigma Franchise Network.

- **Amcal:** One of Australia's most trusted pharmacy brands with more than 85 years of heritage and 209 stores in Australia.⁷²
- **Discount Drug Stores:** A discount pharmacy brand with a mission to provide quality medicines and healthcare solutions at an affordable price, with 104 stores in Australia.⁷³

Sigma maintains and offers these franchise brands to pharmacists, and has a stated goal of growing the network to 300 Amcal members and 150 DDS members in the medium term.

Figure 7: Sigma Franchise Network

| |  Amcal Plus |  Discount Drug Stores |
|--|---|--|
| Description | An Australian pharmacy brand with a focus on expert advice and service | Discount pharmacy brand offering low prices and special offers, as well as a wide range of health services |
| Number of pharmacies⁷⁴ | 209 | 104 |
| Offering | Full-service pharmacy | Right products at the right prices |
| Brand positioning | Trusted heritage brand Quality products Operating under the tagline "For You. For Life" Expert advice and personalised tailored care Typically small to medium in size, with an average store size of approximately 204 square metres | Convenience Quality healthcare at an affordable price Operating under the tagline "More than just low prices" Typically, small to medium in size, with an average store size of approximately 226 square metres |
| Loyalty program⁷⁵ | Over 147,000 active members | Over 64,000 active members |

Pharmacies operating under the Amcal and DDS brands are owned and operated by franchisees. New franchise agreements typically run for a minimum period of five years.

Under the Sigma Franchise Network, franchisees receive a non-exclusive license to use the Amcal or DDS brand and are provided with access to a range of core services which are set out in section 8.2(e)(ii)(B).

The process of identifying new franchisees for Amcal and DDS is through enquiries from individuals and does not require referrals from existing franchisees. New Amcal and DDS franchisees are provided with a number of benefits that are set out in section 8.2(e)(ii)(B).

72. As at 30 June 2024.

73. As at 30 June 2024.

74. As at 30 June 2024.

75. Active members represents number of loyalty members that have made a purchase in the last 12 weeks to 30 June 2024.

6. Information about Sigma continued

In addition to physical sales, Amcal and DDS also operate websites – www.amcal.com.au, www.discountdrugstores.com.au – which enables customers to shop direct from participating Amcal or DDS pharmacies as set out in section 8.2(h)(ii).





In September 2022, Sigma commenced a retail brand consolidation process in order to simplify its retail strategy to focus on Amcal and DDS and seek to convert Guardian and PharmaSave stores to Amcal and DDS. Sigma closed the Guardian brand with effect from 31 January 2024. As at 30 June 2024, there were 37 PharmaSave stores. Since the commencement of the consolidation process, the Sigma Franchise Network (including the legacy PharmaSave and Guardian brands which are not included in the Sigma Franchise Network stores) has reduced from 516 (as at 30 June 2022) to 350⁷⁶ (as at 30 June 2024), with the reduction of 89 of those stores being attributable to the consolidation. Sigma also exited its joint venture with WholeLife Pharmacy and sold its 51% stake in that joint venture back to the company in 2023.

Simplifying the retail strategy has enabled Sigma to provide more support to both existing and new Amcal and DDS members through improved services and focus along with a stronger value proposition for customers.

(B) Private label products

In addition to franchise services, Sigma's operations also include supplying PEL products to pharmacies, including both Sigma Franchise Network stores and independent pharmacies. Sigma's PEL products are offered under the Pharmacy Care, Beauty Theory and Amcal brands.

Figure 8: Private and exclusive label brands

|  |  |  |  |
|--|---|---|---|
| Pharmacy Care | Beauty Theory | Amcal | Skin Theory |
| Range of over 200 ⁷⁷ prescription medicines, OTS and FOS products, including skincare, pain relief medication, vitamins, beauty, and baby products. | Range of over 100 ⁷⁸ FOS beauty and hair products, including tweezers and hairbrushes. | Range of over 110 ⁷⁹ products, including medicines and FOS products. | Products include hand wash, body wash, shampoo and conditioner. |
| Pharmacy Care products are offered to both independent pharmacies and Sigma Franchise Network stores. | Beauty Theory products are offered to both independent pharmacies and Sigma Franchise Network stores. | Amcal products are only available to Amcal franchisees. For Amcal franchisees that opt-in to receive Amcal private label products, Sigma offers rebates to franchisees that meet certain volume thresholds, ranging and planogram requirements. | Skin Theory products are offered to both independent pharmacies and Sigma Franchise Network stores. |
| It is currently planned that the Pharmacy Care brand will be replaced by the Guardian brand. | | | Skin Theory is a new brand which was launched in September 2024. |

PEL products are an important driver of value for consumers by offering an affordable alternative to branded products and represent a margin accretive growth opportunity for pharmacies and for Sigma and its pharmacy customers.⁸⁰ Sigma launched 32 new PEL products in the 6 months to 31 July 2024 and expects a further 220 products to launch in the 6 months to 31 January 2025.

(iii) Third party logistics services

Sigma utilises available capacity in its wholesale distribution network to provide third party logistics services to customers in the pharmaceutical, medical consumable, and FMCG sectors.

As part of these services, Sigma receives products from its customers which it stores and distributes in accordance with their instructions.

Sigma's third-party logistics business operates across all six Australian States, delivering service-based income to Sigma from manufacturers for bulk pallet storage and subsequent break up and distribution to wholesalers and other customers.

Sigma achieved the internationally recognised ISO 9001 Quality Accreditation across its distribution network during FY24. This accreditation validates Sigma's processes and procedures and underpins the quality of its offering to third party logistics customers.

76. As at 30 June 2024, there were 313 Sigma Franchise Network stores excluding PharmaSave and Guardian, comprising of 209 Amcal and 104 DDS stores. There are 350 stores when including PharmaSave (37 pharmacies as at 30 June 2024) and Guardian (no pharmacies).

77. As at 30 June 2024.

78. As at 30 June 2024.

79. As at 30 June 2024.

80. Sigma derived less than 1% of revenue from PEL products for the 12 months to 31 January 2024.

(iv) Other businesses

Sigma also provides medication packing services and management solutions to pharmacies and aged care providers through its 'MPS Connect' business.

Sigma also holds ~51% of the shares in NostraData Pty Ltd which supplies technology and data analytics solutions to pharmacies, wholesalers and manufacturers.

(b) Key contracts

Sigma has long-term supply agreements in place with certain of its wholesale customers. The largest of these agreements is the supply agreement with Chemist Warehouse, which provides for Sigma as the first line wholesaler to supply PBS, OTC and FOS products to Chemist Warehouse Australian Franchise Network stores for a period of 5 years commencing on 1 July 2024 (**Sigma Supply Agreement**).

Prior to the commencement of the Sigma Supply Agreement, Sigma was the first line wholesale supplier for Chemist Warehouse's FOS products. The Sigma Supply Agreement is estimated to generate a minimum of \$3 billion in revenue for the 12 months ending 30 June 2025.

(c) Sigma standalone strategy

Sigma's standalone strategy is to create long-term shareholder value through a diversified health, beauty and wellness offering. To achieve this, Sigma is focused on growing profitable market share in its wholesale business, simplifying its operations, consolidating and building its franchise brand network and diversifying its revenue streams.

The table below summarises Sigma's recent progress against its strategic objectives.

Figure 9: Sigma standalone strategy

| Strategic objective | Recent progress |
|---|--|
| Grow scale and profitable market share in Sigma's wholesale business | Secured five-year Sigma Supply Agreement which is expected to generate a minimum of \$3 billion in revenue for the 12 months ending 30 June 2025, \$2 billion of which represents new revenue for Sigma |
| Simplify Sigma's business | Disposed of hospital distribution business and other small non-core assets in 2023 |
| Consolidate and build the Sigma Franchise Network | Consolidated the Sigma Franchise Network to two primary brands (with only 37 legacy PharmaSave and no Guardian locations as at 30 June 2024) Targeting at least 300 Amcal and 150 DDS franchise pharmacies in the medium term |
| Diversify Sigma's revenue streams through expanding product offerings | 32 new PEL products launched in the 6 months to 31 July 2024, with 220 additional new PEL products planned to launch in the 6 months to 31 January 2025 |

6.4 Funding for the Transaction

If the Scheme becomes Effective, the Scheme Consideration payable to Scheme Shareholders under the Scheme will be satisfied by a combination of the payment of cash consideration (being the Scheme Cash Consideration) and the issue of New Sigma Shares (being the Scheme Share Consideration).

The maximum amount of the Scheme Cash Consideration will depend on whether there is, and the amount of, any Leakage adjustment to the Scheme Cash Consideration. Assuming there is no Leakage adjustment, the maximum amount of the Scheme Cash Consideration Sigma may be required to pay to Scheme Shareholders under the Scheme is \$700 million.

Sigma intends to fund the Scheme Cash Consideration through third party debt financing.

As noted in section 12.6, Sigma has entered into binding debt commitment letters with certain lenders under which those lenders have agreed to provide senior secured syndicated debt facilities to Sigma. The debt commitment letters will be superseded by definitive long-form documentation, including a common terms deed, syndicated facility agreement and customary security, each of which are attached to the debt commitment letter in agreed form (the **Banking Facilities**). For further information on the Banking Facilities, please refer to section 12.6.

The proceeds that will be available to Sigma under the Banking Facilities for the purpose of funding the Scheme Cash Consideration exceeds \$700 million.

6. Information about Sigma continued

The funding of the Scheme Cash Consideration under the Banking Facilities will be subject to the satisfaction of certain conditions precedent, which are customary for facilities of this kind and include:

- confirmation that:
 - completion of the acquisition of the Scheme Shares has occurred or will occur in accordance with the Merger Implementation Agreement;
 - all material authorisations required to complete the acquisition of the Scheme Shares have been obtained and all conditions precedent to implementation of the Scheme have been, or will on the date of the first drawdown under the Banking Facilities, be satisfied or waived; and
 - there has been no termination of, amendment to, or waiver under the Merger Implementation Agreement which is materially prejudicial to the interests of the lenders without their prior written consent (not to be unreasonably withheld); and
- execution of the definitive long-form credit documentation and provision of customary deliverables has occurred as described below.

It is intended that, prior to the Implementation Date, the long-form credit documentation annexed to the Debt Commitment Letter will be executed among the parties (following insertion of final administrative details and any other necessary changes), and customary deliverables will be provided to the lenders.

It is expected that these conditions will be satisfied before the Implementation Date (other than certain conditions which are intended to be satisfied concurrently with, or prior to, the first drawdown under the Banking Facilities immediately prior to the Implementation Date including the payment of fees and expenses).

The availability of the Banking Facilities is subject to the correctness of certain material representations. If all of the conditions precedent are satisfied or waived, the lenders must provide the funds for their portion of the commitment under the Banking Facilities. As at the Last Practicable Date:

- Sigma is not aware of the occurrence of any material misrepresentation or any circumstance that would lead to any material misrepresentation or which would give rise to a right to the lenders to terminate the applicable facilities; and
- Sigma is not aware of any reason why any of the conditions precedent to the Banking Facilities will not be satisfied, and is confident they will be satisfied, in time to allow payment in full of the aggregate Scheme Cash Consideration as and when due and payable under the terms of the Scheme.

On the basis of the arrangements outlined above, Sigma believes it has a reasonable basis for holding the view, and it does hold the view, that Sigma will be able to satisfy its obligations to fund the Scheme Cash Consideration as and when it is due and payable under the terms of the Scheme.

6.5 Capital structure

As at the Last Practicable Date, the capital structure of Sigma is as follows:

| Type of security | Number on issue |
|----------------------------------|-----------------|
| Fully paid ordinary shares | 1,631,866,135 |
| Performance rights | 14,232,555 |
| Total securities (fully diluted) | 1,646,098,690 |

6.6 Substantial holders in Sigma Shares

The following table shows the substantial holders of Sigma based on substantial holder notices lodged with ASX as at the Last Practicable Date:

| Name | Number of Sigma Shares | Voting power ⁸¹ | Date of substantial holder notice ⁸² |
|--------------|------------------------|----------------------------|---|
| Challenger | 121,157,064 | 7.4% | 11 November 2024 |
| Cooper | 119,834,772 | 7.3% | 6 August 2024 |
| HMC Capital | 114,464,558 | 7.0% | 3 December 2024 |
| State Street | 103,980,596 | 6.4% | 12 November 2024 |
| Greencape | 87,294,919 | 5.4% | 14 June 2024 |
| Vanguard | 81,637,483 | 5.0% | 26 March 2024 |

HMC Capital Limited (**HMC Capital**) first obtained a relevant interest in Sigma shares in June 2022. As disclosed by Sigma in its announcement of the Transaction on 11 December 2023, the position is held by HMC Capital Partners Fund I via HMC Capital Partners Holdings Pty Ltd as trustee of HMC Capital Partners Holding Trust (**HMC Capital Partners Fund 1**).

The Managing Director and Chief Executive Officer of HMC Capital, David Di Pilla, is the cousin of Mario Verrocchi, a founder, director and the CEO of Chemist Warehouse and the brother of Danielle Di Pilla, who is the Chief People Officer of Chemist Warehouse and will be appointed to the Merged Group board along with Mario Verrocchi.

Dr Chris Roberts AO was appointed to the board and investment committee of HMC Capital Partners Fund 1 shortly after it acquired its position in Sigma and, before the Merger Implementation Agreement for the Transaction was signed, Dr Roberts was appointed to the Sigma Board as nominee of HMC Capital. However, Dr Roberts was not party to the discussions that led to the Transaction. On 27 November 2024, Dr Roberts was appointed a non-executive director of HMC Capital.

81. Voting power as disclosed in the most recent substantial holder notices lodged with ASX as at the Last Practicable Date, rounded to 1 decimal place.

82. As set out in the substantial holder notice lodged with ASX.

Sigma has been informed by HMC Capital that, at the time of its initial investment, HMC Capital saw Sigma shares as undervalued, in particular not reflecting the investments by Sigma in its logistics and distribution capability.

In May 2023, HMC Capital (both its own management team and its advisors) began developing its thinking regarding the Transaction. This thinking included the commercial logic of the combination of Sigma and Chemist Warehouse, the manner in which the Transaction could be structured and executed, and how it compared to other transactions Chemist Warehouse could potentially pursue, including a potential initial public offering and ASX listing as a standalone entity.

HMC Capital presented the idea of the Transaction to Chemist Warehouse in August 2023, and to Sigma at the end of that month.

From that point, Sigma and Chemist Warehouse began the steps of evaluating and ultimately pursuing the Transaction. HMC Capital acted as strategic adviser to Sigma (on a no fee basis), which involved:

- attending some (but not all) meetings between the Transaction parties;
- engaging with advisors to both Sigma and Chemist Warehouse; and
- in addition to Sigma's financial adviser, Goldman Sachs, providing transaction advice to Sigma, including in relation to Transaction structure and terms.

Sigma has been informed by HMC Capital that HMC Capital Partners Fund I intends to vote all of the Sigma shares that it holds at the date of the Meeting in favour of the Resolutions at the Meeting, in the absence of a superior proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.

The Sigma Board were drawn to the commercial logic of the combination of Sigma and Chemist Warehouse when the idea of the Transaction was raised with them and, while the Sigma Board was not actively seeking any corporate transaction at that time, considered the Transaction to provide a unique opportunity to unlock potential benefits for Sigma Shareholders which were not expected to be available under any viable alternative transactions. Refer to Section 4 for a summary of what the Sigma Board considered to be the advantages of the Transaction (which were considered to outweigh the disadvantages of the Transaction, which are also outlined in that section). After the Sigma Board formed that view, as outlined above, Sigma and Chemist Warehouse began the process of evaluating, developing and ultimately pursuing the Transaction which, together with the advisers acting for Sigma and Chemist Warehouse, representatives of HMC Capital were involved in.

6.7 Sigma share price performance

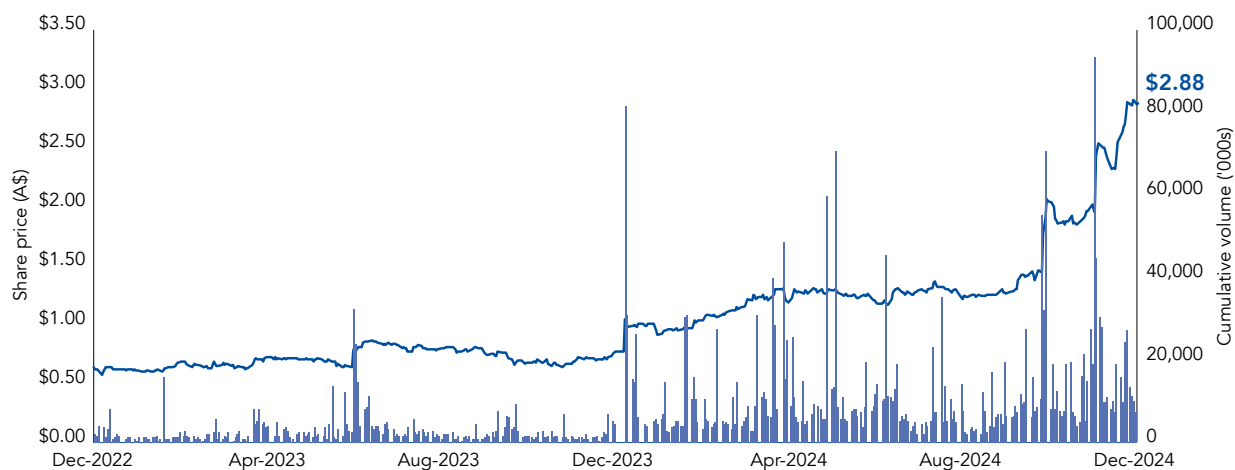
Sigma Shares are quoted on the ASX under the code 'SIG'.

On 6 December 2023, the last trading day before Sigma's shares were placed in trading halt prior to the announcement made by Sigma to the ASX on 11 December 2023 that it had entered into the Merger Implementation Agreement to merge with Chemist Warehouse, the Sigma share price last traded at \$0.7625. On 13 December 2023, the first trading day post the announcement of Sigma's entry into the Merger Implementation Agreement and lifting of the trading halt, the Sigma share price closed at \$1.0400. The closing price on 6 December 2024, being the Last Practicable Date, was \$2.8800. From the first trading day after the announcement of the Transaction to the Last Practicable Date, the closing price of Sigma Shares has ranged between \$0.9100 and \$2.9100.

During the three months ending on the Last Practicable Date:

- The highest recorded daily closing price for Sigma Shares on the ASX was \$2.9100 on 3 December 2024.
- The lowest recorded daily closing price for Sigma Shares on the ASX was \$1.2750 on 10 September 2024.
- The three-month VWAP was \$2.1113 for Sigma Shares on the ASX.

The following graph depicts the closing Sigma share price over the 24 months up to and including the Last Practicable Date.



The current price of Sigma Shares on the ASX (ASX: SIG) can be obtained from the ASX website (www.asx.com.au).

6. Information about Sigma continued

6.8 Historical financial information

(a) Overview

This section 6.8 contains the following statutory Sigma Historical Financial Information:

- Sigma historical consolidated statements of profit or loss for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, and the half years ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024;
- Sigma historical consolidated statements of profit or loss for the years ended 31 July 2022, 31 July 2023 and 31 July 2024;

(together, the **Sigma Historical Income Statements**);

- Sigma historical consolidated cash flow information for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, and the half years ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024;
- Sigma historical consolidated cash flow information for the years ended 31 July 2022, 31 July 2023 and 31 July 2024;

(together, **Sigma Historical Statements of Cash Flows**); and

- Sigma historical consolidated statement of financial position as at 31 July 2024 (**Sigma Historical Statement of Financial Position**),

(together, the **Sigma Historical Financial Information**).

The information in this section 6.8 should be read in conjunction with the risk factors set out in section 11, Sigma's consolidated financial statements, including all notes to the consolidated financial statements and a description of Sigma's significant accounting policies which are available on Sigma's website at <https://investorcentre.sigmahhealthcare.com.au/> or on the ASX (www.asx.com.au) and other information contained in this Explanatory Memorandum.

All amounts disclosed in this section 6.8 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million. Rounding in the historical financial information may result in some immaterial differences between the components and the total percentage calculations outlined within the figures and commentary.

(b) Basis of preparation and presentation of the Sigma Historical Financial Information

The Sigma Directors are responsible for the Sigma Historical Financial Information.

The Sigma Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in AAS issued by the AASB, which are consistent with the IFRS and interpretations issued by the IASB.

The Sigma Historical Financial Information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to financial reports prepared in accordance with the Corporations Act.

The Sigma Historical Financial Information has been extracted from the following:

- the consolidated financial statements of Sigma for the financial years ended 31 January 2022 (as extracted from the consolidated financial statements for the year ended 31 January 2023), the financial year ended 31 January 2023 (as extracted from the consolidated financial statements for the financial year ended 31 January 2024) and the year ended 31 January 2024.
- the consolidated financial statements of Sigma for the half years ended 31 July 2021 (as extracted from the consolidated financial statements for the half year ended 31 July 2022), the half year ended 31 July 2022 (as extracted from the consolidated financial statements for the half year ended 31 January 2023), the half year ended 31 July 2023 (as extracted from the consolidated financial statements for the half year ended 31 July 2024) and the half year ended 31 July 2024.

The consolidated financial statements of Sigma for the financial years ended 31 January 2022, 31 January 2023 and 31 January 2024 were audited by Deloitte in accordance with Australian Auditing Standards, and Deloitte have provided unqualified audit opinions on these financial statements. The consolidated financial statements of Sigma for the half years ended 31 July 2022, 31 July 2023 and 31 July 2024 (including the comparative financial statements for the half year ended 31 July 2021, 31 July 2022 and 31 July 2023) were reviewed by Deloitte in accordance with Australian Auditing Standards, and Deloitte have provided unqualified review reports on these financial statements. The historical financial information of Sigma has been prepared in accordance with the significant accounting policies described in the consolidated financial statements of Sigma for the financial year ended 31 January 2024.

(c) Sigma Historical Income Statements

Set out below are the Sigma Historical Income Statements for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, and for the half years ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024.

Figure 10: Sigma Historical Income Statements for the years ended 31 January 2022, 31 January 2023 and 31 January 2024

| \$m | 12 months ended 31 January 2022 | 12 months ended 31 January 2023 | 12 months ended 31 January 2024 |
|---|------------------------------------|------------------------------------|------------------------------------|
| Sales revenue | 3,446.2 | 3,660.2 | 3,322.1 |
| Cost of goods sold | (3,208.2) | (3,405.8) | (3,103.9) |
| Gross profit | 237.9 | 254.4 | 218.1 |
| Other revenue | 103.3 | 101.7 | 95.2 |
| Other expense | (1.6) | (6.5) | – |
| Warehousing and delivery expenses | (154.9) | (161.6) | (134.6) |
| Sales and marketing expenses | (61.7) | (48.8) | (38.6) |
| Administration expenses | (93.0) | (82.6) | (88.6) |
| Impairment expense | – | (7.0) | – |
| Depreciation and amortisation | (27.7) | (30.3) | (28.3) |
| Profit before financing costs and tax expense (EBIT) | 2.3 | 19.3 | 23.2 |
| Finance income | 0.2 | 0.6 | 1.7 |
| Finance costs | (10.8) | (14.4) | (16.3) |
| Net finance costs | (10.6) | (13.8) | (14.6) |
| Profit before income tax | (8.3) | 5.5 | 8.6 |
| Income tax expense | 2.0 | (2.4) | (3.3) |
| Profit for the year after tax | (6.3) | 3.0 | 5.3 |
| (Profit)/Loss attributable to non-controlling interests | (0.9) | (1.2) | (0.8) |
| Profit attributable to owners of Sigma | (7.2) | 1.8 | 4.5 |

Figure 11: Sigma half year Historical Income Statements for the half years ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024

| \$m | 6 months ended 31 July 2021 | 6 months ended 31 July 2022 | 6 months ended 31 July 2023 | 6 months ended 31 July 2024 |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Sales revenue | 1,732.6 | 1,836.1 | 1,681.8 | 1,840.3 |
| Cost of goods sold | (1,614.7) | (1,704.5) | (1,571.5) | (1,720.4) |
| Gross profit | 117.9 | 131.6 | 110.2 | 119.9 |
| Other revenue | 52.1 | 50.4 | 53.5 | 40.2 |
| Other expense | (1.7) | (4.9) | – | – |
| Warehousing and delivery expenses | (72.8) | (80.7) | (70.4) | (70.5) |
| Sales and marketing expenses | (29.0) | (26.8) | (18.6) | (22.1) |
| Administration expenses | (48.8) | (41.0) | (38.0) | (47.5) |
| Impairment expense | – | (7.9) | – | – |
| Depreciation and amortisation | (13.3) | (15.3) | (14.3) | (13.1) |
| Profit before financing costs and tax expense (EBIT) | 4.4 | 5.4 | 22.4 | 6.9 |
| Finance income | 0.1 | 0.1 | 0.6 | 7.1 |
| Finance costs | (5.2) | (6.5) | (9.0) | (5.8) |
| Net finance costs | (5.1) | (6.3) | (8.3) | 1.3 |
| Profit before income tax | (0.7) | (0.9) | 14.1 | 8.1 |
| Income tax expense | (0.1) | 0.1 | (2.4) | (3.9) |
| Profit for the year after tax | (0.8) | (0.8) | 11.7 | 4.2 |
| (Profit)/Loss attributable to non-controlling interests | (0.5) | (0.7) | (0.5) | (0.5) |
| Profit attributable to owners of Sigma | (1.3) | (1.5) | 11.2 | 3.7 |

6. Information about Sigma continued

(d) Sigma Historical Statements of Cash Flows

Set out below are the Sigma Historical Statements of Cash Flows for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, and for the half years ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024.

Figure 12: Sigma Historical Statements of Cash Flows for the years ended 31 January 2022, 31 January 2023 and 31 January 2024

| \$m | 12 months ended 31 January 2022 | 12 months ended 31 January 2023 | 12 months ended 31 January 2024 |
|--|------------------------------------|------------------------------------|------------------------------------|
| Cash flows from operating activities | | | |
| Profit before financing costs and tax expense (EBIT) | 2.3 | 19.3 | 23.2 |
| Net interest and other finance costs paid and received | (10.6) | (13.8) | (14.6) |
| Income tax paid | (12.3) | (9.7) | 0.3 |
| Depreciation and amortisation | 27.7 | 30.3 | 28.3 |
| Other non-cash items | 1.9 | 15.5 | (8.0) |
| Change in assets and liabilities | (61.9) | 94.5 | 12.6 |
| Cash flows from operating activities | (52.9) | 136.0 | 42.0 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment, software and intangibles | (14.2) | (29.4) | (4.7) |
| Proceeds from sale of a subsidiary, net of cash disposed | – | 0.4 | – |
| Proceeds from sales of financial assets | (2.4) | 0.3 | 1.5 |
| Proceeds from sale of property, plant and equipment | – | 0.1 | 8.9 |
| Cash flows from investing activities | (16.6) | (28.6) | 5.7 |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | – | – | 394.3 |
| Net proceeds/(repayment) of loans | 165.0 | (85.0) | (80.0) |
| Repayment of principal component of lease liabilities | (9.8) | (10.1) | (9.5) |
| Proceeds from employee shares exercised | 0.2 | 0.9 | 1.8 |
| Cash flows from financing activities | 155.4 | (94.2) | 306.6 |
| Movement in net cash before dividends | 85.9 | 13.1 | 354.3 |
| Dividends paid – Sigma | (19.9) | (15.0) | (10.0) |
| Dividends paid – non-controlling | – | (1.0) | (0.8) |
| Movement in net cash | 66.0 | (2.8) | 343.5 |

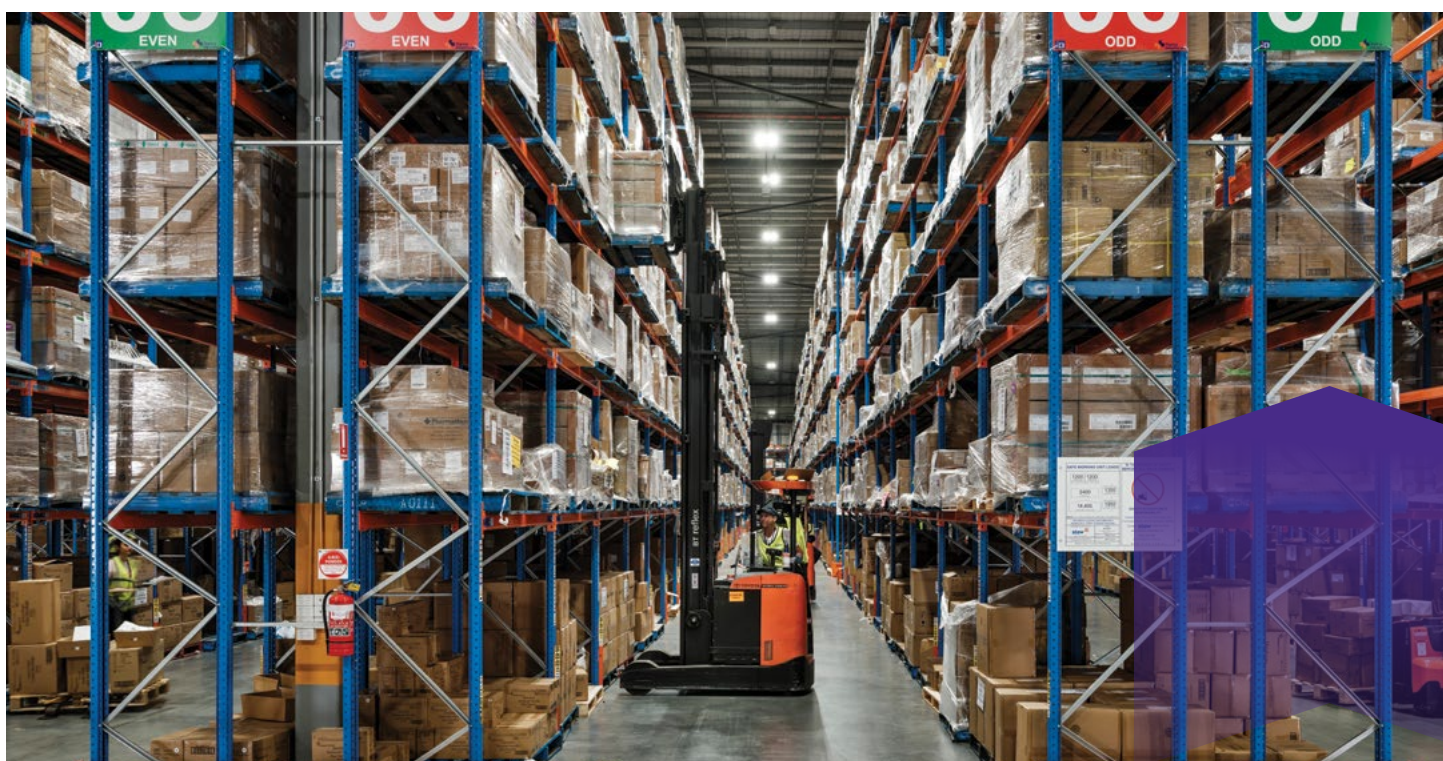
Note: 'Other non-cash items' includes the gain or loss on the sale of assets, impairment expenses and share-based payments expenses.



Figure 13: Sigma half-year Historical Statements of Cash Flows for the half years ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024

| \$m | 6 months ended 31 July 2021 | 6 months ended 31 July 2022 | 6 months ended 31 July 2023 | 6 months ended 31 July 2024 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Cash flows from operating activities | | | | |
| Profit before financing costs and tax expense (EBIT) | 4.4 | 5.4 | 22.4 | 6.9 |
| Net interest and other finance costs paid and received | (5.1) | (6.3) | (8.3) | 1.3 |
| Income tax paid | (8.0) | (6.5) | (2.0) | (2.1) |
| Depreciation and amortisation | 13.3 | 15.3 | 14.3 | 13.1 |
| Other non-cash items | 2.4 | 14.3 | (7.7) | 1.2 |
| Change in assets and liabilities | (19.4) | 72.6 | (23.8) | (127.8) |
| Cash flows from operating activities | (12.4) | 94.7 | (5.1) | (107.4) |
| Cash flows from investing activities | | | | |
| Payments for property, plant and equipment, software and intangibles | (4.3) | (15.1) | (1.2) | (2.1) |
| Proceeds from sale of a subsidiary, net of cash disposed | – | – | – | – |
| Proceeds from sales of financial assets | (0.6) | – | – | – |
| Proceeds from sale of property, plant and equipment | – | – | 0.6 | – |
| Cash flows from investing activities | (5.0) | (15.1) | (0.6) | (2.1) |
| Cash flows from financing activities | | | | |
| Proceeds from issue of shares | – | – | – | – |
| Net proceeds/(repayment) of loans | 40.0 | (70.0) | – | – |
| Repayment of principal component of lease liabilities | (4.7) | (5.3) | (4.9) | (5.0) |
| Proceeds from employee shares exercised | 0.3 | 0.3 | 1.2 | 0.7 |
| Cash flows from financing activities | 35.6 | (75.0) | (3.7) | (4.3) |
| Movement in net cash before dividends | 18.2 | 4.5 | (9.4) | (113.8) |
| Dividends paid – Sigma | (10.0) | (10.0) | (5.0) | (7.9) |
| Dividends paid – non-controlling | – | (1.0) | (0.8) | (0.6) |
| Movement in net cash | 8.2 | (6.4) | (15.2) | (122.3) |

Note: 'Other non-cash items' includes the gain or loss on the sale of assets, impairment expenses and share-based payments expenses.



6. Information about Sigma continued

(e) Sigma Historical Statement of Financial Position

Set out below is the Sigma Historical Statement of Financial Position as at 31 July 2024.

Figure 14: Sigma Historical Statement of Financial Position as at 31 July 2024

| \$m | As at 31 July 2024 |
|--------------------------------------|-------------------------------|
| Current assets | |
| Cash and cash equivalents | 234.2 |
| Trade and other receivables | 589.0 |
| Inventories | 372.7 |
| Income tax receivable | 5.6 |
| Prepayments | 10.4 |
| Other current assets | 4.8 |
| Assets held for sale | 6.6 |
| Total current assets | 1,223.4 |
| Non current assets | |
| Trade and other receivables | 10.8 |
| Property, plant and equipment | 183.9 |
| Goodwill and other intangible assets | 109.4 |
| Right of use assets | 83.9 |
| Other financial assets | 15.7 |
| Other non-current assets | 18.8 |
| Net deferred tax assets | 56.9 |
| Total non-current assets | 479.4 |
| Total assets | 1,702.8 |
| Current liabilities | |
| Bank overdraft | – |
| Trade and other payables | 675.4 |
| Lease liabilities | 13.3 |
| Provisions | 10.1 |
| Deferred income | 0.7 |
| Other current liabilities | 1.5 |
| Liabilities held for sale | 0.5 |
| Total current liabilities | 701.5 |
| Non-current liabilities | |
| Borrowings | – |
| Lease liabilities | 124.3 |
| Other non-current liabilities | – |
| Provisions | 5.2 |
| Total non-current liabilities | 129.5 |
| Total liabilities | 831.0 |
| Net assets | 871.7 |
| Equity | |
| Contributed equity | 1,638.4 |
| Reserves | 5.3 |
| Accumulated losses | (773.7) |
| Non-controlling interests | 1.8 |
| Total equity | 871.7 |

(f) Basis of Preparation of the Sigma Historical Financial Information for the years ended 31 July

Presented within this section 6.8 is the Sigma Historical Income Statements and the Sigma Historical Statement of Cash Flows for the years ended 31 July 2022, 31 July 2023 and 31 July 2024. This information has been compiled and derived from:

- the year ended 31 January 2022 less the half year ended 31 July 2021 plus the half year ended 31 July 2022;
- the year ended 31 January 2023 less the half year ended 31 July 2022 plus the half year ended 31 July 2023; and
- the year ended 31 January 2024 less the half year ended 31 July 2023 plus the half year ended 31 July 2024.

The Sigma Historical Income Statements and the Sigma Historical Statement of Cash Flows for the years ended 31 July 2022, 31 July 2023 and 31 July 2024 adopt a presentation and category naming convention that is different to that of the Chemist Warehouse Historical Financial Information. Therefore, in order to present the Sigma Historical Income Statements and the Sigma Historical Statement of Cash Flows for the years ended 31 July 2022, 31 July 2023 and 31 July 2024, Sigma's Historical Income Statements and Sigma's Historical Statements of Cash Flows have been remapped to be presented on a basis consistent with the Chemist Warehouse financial disclosures. This remapping process changes the name of the income statement, cash flow statement or balance sheet line item in which figures are reported but has no net impact on EBIT, profit after income tax expense, net cash flows or net assets.

The remapping process principally had the following impacts to the Sigma Historical Income Statements as reflected in the 'Remapped' column:

- CSO income has been remapped from other income to revenue; and
- depreciation and amortisation has been allocated between warehousing and distribution expenses and administration and general expenses.

(g) Sigma Historical Income Statements for the years ended 31 July

Set out below are the underlying calculations utilised to derive the Sigma Historical Income Statements for the years ended 31 July 2022, 31 July 2023 and 31 July 2024.

Figure 15: Sigma Historical Income Statement for the year ended 31 July 2024

| \$m | 12 months ended 31 January 2024 | Less: 6 months ended 31 July 2023 | Plus: 6 months ended 31 July 2024 | 12 months ended 31 July 2024 | Remapped 12 months ended 31 July 2024 |
|---|------------------------------------|---|---|------------------------------------|---|
| Revenue | 3,322.1 | 1,681.8 | 1,840.3 | 3,480.6 | 3,496.6 |
| Cost of sales | (3,103.9) | (1,571.5) | (1,720.4) | (3,252.8) | (3,263.0) |
| Gross profit | 218.1 | 110.2 | 119.9 | 227.8 | 233.6 |
| Other income | 95.2 | 53.5 | 40.2 | 81.9 | 76.3 |
| Other expense | – | – | – | – | – |
| Operating expenses | | | | | |
| Warehousing and distribution expenses | (134.6) | (70.4) | (70.5) | (134.7) | (153.4) |
| Marketing and sales expenses | (38.6) | (18.6) | (22.1) | (42.1) | (44.0) |
| Administration and general expenses | (88.6) | (38.0) | (47.5) | 98.2) | (104.8) |
| Depreciation and amortisation | (28.3) | (14.3) | (13.1) | (27.1) | – |
| Operating expenses | (290.1) | (141.3) | (153.3) | (302.0) | (302.2) |
| EBIT | 23.2 | 22.4 | 6.9 | 7.7 | 7.7 |
| Net finance costs | (14.6) | (8.3) | 1.3 | (5.0) | (5.0) |
| Profit before income tax expense | 8.6 | 14.1 | 8.1 | 2.7 | 2.7 |
| Income tax expense | (3.3) | (2.4) | (3.9) | (4.9) | (4.9) |
| Profit after income tax expense | 5.3 | 11.7 | 4.2 | (2.1) | (2.1) |
| (Profit)/Loss attributable to non-controlling interests | (0.8) | (0.5) | (0.5) | (0.9) | (0.9) |
| Profit attributable to owners of Sigma | 4.5 | 11.2 | 3.7 | (3.0) | (3.0) |

Note: Other income includes items named 'Other revenue' and 'impairment expense' in the Sigma Historical Income Statements included in Figure 10 and Figure 11.

6. Information about Sigma continued

Figure 16: Sigma Historical Income Statement for the year ended 31 July 2023

| \$m | 12 months ended 31 January 2023 | Less: 6 months ended 31 July 2022 | Plus: 6 months ended 31 July 2023 | 12 months ended 31 July 2023 | Remapped 12 months ended 31 July 2023 |
|---|------------------------------------|---|---|---------------------------------|---|
| Revenue | 3,660.2 | 1,836.1 | 1,681.8 | 3,505.9 | 3,526.2 |
| Cost of sales | (3,405.8) | (1,704.5) | (1,571.5) | (3,272.8) | (3,284.5) |
| Gross profit | 254.4 | 131.6 | 110.2 | 233.1 | 241.7 |
| Other income | 94.7 | 42.5 | 53.5 | 105.7 | 95.4 |
| Other expense | (6.5) | (4.9) | – | (1.6) | – |
| Operating expenses | | | | | |
| Warehousing and distribution expenses | (161.6) | (80.7) | (70.4) | (151.3) | (172.9) |
| Marketing and sales expenses | (48.8) | (26.8) | (18.6) | (40.5) | (46.2) |
| Administration and general expenses | (82.6) | (41.0) | (38.0) | (79.6) | (81.7) |
| Depreciation and amortisation | (30.3) | (15.3) | (14.3) | (29.4) | – |
| Operating expenses | (323.3) | (163.8) | (141.3) | (300.9) | (300.8) |
| EBIT | 19.3 | 5.4 | 22.4 | 36.3 | 36.3 |
| Net finance costs | (13.8) | (6.3) | (8.3) | (15.8) | (15.8) |
| Profit before income tax expense | 5.5 | (0.9) | 14.1 | 20.5 | 20.5 |
| Income tax expense | (2.4) | 0.1 | (2.4) | (4.9) | (4.9) |
| Profit after income tax expense | 3.0 | (0.8) | 11.7 | 15.5 | 15.5 |
| (Profit)/Loss attributable to non-controlling interests | (1.2) | (0.7) | (0.5) | (1.0) | (1.0) |
| Profit attributable to owners of Sigma | 1.8 | (1.5) | 11.2 | 14.5 | 14.5 |

Note: Refer to Figure 15 note.

Figure 17: Sigma Historical Income Statement for the year ended 31 July 2022

| \$m | 12 months ended 31 January 2022 | Less: 6 months ended 31 July 2021 | Plus: 6 months ended 31 July 2022 | 12 months ended 31 July 2022 | Remapped 12 months ended 31 July 2022 |
|---|------------------------------------|---|---|---------------------------------|---|
| Revenue | 3,446.2 | 1,732.6 | 1,836.1 | 3,549.6 | 3,569.9 |
| Cost of sales | (3,208.2) | (1,614.7) | (1,704.5) | (3,298.1) | (3,309.1) |
| Gross profit | 237.9 | 117.9 | 131.6 | 251.6 | 260.8 |
| Other income | 103.3 | 52.1 | 42.5 | 93.7 | 77.6 |
| Other expense | (1.6) | (1.7) | (4.9) | (4.8) | – |
| Operating expenses | | | | | |
| Warehousing and distribution expenses | (154.9) | (72.8) | (80.7) | (162.8) | (174.8) |
| Marketing and sales expenses | (61.7) | (29.0) | (26.8) | (59.5) | (52.1) |
| Administration and general expenses | (93.0) | (48.8) | (41.0) | (85.2) | (108.2) |
| Depreciation and amortisation | (27.7) | (13.3) | (15.3) | (29.6) | – |
| Operating expenses | (337.3) | (163.9) | (163.8) | (337.1) | (335.1) |
| EBIT | 2.3 | 4.4 | 5.4 | 3.3 | 3.3 |
| Net finance costs | (10.6) | (5.1) | (6.3) | (11.8) | (11.8) |
| Profit before income tax expense | (8.3) | (0.7) | (0.9) | (8.5) | (8.5) |
| Income tax expense | 2.0 | (0.1) | 0.1 | 2.2 | 2.2 |
| Profit after income tax expense | (6.3) | (0.8) | (0.8) | (6.4) | (6.4) |
| (Profit)/Loss attributable to non-controlling interests | (0.9) | (0.5) | (0.7) | (1.1) | (1.1) |
| Profit attributable to owners of Sigma | (7.2) | (1.3) | (1.5) | (7.4) | (7.4) |

Notes:

1. 'Cost of sales' and 'Other income' for the 6 months ended 31 July 2021 have been adjusted to reflect the change in classification of certain supplier income consistent with the accounts prepared for the 12 months ended 31 January 2022.
2. Refer to Figure 15 note.

(h) Sigma Historical Statement of Cash Flows for the years ended 31 July

Set out below are the underlying calculations utilised to derive the Sigma Historical Statements of Cash Flows for the years ended 31 July 2022, 30 July 2023 and 30 July 2024.

Figure 18: Sigma Historical Statement of Cash Flows for the year ended 31 July 2024

| \$m | 12 months ended 31 January 2024 | Less: 6 months ended 31 July 2023 | Plus: 6 months ended 31 July 2024 | 12 months ended 31 July 2024 |
|--|------------------------------------|---|---|---------------------------------|
| Cash flows from operating activities | | | | |
| EBIT | 23.2 | 22.4 | 6.9 | 7.7 |
| Net interest and other finance costs paid and received | (14.6) | (8.3) | 1.3 | (5.0) |
| Income tax paid | 0.3 | (2.0) | (2.1) | 0.3 |
| Depreciation and amortisation | 28.3 | 14.3 | 13.1 | 27.1 |
| Other non-cash items | (8.0) | (7.7) | 1.2 | 0.9 |
| Movement in working capital | 12.6 | (23.8) | (127.8) | (91.3) |
| Cash flows from operating activities | 42.0 | (5.1) | (107.4) | (60.3) |
| Cash flows from investing activities | | | | |
| Payments for property, plant and equipment, software and intangibles | (4.7) | (1.2) | (2.1) | (5.7) |
| Proceeds from sale of a subsidiary, net of cash disposed | – | – | – | – |
| Proceeds from sales of financial assets | 1.5 | – | – | 1.5 |
| Proceeds from sale of property, plant and equipment and intangibles | 8.9 | 0.6 | – | 8.4 |
| Cash flows from investing activities | 5.7 | (0.6) | (2.1) | 4.2 |
| Cash flows from financing activities | | | | |
| Proceeds from issue of shares | 394.3 | – | – | 394.3 |
| Proceeds from loans | 725.0 | 565.0 | – | 160.0 |
| Repayments of loans | (805.0) | (565.0) | – | (240.0) |
| Principal elements of lease payments | (9.5) | (4.9) | (5.0) | (9.6) |
| Proceeds from employee shares exercised | 1.8 | 1.2 | 0.7 | 1.3 |
| Cash flows from financing activities | 306.6 | (3.7) | (4.3) | 306.0 |
| Movement in net cash before dividends | 354.3 | (9.4) | (113.8) | 249.9 |
| Dividends paid – Sigma | (10.0) | (5.0) | (7.9) | (12.9) |
| Dividends paid – non-controlling | (0.8) | (0.8) | (0.6) | (0.6) |
| Movement in net cash after dividends | 343.5 | (15.2) | (122.3) | 236.4 |

Note: 'Other non-cash items' and 'Principal elements of lease payments' have been reclassified for the 6 months ended 31 July 2023 to reflect the change in classification of interest expense on leases from a financing cash flow to an operating cash flow. This change is consistent with the accounts prepared for the 12 months ended 31 January 2024.

6. Information about Sigma continued

Figure 19: Sigma Historical Statement of Cash Flows for the year ended 31 July 2023

| \$m | 12 months ended 31 January 2023 | Less: 6 months ended 31 July 2022 | Plus: 6 months ended 31 July 2023 | 12 months ended 31 July 2023 |
|--|------------------------------------|---|---|---------------------------------|
| Cash flows from operating activities | | | | |
| EBIT | 19.3 | 5.4 | 22.4 | 36.3 |
| Net interest and other finance costs paid and received | (13.8) | (6.3) | (8.3) | (15.8) |
| Income tax paid | (9.7) | (6.5) | (2.0) | (5.2) |
| Depreciation and amortisation | 30.3 | 15.3 | 14.3 | 29.4 |
| Other non-cash items | 15.5 | 14.3 | (7.7) | (6.5) |
| Movement in working capital | 94.5 | 72.6 | (23.8) | (1.9) |
| Cash flows from operating activities | 136.0 | 94.7 | (5.1) | 36.2 |
| Cash flows from investing activities | | | | |
| Payments for property, plant and equipment, software and intangibles | (29.4) | (15.1) | (1.2) | (15.4) |
| Proceeds from sale of a subsidiary, net of cash disposed | 0.4 | – | – | 0.4 |
| Proceeds from sales of financial assets | 0.3 | – | – | 0.3 |
| Proceeds from sale of property, plant and equipment and intangibles | 0.1 | – | 0.6 | 0.6 |
| Cash flows from investing activities | (28.6) | (15.1) | (0.6) | (14.1) |
| Cash flows from financing activities | | | | |
| Proceeds from issue of shares | – | – | – | – |
| Proceeds from loans | 385.0 | – | 565.0 | 950.0 |
| Repayments of loans | (470.0) | (70.0) | (565.0) | (965.0) |
| Principal elements of lease payments | (10.1) | (5.3) | (4.9) | (9.7) |
| Proceeds from employee shares exercised | 0.9 | 0.3 | 1.2 | 1.8 |
| Cash flows from financing activities | (94.2) | (75.0) | (3.7) | (22.9) |
| Movement in net cash before dividends | 13.1 | 4.5 | (9.4) | (0.8) |
| Dividends paid – Sigma | (15.0) | (10.0) | (5.0) | (10.0) |
| Dividends paid – non-controlling | (1.0) | (1.0) | (0.8) | (0.8) |
| Movement in net cash after dividends | (2.8) | (6.4) | (15.2) | (11.6) |

Note: Refer to Figure 18 note. The same reclassification has been made for the 6 months ended 31 July 2022.

Figure 20: Sigma Historical Statement of Cash Flows for the year ended 31 July 2022

| \$m | 12 months ended 31 January 2022 | Less: 6 months ended 31 July 2021 | Plus: 6 months ended 31 July 2022 | 12 months ended 31 July 2022 |
|--|------------------------------------|---|---|---------------------------------|
| Cash flows from operating activities | | | | |
| EBIT | 2.3 | 4.4 | 5.4 | 3.3 |
| Net interest and other finance costs paid and received | (10.6) | (5.1) | (6.3) | (11.8) |
| Income tax paid | (12.3) | (8.0) | (6.5) | (10.8) |
| Depreciation and amortisation | 27.7 | 13.3 | 15.3 | 29.6 |
| Other non-cash items | 1.9 | 2.4 | 14.3 | 13.8 |
| Movement in working capital | (61.9) | (19.4) | 72.6 | 30.1 |
| Cash flows from operating activities | (52.9) | (12.4) | 94.7 | 54.2 |
| Cash flows from investing activities | | | | |
| Payments for property, plant and equipment, software and intangibles | (14.2) | (4.3) | (15.1) | (25.0) |
| Proceeds from sale of a subsidiary, net of cash disposed | – | – | – | – |
| Payments to acquire financial assets | (2.4) | (0.6) | – | (1.7) |
| Proceeds from sale of property, plant and equipment and intangibles | – | – | – | – |
| Cash flows from investing activities | (16.6) | (5.0) | (15.1) | (26.7) |
| Cash flows from financing activities | | | | |
| Proceeds from issue of shares | – | – | – | – |
| Proceeds from loans | 165.0 | 40.0 | – | 125.0 |
| Repayments of loans | – | – | (70.0) | (70.0) |
| Principal elements of lease payments | (9.8) | (4.7) | (5.3) | (10.4) |
| Proceeds from employee shares exercised | 0.2 | 0.3 | 0.3 | 0.2 |
| Cash flows from financing activities | 155.4 | 35.6 | (75.0) | 44.8 |
| Movement in net cash before dividends | 85.9 | 18.2 | 4.5 | 72.3 |
| Dividends paid – Sigma | (19.9) | (10.0) | (10.0) | (19.9) |
| Dividends paid – non-controlling | – | – | (1.0) | (1.0) |
| Movement in net cash after dividends | 66.0 | 8.2 | (6.4) | 51.4 |

Note: Refer to Figure 18 note. The same reclassification has been made for the 6 months ended 31 July 2021 and the 12 months ended 31 January 2022.

(i) Management Discussion and Analysis

Refer to section 9.13 and section 9.14 for Management Discussion and Analysis of the Merged Group Pro Forma Historical Financial Information of which the Sigma Historical Financial Information is included within.

6.9 Material changes in financial position

Within the knowledge of the Sigma Board, as at the Last Practicable Date, the financial position of Sigma has not materially changed since 31 July 2024, being the latest date of the statement of financial position for Sigma as disclosed in its half year report for the half year ending 31 July 2024.

6.10 Publicly available information about Sigma

Sigma is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, Sigma is subject to the Listing Rules which require (subject to some exceptions) continuous disclosure of any information that Sigma has that a reasonable person would expect to have a material effect on the price or value of Sigma Shares.

In addition, Sigma is required to maintain periodic disclosure (including yearly and half yearly financial statements) with ASIC in accordance with the Corporations Act and ASX in accordance with the Listing Rules.

Information disclosed to ASX by Sigma is available on ASX's website at www.asx.com.au and Sigma's website at <https://sigmahealthcare.com.au/>. Copies of documents lodged with ASIC by Sigma may be obtained from an ASIC office or ASIC's website at www.asic.gov.au.

7. Information about Chemist Warehouse

This section 7 has been prepared by Chemist Warehouse. The information concerning Chemist Warehouse and the intentions, views and opinions contained in this section 7 are the responsibility of Chemist Warehouse. Sigma and its officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

7.1 About Chemist Warehouse

Chemist Warehouse is a leading Australian retail pharmacy franchisor and owns the 'Chemist Warehouse' and 'My Chemist' pharmacy franchise brands.

Chemist Warehouse's principal activities in Australia consist of the provision of intellectual property and support services as well as the supply of goods to a network of franchised pharmacies. Chemist Warehouse supports 567 franchised retail pharmacies in Australia (the **Chemist Warehouse Australian Franchise Network**).⁸³ It also partly owns 50 retail pharmacies in New Zealand, 10 retail pharmacies in Ireland and 1 retail pharmacy in Dubai, and a further 10 retail stores are operated in China through services agreements with local companies. Chemist Warehouse Australian Franchise Network stores, together with the partly owned retail pharmacies in New Zealand, Ireland and Dubai, the stores operated in China, and Other Retail Brand stores are collectively referred to as the **Chemist Warehouse Retail Network**.⁸⁴

For the financial year ended 30 June 2024, Chemist Warehouse reported:⁸⁵

- total revenue of \$3,294.4 million;
- profit before financing costs and tax expense of \$581.5 million;
- profit before income tax expense of \$574.1 million; and
- profit after income tax expense of \$539.7 million.

Given the significant contribution Chemist Warehouse makes to the operations of the Merged Group, the operations of Chemist Warehouse are described in detail in section 8.2(b). The sections below provide cross references to the relevant parts of section 8 where information about Chemist Warehouse can be located as well as additional information about Chemist Warehouse that is not available in section 8.

7.2 History of Chemist Warehouse

The history of Chemist Warehouse is set out in section 8.1(c).

7.3 Chemist Warehouse's operations

As a leading retail pharmacy franchisor, the principal activities of Chemist Warehouse consist of:

- provision of branding and support services to the Chemist Warehouse Australian Franchise Network (**Retail pharmacy franchisor services**). Further details regarding these key services provided to the Chemist Warehouse Australian Franchise Network are set out in section 8.2(e)(ii)(A);
- wholesale supply of FOS consumer goods to Chemist Warehouse Australian Franchise Network (**Wholesale supply**). Further details regarding wholesale supply operations are set out in section 8.2(f)(ii);⁸⁶
- advertising and marketing activities (**Advertising and marketing services**). Further details regarding advertising and marketing activities are set out in section 8.2(g);

83. All references to store numbers throughout this 'Information about Chemist Warehouse' section are as at 30 June 2024, with the exception of Dubai where the first Chemist Warehouse branded store opened in October 2024 (and is not reflected in the store numbers as at 30 June 2024). The Chemist Warehouse Australian Franchise Network includes 517 Chemist Warehouse and 21 My Chemist branded stores, as well as 29 Pipeline Stores (as defined in section 8.2(c)). Chemist Warehouse does not own or operate any pharmacies in Australia.

84. Other Retail Brands include Ultra Beauty and Optometrist warehouse. Refer to section 8.2(d) for further information.

85. The financial results of Australian and New Zealand Chemist Warehouse Retail Network stores are not consolidated in Chemist Warehouse's revenues (as stores in Australia are franchised, and the financial contribution of New Zealand Retail Network stores are accounted for under the equity accounting method).

86. Section 8.2(f) contains discussion of the combined Chemist Warehouse and Sigma wholesaling activities. Chemist Warehouse's wholesaling activities consist of directly selling to franchise pharmacies a range of FOS consumer goods, as well as a limited range of OTC medicines. FOS products are sourced from a broad network of suppliers including brand owners, distributors and contract manufacturers. Several of the product lines stocked by Chemist Warehouse and available for purchase by franchise pharmacies are exclusive to Chemist Warehouse. Chemist Warehouse has a national footprint of 6 leased distribution centres (in Western Australia, South Australia, Victoria, NSW and Queensland) which support its wholesale supply activities.

- sales of consumer goods through online channels (**Online**). Further details regarding online sales are set out in section 8.2(h);
- sales and distribution of owned, private label and exclusive consumer brands and products (**Owned, private label and exclusive brands and products**). Further details regarding owned, private label and exclusive brands and products are set out in section 8.2(i);
- ownership of several other businesses which complement the capabilities and key competitive proposition of Chemist Warehouse (**Other businesses**). Further details regarding other businesses are set out in section 8.2(j)(i);⁸⁷ and
- strategic equity positions in several suppliers (**Partnerships and investments**). Further details regarding partnerships and investments are set out in section 8.2(j)(ii).

Details regarding Chemist Warehouse's retail pharmacy brands, being 'Chemist Warehouse' and 'My Chemist' (as well as Pipeline Stores) are set out in section 8.2(c). Details regarding Other Retail Brands are set out in section 8.2(d).

Further details regarding the Chemist Warehouse Franchise Model in Australia are set out in section 8.2(e).

Details regarding Chemist Warehouse's international operations are set out in section 8.3.

7.4 Chemist Warehouse Board and management

(a) Chemist Warehouse Board

As at the Last Practicable date, the Chemist Warehouse Board comprised:

| Name | Position |
|--------------------|---------------------------|
| Mario Verrocchi | Chief Executive Officer |
| Jack Gance | Chairman |
| Sam Gance | Chief Property Officer |
| Damien Gance | Chief Commercial Officer |
| Adrian Verrocchi | Chief Marketing Officer |
| Marcello Verrocchi | Chief Media Officer |
| Sunil Narula | Director |
| Mario Tascone | Chief Operating Officer |
| Mark Finocchiaro | Chief Information Officer |

Biographies of each director that will be a member of the Merged Group Board are set out in section 8.9(a).

(b) Senior management

Chemist Warehouse is led by a highly experienced management team, with the Chemist Warehouse Founders still actively involved in the operations of the business.

As at the Last Practicable Date, Chemist Warehouse's executive management personnel are:

| Name | Position |
|-----------------|--------------------------|
| Jack Gance | Chairman |
| Mario Verrocchi | Chief Executive Officer |
| Damien Gance | Chief Commercial Officer |
| Mark Davis | Chief Financial Officer |

87. Section 8.2(j) contains discussion of other businesses owned by both Chemist Warehouse and Sigma brands. All other businesses discussed in that section are Chemist Warehouse owned except for 'MPS Connect'.

7. Information about Chemist Warehouse continued

7.5 Capital structure and substantial shareholders

(a) Capital structure

As at the Last Practicable Date, Chemist Warehouse has 1,567,857,011 ordinary shares on issue. No other securities in Chemist Warehouse were on issue as at the Last Practicable Date.

(b) Substantial shareholders

Whilst the majority of Chemist Warehouse Shareholders have a Relevant Interest in 100% of the Chemist Warehouse Shares by virtue of the Chemist Warehouse Shareholders' Deed, the table below sets out those shareholders who have direct and indirect interests in Chemist Warehouse Shares (when the Chemist Warehouse Shareholders' Deed provisions are ignored) constituting more than 5% of the Chemist Warehouse Shares on issue.

| Name | Number of Chemist Warehouse Shares | Percentage shareholding |
|-----------------|------------------------------------|-------------------------|
| Mario Verrocchi | 404,426,435 | 25.79% |
| Jack Gance | 249,917,174 | 15.94% |
| Samuel Gance | 228,996,012 | 14.61% |

7.6 Chemist Warehouse Share sales

The following Chemist Warehouse Shares have been sold or transferred in the 6 months immediately before the Last Practicable Date:

- 324,445 shares Chemist Warehouse Shares transferred to a family entity by the transferee as a permitted transfer under the Chemist Warehouse Shareholders' Deed on 3 July 2024. The transfer price was nil as this was a gift.
- 122,320 Chemist Warehouse Shares transferred to a family entity by the transferee as a permitted transfer under the Chemist Warehouse Shareholders' Deed on 17 July 2024. The transfer price was nil as this was a gift.
- 7,502,322 Chemist Warehouse Shares transferred between Chemist Warehouse Directors in accordance with the Chemist Warehouse Shareholders' Deed on 25 November 2024 as follows:
 - Mario Verrocchi to an entity associated with Marcello Verrocchi: 568,379 Chemist Warehouse Shares;
 - Mario Verrocchi to an entity associated with Adrian Verrocchi: 568,379 Chemist Warehouse Shares;
 - Mario Verrocchi to an entity associated with Mario Tascone: 268,345 Chemist Warehouse Shares;
 - Mario Verrocchi to an entity associated with Damien Gance: 72,419 Chemist Warehouse Shares;
 - Jack Gance to an entity associated with Damien Gance: 3,012,400 Chemist Warehouse Shares; and
 - Samuel Gance to an entity associated with Damien Gance: 3,012,400 Chemist Warehouse Shares.

7.7 Chemist Warehouse's interests in Sigma Shares

As at the Last Practicable Date, Chemist Warehouse holds an indirect interest in 7,596,481 Sigma Shares through Chemist Warehouse Retail Holdings. The Sigma Shares held by Chemist Warehouse Retail Holdings may be disposed of prior to Implementation at the discretion of Chemist Warehouse or otherwise disposed of following Implementation in accordance with the requirements of section 259D of the Corporations Act post-Implementation, at the discretion of the Merged Group Board.

7.8 Historical financial information

(a) Overview

This section 7.8 contains Chemist Warehouse Historical Financial Information derived from the statutory financial information:

- Chemist Warehouse historical consolidated statements of profit or loss for FY22, FY23 and FY24 (**Chemist Warehouse Historical Income Statements**);
- Chemist Warehouse historical consolidated cash flow information for FY22, FY23 and FY24 (**Chemist Warehouse Historical Statements of Cash Flows**); and
- Chemist Warehouse historical consolidated statement of financial position as at 30 June 2024 (**Chemist Warehouse Historical Statement of Financial Position**),

(together, the **Chemist Warehouse Historical Financial Information**).

The information in this section 7.8 should be read in conjunction with the risk factors set out in section 11, Chemist Warehouse's consolidated financial statements, including all notes to the consolidated financial statements and a description of Chemist Warehouse's significant accounting policies as filed with ASIC and other information contained in this Explanatory Memorandum.

All amounts disclosed in this section 7.8 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million. Rounding in the historical financial information may result in some immaterial differences between the components and the total percentage calculations outlined within the figures and commentary.

(b) Basis of preparation and presentation of the Chemist Warehouse Historical Financial Information

The Chemist Warehouse Directors are responsible for the Chemist Warehouse Historical Financial Information.

The Chemist Warehouse Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in AAS issued by the AASB, which are consistent with the IFRS and interpretations issued by the IASB.

The Chemist Warehouse Historical Financial Information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to financial reports prepared in accordance with the Corporations Act.

The Chemist Warehouse Historical Financial Information has been extracted from Chemist Warehouse's consolidated financial statements for the periods FY22 (as extracted from FY23 financial statements), FY23 (as extracted from FY24 financial statements) and FY24. The consolidated financial statements of Chemist Warehouse have been audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards, and PricewaterhouseCoopers have provided unqualified audit opinions on these financial statements.

(c) Chemist Warehouse Historical Income Statements

Set out below are the Chemist Warehouse Historical Income Statements for FY22, FY23 and FY24.

Figure 21: Chemist Warehouse Historical Income statements

| \$m | FY22 | FY23 | FY24 |
|---|----------------|----------------|----------------|
| Revenue | 2,992.9 | 3,090.7 | 3,294.4 |
| Cost of sales | (1,920.6) | (2,173.0) | (2,251.5) |
| Gross profit | 1,072.4 | 917.7 | 1,043.0 |
| Share of profits of associates and joint ventures accounted for using the equity method | 8.2 | 13.0 | 23.1 |
| Other income | 3.2 | 18.0 | 5.8 |
| Operating expenses | | | |
| Warehousing and distribution expenses | (178.3) | (175.6) | (148.9) |
| Marketing and sales expenses | (63.5) | (77.3) | (88.3) |
| Administration and general expenses | (255.9) | (236.1) | (253.1) |
| Operating expenses | (497.8) | (489.0) | (490.3) |
| EBIT | 585.9 | 459.8 | 581.5 |
| Net finance costs | (35.9) | (30.4) | (7.4) |
| Profit before income tax expense | 550.0 | 429.4 | 574.1 |
| Income tax expense | (165.0) | (126.9) | (34.5) |
| Profit after income tax expense | 385.0 | 302.5 | 539.7 |
| (Profit)/loss attributable to non-controlling interests | 0.9 | 1.9 | 1.4 |
| Profit attributable to owners of Chemist Warehouse | 385.9 | 304.3 | 541.0 |

7. Information about Chemist Warehouse continued

(d) Chemist Warehouse Historical Statements of Cash Flows

Set out below are the Chemist Warehouse Historical Statements of Cash Flows for FY22, FY23 and FY24.

Figure 22: Chemist Warehouse Historical Statements of Cash Flows

| \$m | FY22 | FY23 | FY24 |
|---|----------------|----------------|---------------|
| Cash flows from operating activities | | | |
| EBIT | 585.9 | 459.8 | 581.5 |
| Net interest and other finance costs paid and received | (35.9) | (30.4) | (7.4) |
| Income tax paid | (132.6) | (189.6) | (82.3) |
| Depreciation and amortisation | 136.5 | 95.5 | 35.3 |
| Other non-cash items | (5.3) | (24.7) | (10.8) |
| Movement in working capital | (264.2) | 134.2 | (243.0) |
| Net cash from operating activities | 284.3 | 444.7 | 273.2 |
| Cash flows from investing activities | | | |
| Net payment for property, plant, equipment and intangibles | (13.1) | (12.3) | (41.3) |
| Payment for financial assets at fair value through other comprehensive income | – | (21.0) | (2.9) |
| Proceeds from sale of investments | – | 60.1 | 4.0 |
| Other investing cash flows | (4.8) | – | 0.1 |
| Principal elements of lease receipts | 6.9 | 48.7 | 109.5 |
| Net cash from investing activities | (11.0) | 75.5 | 69.4 |
| Cash flows from financing activities | | | |
| Net proceeds/(repayment) of loans | (7.8) | (40.9) | 67.8 |
| Principal elements of lease payments | (108.3) | (117.5) | (125.0) |
| Transactions with non-controlling interests | 0.5 | 0.3 | – |
| Net cash from financing activities | (115.6) | (158.1) | (57.1) |
| Movement in net cash before dividends | 157.7 | 362.1 | 285.4 |
| Dividends paid to members of Chemist Warehouse | (269.3) | (264.1) | (217.7) |
| Dividends paid to non-controlling interests | (0.1) | (0.3) | (0.4) |
| Movement in net cash after dividends | (111.7) | 97.7 | 67.3 |

Notes:

1. 'Other non-cash items' represents the impact of non-cash items captured within EBIT including the gain or loss on the sale of assets, share based payments expense and the share of profits of associated and joint ventures accounted for using the equity method.
2. 'Other investing cash flows' includes costs of acquisition of subsidiaries net of cash acquired and distributions from associates.

(e) Chemist Warehouse Historical Statement of Financial Position

Set out below is the Chemist Warehouse Historical Statement of Financial Position as at 30 June 2024.

Figure 23: Chemist Warehouse Historical Statement of Financial Position

| \$m | As at 30 June 2024 |
|---|-------------------------------|
| Current assets | |
| Cash and cash equivalents | 273.1 |
| Trade and other receivables | 695.0 |
| Inventories | 599.9 |
| Financial assets at amortised cost | 3.8 |
| Other current assets | 26.1 |
| Lease receivables | 118.6 |
| Total current assets | 1,716.6 |
| Non current assets | |
| Investments accounted for using the equity method | 45.0 |
| Financial assets at amortised cost | 9.7 |
| Financial assets at fair value through other comprehensive income | 59.5 |
| Financial assets at fair value through profit or loss | 2.3 |
| Property, plant and equipment | 73.1 |
| Right-of-use assets | 113.0 |
| Intangible assets | 13.3 |
| Deferred tax assets | 87.3 |
| Lease receivables | 741.8 |
| Total non-current assets | 1,145.0 |
| Total assets | 2,861.6 |
| Current liabilities | |
| Trade and other payables | 745.8 |
| Other liabilities | 29.5 |
| Financial liabilities at amortised cost | 32.8 |
| Lease liabilities | 131.3 |
| Current tax liabilities | 2.8 |
| Provisions | 25.9 |
| Total current liabilities | 968.1 |
| Non-current liabilities | |
| Other liabilities | 5.3 |
| Financial liabilities at amortised cost | 300.0 |
| Lease liabilities | 849.6 |
| Provisions | 21.7 |
| Total non-current liabilities | 1,176.6 |
| Total liabilities | 2,144.7 |
| Net assets | 716.9 |
| Equity | |
| Issued capital | 553.7 |
| Reserves | (54.2) |
| Retained profits/(Accumulated losses) | 222.9 |
| Equity attributable to the owners of CW Group Holdings Ltd | 722.4 |
| Non-controlling interests | (5.5) |
| Total equity | 716.9 |

7. Information about Chemist Warehouse continued

7.9 Management Discussion and Analysis

Refer to section 9.13 and section 9.14 for Management Discussion and Analysis of the Merged Group Pro Forma Historical Financial Information of which the Chemist Warehouse Historical Financial Information is included within.

7.10 Material changes in financial position

Other than as disclosed in this Explanatory Memorandum, within the knowledge of the Chemist Warehouse Board, as at the Last Practicable Date, the financial position of Chemist Warehouse Group has not materially changed since 30 June 2024, being the latest date of the statement of financial position for Chemist Warehouse as disclosed in its annual financial report for the financial year ending 30 June 2024.

7.11 Chemist Warehouse Directors' intentions

If the Transaction is implemented, Sigma will acquire and control Chemist Warehouse (noting that Chemist Warehouse Shareholders will own approximately 85.75% of the Sigma Shares in aggregate). As not all Chemist Warehouse Directors will become directors of the Merged Group Board on Implementation it is not relevant to provide a statement of their intentions after the Scheme is implemented. However in relation to the Chemist Warehouse Directors who will join the Merged Group Board on Implementation, their current intention is that the Sigma business continues to operate in the ordinary course following Implementation with no major changes made including with respect to the use of fixed assets of Sigma and future employment of present Sigma employees, until such time as the Merged Group board has undertaken a detailed strategic review of the business following Implementation (discussed further below).

The longer term intentions of the full Merged Group Board regarding the continuation of the Sigma business, any major changes to the Sigma business and the future employment of Sigma employees cannot be specified as there are legal limitations imposed by Australian competition laws on the degree to which existing Sigma Directors and Chemist Warehouse Directors may make joint decisions about the future operation of the Merged Group prior to Implementation. The Merged Group will undertake a detailed strategic review of the business following Implementation in order to develop a broader growth strategy and business plan. Section 8.8 provides an indication of the nature of growth opportunities that the Merged Group expects to have.

7.12 Publicly available information about Chemist Warehouse

As discussed in section 12.3(e), Chemist Warehouse has adopted a continuous disclosure policy. Chemist Warehouse must immediately provide Sigma with information in relation to Chemist Warehouse that Sigma requires to comply with its continuous disclosure obligations. Sigma may give such information to ASX if necessary to comply with the Listing Rules.

Chemist Warehouse is required to maintain periodic disclosure (including yearly and half yearly financial statements) with ASIC in accordance with the Corporations Act.

Information disclosed to ASX by Sigma is available on ASX's website at www.asx.com.au and Sigma's website at <https://sigmahealthcare.com.au/>. Copies of documents lodged with ASIC by Chemist Warehouse may be obtained from an ASIC office or ASIC's website at www.asic.gov.au.

8. Information about the Merged Group

8.1 Overview of the Merged Group

(a) Introduction

Following Implementation, the Merged Group will be a leading Australian retail pharmacy franchisor and a full-line pharmaceutical wholesaler and distributor. The Merged Group will also have international operations (as described in section 8.3).

As a leading **retail pharmacy franchisor**, the Merged Group will provide intellectual property and support services to a combined network of 880 Australian Franchise Network stores operating under a suite of core franchise brands including Chemist Warehouse, My Chemist, Amcal and Discount Drug Stores.⁸⁸ The Merged Group will also partly own 50 retail pharmacies in New Zealand, 10 retail pharmacies in Ireland and 1 retail pharmacy in Dubai, and a further 10 retail stores will be operated in China through services agreements with local companies.⁸⁹ Australian Franchise Network stores, together with the retail pharmacies in New Zealand, Ireland and Dubai, the stores operated in China, and Other Retail Brand stores are collectively referred to as the Retail Network.⁹⁰

As a **full-line wholesaler and distributor**, the Merged Group will supply and deliver **prescription products** (including PBS medicines), OTC products and FOS products to over 3,500 pharmacy customers.⁹¹ The Merged Group's wholesale customers will include the Retail Network as well as independent pharmacies in Australia. The Merged Group's Australian wholesale and distribution operations will be supported by a national distribution centre network.

The Merged Group will be formed only upon Implementation, and so has no history. The Merged Group represents the combined Sigma and Chemist Warehouse businesses following Implementation described further in section 8.2. Accordingly, a brief history of each of Sigma and Chemist Warehouse is provided below.

(b) Evolution of Sigma

Sigma has been supporting the health of Australians for more than 110 years. During its first 50 years, Sigma manufactured and sold its products to a range of wholesalers and pharmacists including its member pharmacists. In 1996 Sigma acquired its first pharmacy brand (being the Guardian Pharmacy group), followed shortly after in 1998 with the acquisition of the Amcal Pharmacy group, to build a position as a leading Australian pharmacy franchisor. While continuing to develop this franchising business, Sigma's primary business throughout this period was (and remains) a leading full-line wholesale and distribution business to Australian pharmacies.



88. All references to store numbers throughout this 'Information about the Merged Group' section are as at 30 June 2024. The Australian Franchise Network includes 851 core franchise brand pharmacies, and 29 Pipeline Stores (as defined in section 8.2(c)). The Australian Franchise Network does not include PharmaSave stores. As at 30 June 2024, there were no Guardian stores and 37 PharmaSave stores. Since September 2022, Sigma no longer offers the PharmaSave brand to new members (refer to section 8.2(e)(iii) for further information). The Merged Group does not own or operate any pharmacies in Australia.

89. The Retail Network includes stores in the Australian Franchise Network, Other Retail Brands stores, partly owned retail pharmacies in New Zealand, Ireland and Dubai (which is not reflected in the store numbers as at 30 June 2024 as it opened in October 2024), and Chemist Warehouse stores operated in China through services agreements with local companies.

90. Other Retail Brands include Ultra Beauty and Optometrist Warehouse. Refer to section 8.2(d) for further information.

91. As at 30 June 2024. Includes pharmacies within the Retail Network, as well as third party pharmacy customers.

8. Information about the Merged Group continued

| Year | Event | Image |
|------|--|--|
| 1912 | Sigma is founded by two Melbourne pharmacists, Edwin Church and Edwin Leete, with the objective of Sigma manufacturing its own proprietary lines under a common label for its member pharmacists. | |
| 1913 | Sigma decides to sell its products to wholesalers and pharmacists who are not member pharmacies of Sigma. | |
| 1956 | Sigma announces it has become the second largest wholesale distributor to Australian pharmacists. | |
| 1974 | Sigma moves its operations from the Melbourne CBD to its previous Clayton premises. | |
| 1980 | Sigma's sales exceed \$100 million. Sigma acquires South Australian based Fawns and McAllan, a pharmaceutical manufacturer and distributor. |  |
| 1988 | Sigma introduces automated systems into its Clayton distribution centre. | |
| 1996 | Sigma acquires QDL Pharmaceuticals, a Queensland based pharmaceutical wholesaler |  |
| 1997 | Sigma acquires Guardian, a pharmacy franchisor. |  |
| 1998 | Sigma acquires Amcal pharmacy group, a pharmacy franchisor. |  |
| 1999 | Sigma is listed on the ASX. | |
| 2003 | Sigma acquires Herron Pharmaceuticals, a manufacturer of pharmaceuticals and therapeutic goods, including the Chemists' Own brand. |  |
| 2005 | Sigma merges with Arrow Pharmaceuticals, primarily a manufacturer of generic pharmaceuticals, via a reverse takeover of Arrow Pharmaceuticals. | |
| 2007 | Sigma acquires Orphan Holdings Pty Ltd, a specialist pharmaceuticals business. | |
| 2011 | Sigma divests its Pharmaceutical Manufacturing Division to Aspen Pharmacare Holdings, including the Herron and Chemists' Own brands, re-focusing the Sigma Group on wholesaling and distribution. | |
| 2014 | Sigma acquires Queensland-based Discount Drug Stores (DDS), a pharmacy franchisor, and Central Healthcare Services (CHS), a healthcare product wholesaler and distributor and owner of the PharmaSave retail brand. |   |
| 2017 | Sigma changes its company name and ASX code from Sigma Pharmaceuticals Limited (ASX:SIP) to Sigma Healthcare Limited (ASX:SIG). |  |
| 2019 | Sigma is re-appointed for the contract to supply the Chemist Warehouse Australian Franchise Network with OTC and FOS products. ⁹² |  |
| 2022 | Vikesh Ramsunder commences as Chief Executive Officer of Sigma. | |
| 2023 | Sigma divests the hospital distribution business and other small non-core assets of its subsidiary CHS, simplifying its business. Sigma signs 5-year agreement for the supply of prescription, OTC and FOS products with Chemist Warehouse. | |
| 2023 | Sigma announces proposed merger with Chemist Warehouse. | |

92. The Chemist Warehouse supply contract for both PBS and FMCG products had been lost in 2018.

(c) Evolution of Chemist Warehouse

The success of Chemist Warehouse is based on a heritage that has been built by its founders over a 52-year period. Brothers Jack and Sam Gance bought their first pharmacy in Reservoir, Melbourne in 1972. Mario Verrocchi joined the business in 1980. Jack, Sam and Mario, along with a number of like-minded entrepreneurial pharmacists, began to coordinate buying activities for their mutual benefit. In 1997, the first My Chemist branded pharmacy was opened, and coordinated marketing activities began (including publishing the first catalogue). By this stage, there were over 30 aligned pharmacies in the group and My Chemist was adopted as the brand.

As the number of pharmacies grew, the central service function supporting those pharmacies continued to grow in its scale and commerciality, developing particular strengths in marketing, support services for its pharmacies, and negotiating terms with third party suppliers. This is the business that became Chemist Warehouse as it is today.

The pharmacy that would in time become the first Chemist Warehouse branded store was opened in 2000. As new pharmacies were welcomed into the network, the arrangements between the service business and the pharmacies were formalised under a franchise model (from 2016 onward), and additional pharmacists were invited to become shareholders in the holding company for the service business. Chemist Warehouse's key milestones since the year 2000 are outlined below.

| Year | Event | Image |
|-------------|---|---|
| 2000 | The first Chemist Warehouse pharmacy, initially branded as Chemistop, opens in Footscray, Victoria (followed shortly by a second store in Dandenong), launching a new brand and retail concept for pharmacy involving a large store format, broad FOS consumer goods and healthcare offerings, and a greater focus on discounted pricing. | |
| 2003 | Chemist Warehouse brand first introduced. |  |
| 2005 | Chemist Warehouse acquires 'ePharmacy.com.au', rapidly growing Chemist Warehouse's online presence. |  |
| 2008 | The 100th Chemist Warehouse branded pharmacy opens. | |
| 2013 | Chemist Warehouse launches 'House of Wellness', a leading Australian health and wellbeing media brand encompassing a broad ecosystem across print (magazines/newspaper lift-outs), TV, radio, digital and social media. |  |
| 2015 | Chemist Warehouse commences international expansion in China by partnering with T-MALL Global, Alibaba's dedicated cross-border e-commerce site. Chemist Warehouse opens a dedicated online fulfilment centre, and expands the logistics and distribution centre network. | |
| 2017 | The first Chemist Warehouse branded pharmacy opens in New Zealand (partly owned by Chemist Warehouse). |  |
| 2018 | Chemist Warehouse launches the 'Ultra Beauty' brand and store concept aimed at capturing consumer demand for luxury beauty products, and with a premium retail environment that aligns with the luxury products/brands it ranges. |  |
| 2019 | The first physical store opens in China to complement Chemist Warehouse's online platform in China (operated in China through services agreements with local companies). |  |
| 2019 – 2020 | Chemist Warehouse expands its omnichannel offering providing numerous points of presence while supporting Chemist Warehouse's physical footprint, including "Click & Collect" and "Fast Delivery" services. | |
| 2020 | The first Chemist Warehouse branded pharmacy opens in Ireland (partly owned by Chemist Warehouse). |  |
| 2023 | Chemist Warehouse launches the 'Optometrist Warehouse' brand and store concept (partly owned by Chemist Warehouse). The 600th Chemist Warehouse Retail Network store opens. ⁹³ |  |
| 2024 | The 50th Chemist Warehouse Retail Network store in New Zealand opens. The first Chemist Warehouse branded pharmacy opens in Dubai (partly owned by Chemist Warehouse). |  |

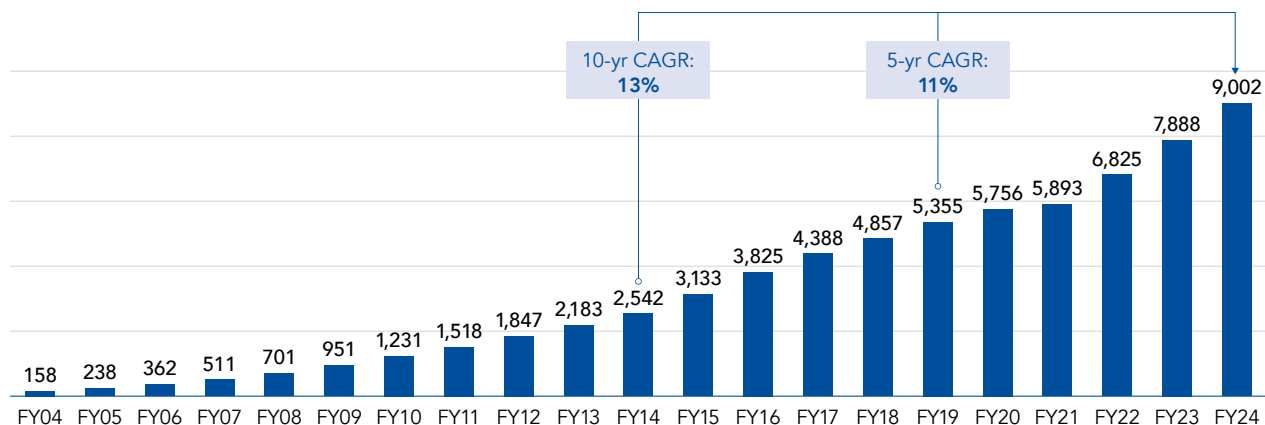
93. The Chemist Warehouse Retail Network includes franchised retail pharmacies in Australia, Other Retail Brands stores, partly owned stores in New Zealand, Ireland and Dubai, and Chemist Warehouse stores operated in China through services agreements with local companies. Chemist Warehouse does not own or operate any pharmacies in Australia.

8. Information about the Merged Group continued

The evolution of Chemist Warehouse to become a leading retail pharmacy franchisor has been a story of consistent and steady growth, with a record of year-on-year growth in Chemist Warehouse Retail Network Sales and Chemist Warehouse Retail Network stores in each of the last 20 years (see Figure 24 and Figure 25).⁹⁴

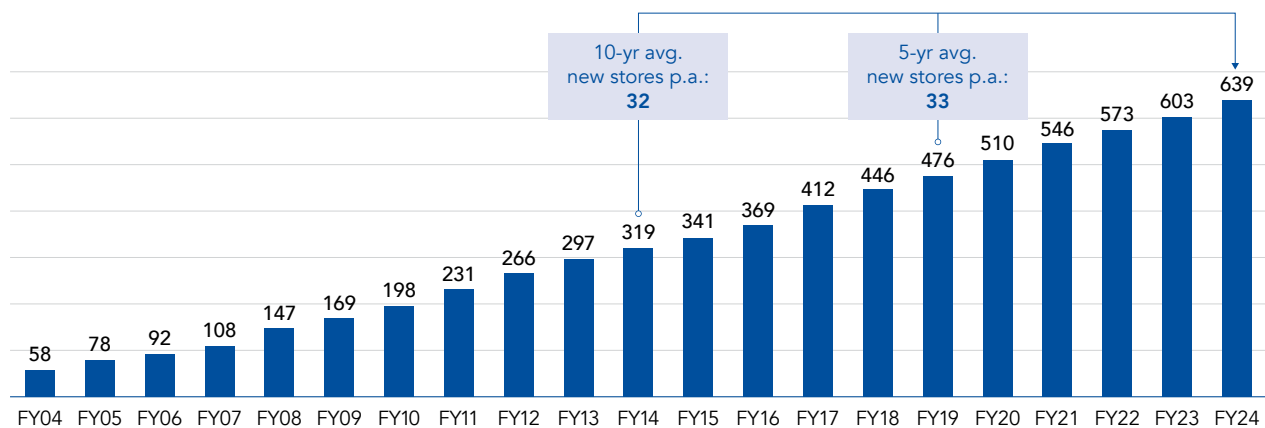
In the period from 30 June 2004 to 30 June 2024, the number of Chemist Warehouse Retail Network stores has increased by approximately 11x, while Chemist Warehouse Retail Network Sales have increased by approximately 57x, demonstrating strong growth not only from the rollout of new Chemist Warehouse Retail Network stores but also from strong like-for-like sales growth.⁹⁵

Figure 24: Chemist Warehouse Retail Network Sales evolution (\$m)^{96,97}



Chemist Warehouse Retail Network Sales refers to the aggregate sales of all Chemist Warehouse Retail Network stores over a relevant period (including in-store and online sales), as well as online sales fulfilled directly by Chemist Warehouse. Chemist Warehouse Retail Network Sales are not revenues of Chemist Warehouse.⁹⁸ However, the relevance of this metric is that inventory sold by Chemist Warehouse Retail Network stores is often purchased from Chemist Warehouse (as part of Chemist Warehouse's wholesale supply arrangements).

Figure 25: Chemist Warehouse Retail Network evolution (no. of stores)^{99,100}



94. Chemist Warehouse Retail Network Sales includes a combination of in-store and online sales across the Chemist Warehouse Retail Network, as well as online sales fulfilled directly by Chemist Warehouse.

95. Like-for-like sales growth represents the percentage change in Chemist Warehouse Retail Network Sales generated by a group of Chemist Warehouse Retail Network stores in a relevant period, compared to Chemist Warehouse Retail Network Sales from the same set of Chemist Warehouse Retail Network stores in the prior corresponding period. A network store is included in this measure once it has been open in all months throughout both the current period and the prior corresponding period.

96. FY04 to FY24, financial year ended 30 June.

97. Based on Chemist Warehouse management information (unaudited). Chemist Warehouse Retail Network Sales includes a combination of in-store and online sales across the Chemist Warehouse Retail Network, as well as online sales fulfilled directly by Chemist Warehouse. Chemist Warehouse Retail Network Sales is not revenue of Chemist Warehouse. However, the relevance of this metric is that inventory sold by Chemist Warehouse Retail Network stores is often purchased from Chemist Warehouse (as part of Chemist Warehouse's wholesale supply arrangements).

98. The financial results of Australian and New Zealand Chemist Warehouse Retail Network stores are not consolidated in Chemist Warehouse's revenues (as stores in Australia are franchised, and the financial contribution of New Zealand Retail Network stores are accounted for under the equity accounting method).

99. FY04 to FY24, financial year ended 30 June.

100. Management information (unaudited).

The scale of the Chemist Warehouse Retail Network is further demonstrated by the number of consumer transactions undertaken (both in-store and online), which was around 145 million during FY24.

Leading intellectual property and retailing know-how and expertise has been a key driver of Chemist Warehouse's success and its ability to constantly innovate across the customer experience, marketing and advertising strategy, retail execution and business model. This intellectual property, developed over 50 years of experience in pharmacy retailing, reflects substantial careful investment at every layer of the business including retailing systems, supply chain, marketing intellectual property and owned, private label and exclusive brands and products.

8.2 The Merged Group's operations in Australia

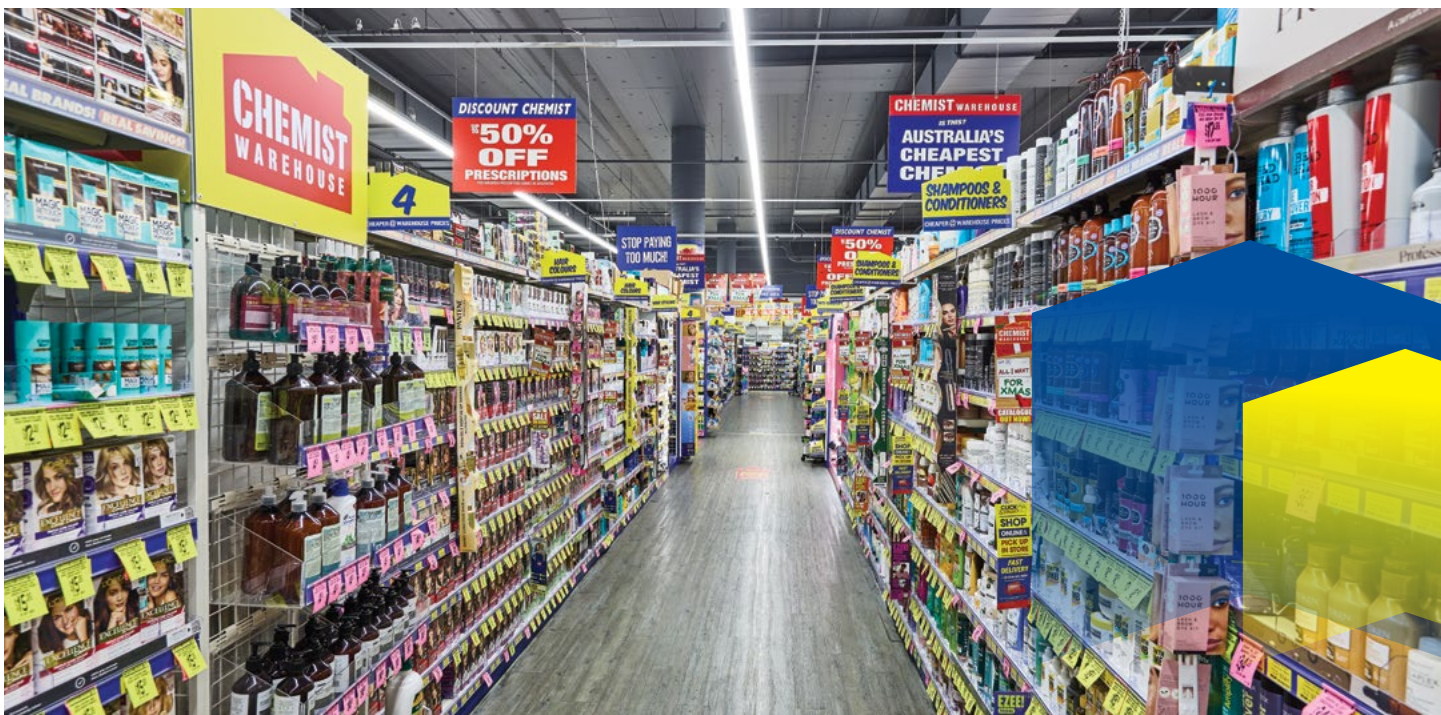
(a) Overview

Following Implementation, the Merged Group will be a leading Australian retail pharmacy franchisor that will provide intellectual property and support services to the Australian Franchise Network and will be a full-line wholesaler and distributor of prescription products (including PBS medicines), OTC and FOS products to over 3,500 pharmacy customers.

(b) Principal business activities

As a leading retail pharmacy franchisor and a full-line wholesaler and distributor, the principal activities of the Merged Group will consist of:

- provision of branding and support services to the Australian Franchise Network (**Retail pharmacy franchisor services**);
- full-line wholesaler and distributor of prescription products (including PBS medicines), OTC and FOS products to pharmacy customers, as well as third-party logistics services to pharmaceutical manufacturers and other supplier partners (**Wholesale and distribution**);
- advertising and marketing activities (**Advertising and marketing services**);
- sales of consumer goods through online channels (**Online**);
- sales and distribution of owned, private label and exclusive consumer brands (**Owned, private label and exclusive brands and products**);
- ownership of several other businesses which complement the capabilities and key competitive proposition of the Merged Group (**Other businesses**); and
- strategic equity positions in several suppliers (**Partnerships and investments**).



8. Information about the Merged Group continued

(c) Retail pharmacy brands

The Merged Group's retail pharmacy franchise business will have four core franchise brands across a range of segments. These core franchise brands will be 'Chemist Warehouse', 'My Chemist', 'Amcal' and 'Discount Drug Stores'.¹⁰¹

As at 30 June 2024, there was a total of 880 Australian Franchise Network stores. An overview of each of the Merged Group's core brands, their market positioning and select store statistics are outlined below:

| | | | Key Statistics |
|---------------------------|---|--|--|
| Big box discount pharmacy |  | Significant Australian pharmacy brand with franchise pharmacies known for offering a wide range of FOS products, and everyday low prices on all product lines ¹⁰² | <ul style="list-style-type: none"> • 517 stores in Australia¹⁰³ • 522 sqm avg. store size¹⁰⁴ |
| Full-service pharmacy |  | An Australian pharmacy brand with a focus on expert advice and service | <ul style="list-style-type: none"> • 209 stores in Australia¹⁰⁵ • 217 sqm avg. store size¹⁰⁶ |
| |  | Full-service pharmacy brand providing high quality products and health services, as well as expert advice | <ul style="list-style-type: none"> • 21 stores in Australia¹⁰⁷ • 278 sqm avg. store size¹⁰⁸ |
| Discount pharmacy |  | Discount pharmacy brand offering low prices and special offers, as well as a wide range of health services | <ul style="list-style-type: none"> • 104 stores in Australia¹⁰⁹ • 222 sqm avg. store size¹¹⁰ |

(i) 'Chemist Warehouse'

Chemist Warehouse branded Australian Franchise Network stores are licensed to use the 'Chemist Warehouse' brand including the 'red house' trademark. Following more than 24 years of investment, and with a presence across all Australian States (and online), the Chemist Warehouse brand has become a strong and widely recognised brand in Australia.

As part of their franchise arrangements, Chemist Warehouse franchisees are provided with a suite of franchise support, marketing and operational support services (see further information in section 8.2(e)(ii)(A)).

The Chemist Warehouse brand is an iconic brand in Australia. Chemist Warehouse branded stores are known for having a large warehouse-style store format, a distinctive yellow storefront with the red 'Chemist Warehouse' logo and offering a wide range of products at low prices.

The layout of Chemist Warehouse branded stores is different to the majority of other pharmacies in Australia. Chemist Warehouse branded stores tend to be large, with an average retail footprint of approximately 522 sqm¹¹¹ (the size of non-Chemist Warehouse pharmacies is approximately 252 sqm on average).¹¹²

Inside a Chemist Warehouse branded store, customers will find high gondolas and metal shelving, with in-store television and radio advertising and infomercials.

There is a planogram process available to all Chemist Warehouse franchisees to assist with product layout and customer retail experience.

101. Core franchise brands exclude PharmaSave. In September 2022, Sigma began a retail brand consolidation process to simplify its retail strategy by seeking to convert Guardian and PharmaSave stores to Amcal and Discount Drug Stores. Sigma closed the Guardian brand with effect from 31 January 2024. Since September 2022, Sigma no longer offers the PharmaSave brand to new members. As at 30 June 2024, there were 37 PharmaSave branded stores. Sigma continues to provide support to PharmaSave stores in accordance with existing agreements.

102. Everyday low prices provided on prescription medicines to the extent permitted by law. The PBS co-payment payable by customers is regulated with limited permitted discounting (see further information in section 5.5(a)(vii)).

103. As at 30 June 2024.

104. As at 31 October 2024.

105. As at 30 June 2024.

106. Pharmacy Guild, Digest 2020-2021, p 18. Available at: <https://www.guild.org.au/news-events/news/forefront/v11n13/guild-digest-2021>.

107. As at 30 June 2024.

108. As at 31 October 2024.

109. As at 30 June 2024.

110. Pharmacy Guild, Digest 2020-2021, p 18. Available at: <https://www.guild.org.au/news-events/news/forefront/v11n13/guild-digest-2021>.

111. As at 31 October 2024.

112. Pharmacy Guild, Digest 2020-2021, p 18. Available at: <https://www.guild.org.au/news-events/news/forefront/v11n13/guild-digest-2021>.

The retail FOS offering of Chemist Warehouse branded stores is differentiated from most other retail pharmacy brands in several ways. Chemist Warehouse branded stores display a breadth and depth of stock not commonly available in other pharmacies. Chemist Warehouse branded stores are strongly focused on FOS goods and compete on value and discount prices. In FY24, on average Chemist Warehouse’s franchisees derived 60% of their store sales from FOS sales, which Chemist Warehouse considers is substantially above those for non-Chemist Warehouse pharmacies.¹¹³

Chemist Warehouse branded stores adopt a discount model under which they focus on offering their customers a broad range of products at low prices through an everyday low pricing model. Chemist Warehouse branded stores offer their customers a price guarantee: “if you find a cheaper price on the same item at another Australian retail store, we will match it and give you 10% off the difference!”¹¹⁴ Chemist Warehouse’s low price value proposition to customers encompasses competitive pricing on prescription products (to the extent permitted for PBS medicines; the PBS co-payment payable by customers is regulated with limited permitted discounting. See further information in section 5.5(a)(vii)), as well as discount pricing on FOS and OTC products. Many Chemist Warehouse branded stores have extended opening hours, and most are open seven days a week.

Chemist Warehouse branded stores continue to be at the forefront of pharmacy in Australia through a variety of initiatives to establish them as a ‘community health and wellness hub’. These include the provision of immunisation services (such as flu vaccinations), diagnostics services, absence from work certificates and other aligned health services. Chemist Warehouse also partners with Instant Consult, which provides patients with access to health consultations with Australian qualified doctors via video call.¹¹⁵

Chemist Warehouse store format and product strategy



- ✓ Competitive pricing on all products, including prescription products
- ✓ Discount pricing strategy on FOS products, with everyday low prices
- ✓ Unique retail/customer experience, and retail excellence
- ✓ High footfall store locations

113. Management information (unaudited). Represents total FOS sales as a proportion of total network sales across Chemist Warehouse branded stores in Australia in FY24.

114. Chemist Warehouse, Why Shop with Us. Available at: <https://www.chemistwarehouse.com.au/aboutus/why-shop-with-us>; Chemist Warehouse, FAQs. Available at: <https://www.chemistwarehouse.com.au/aboutus/faq>.

115. Instant Consult is a platform for instant connection to an Australian qualified online doctor 24x7, facilitating affordable and effective telehealth consultations.

8. Information about the Merged Group continued

(ii) 'Amcal'

Amcal branded Australian Franchise Network stores are licensed to use the 'Amcal' brand. With more than 85 years of heritage, Amcal is a widely recognised Australian pharmacy brand, with a presence across all Australian States (and online).

As part of their franchise arrangements, Amcal franchisees are provided with a suite of core services (see further information in section 8.2(e)(ii)(B)).

The Amcal brand is marketed as providing trusted healthcare advice to patients with a focus on supplying leading pharmaceutical products. Amcal branded stores largely derive sales from PBS and OTC products (collectively 82% of Amcal network sales in FY24).¹¹⁶ Taking a holistic approach to healthcare, the Amcal brand's core focus is on expert advice and service.

Amcal branded stores are typically small to medium in size, with the average total store size being approximately 217 sqm.¹¹⁷

Amcal branded stores offer a comprehensive set of pharmacy and health services, including medication management, preventative health advice, health screening, risk assessments, annual health checks, hearing checks, home health support, heart checks, pain management, vaccinations, chronic disease support, smoking cessation services, skincare services, sleep health services, urinary tract infection advice and treatment and weight management services.

Amcal offers a rewards program named 'Amcal Rewards', through which its Amcal Rewards members can earn points with each dollar spent on eligible purchases to be redeemed at participating Amcal pharmacies, and receive exclusive offers and rewards. Amcal Rewards has over 147,000 active members.¹¹⁸

Amcal store format and product strategy



- ✓ Wide brand reputation drawing on its long heritage
- ✓ 'Community' pharmacy model centred on expert advice and service
- ✓ Broad product range including leading pharmacy and health and wellness brands
- ✓ Traditional pharmacy retail format, with dispensaries typically located at or next to the primary point of sale

(iii) 'My Chemist'

My Chemist branded Australian Franchise Network stores are licensed to use the 'My Chemist' brand. My Chemist branded stores are full service, health centric and product focused pharmacies.

As part of their franchise arrangements, My Chemist franchisees are provided with a suite of franchise support, marketing and operational support services (see further information in section 8.2(e)(ii)(A)).

My Chemist branded stores are typically medium sized, with an average total store size of approximately 278 sqm.¹¹⁹

My Chemist offers a loyalty program named the 'My Chemist Card Program', through which its My Chemist Card Program members can collect and redeem reward points through purchases made at My Chemist pharmacies.¹²⁰

116. Management information (unaudited). For the twelve months ended 30 June 2024.

117. Pharmacy Guild, Digest 2020-2021, p 18. Available at: <https://www.guild.org.au/news-events/news/forefront/v11n13/guild-digest-2021>.

118. Active members represents number of loyalty members that have made a purchase in the last 12 weeks to 30 June 2024.

119. As at 31 October 2024.

120. As at 30 June 2024.

My Chemist store format and product strategy



- ✓ Adopts a 'community' pharmacy model and full service approach, whilst maintaining a low price offering
- ✓ Strong focus on health and beauty products
- ✓ Traditional pharmacy retail format

(iv) 'Discount Drug Stores'

DDS branded Australian Franchise Network stores are licensed to use the 'Discount Drug Stores' brand. DDS branded stores provide customers with a discount pharmacy experience competing primarily on a price basis and adopting a low-margin discount model. DDS branded stores are primarily located in Queensland, New South Wales and Western Australia.

As part of their franchise arrangements, DDS franchisees are provided with a suite of core services (see further information in section 8.2(e)(ii)(B)).

DDS branded stores are typically small to medium in size, with the average total store size being approximately 222 sqm.¹²¹

DDS offers a reward program named 'DiscountPlus', through which DiscountPlus members can earn and redeem points for eligible purchases made at participating DDS pharmacies. DiscountPlus has over 64,000 active members.¹²²

Discount Drug Stores store format and product strategy



- ✓ Provides a discount format whilst maintaining a quality service offering
- ✓ Focus on competitive pricing, employing broad based discounting and special offers
- ✓ Offers a wide range of health and wellness services
- ✓ Traditional pharmacy retail format

In addition to the branded retail franchise pharmacies, the Merged Group will also provide retail pharmacy services to a small number of unbranded pharmacies (**Pipeline Stores**). Pipeline Stores are stores that have been acquired by a pharmacist with the intention of becoming a Chemist Warehouse or My Chemist franchisee in due course. Pipeline Stores will receive services from the Merged Group under a service arrangement until such a time as they enter into a franchise or licence agreement with Chemist Warehouse, which would occur when, in accordance with applicable laws and regulations, the pharmacy has expanded or has relocated to a suitable location and rebranded as a Chemist Warehouse or My Chemist pharmacy.

121. Pharmacy Guild, Digest 2020-2021, p 18. Available at: <https://www.guild.org.au/news-events/news/forefront/v11n13/guild-digest-2021>.

122. Active members represents number of loyalty members that have made a purchase in the last 12 weeks to 30 June 2024.

8. Information about the Merged Group continued

(d) Other Retail Brands

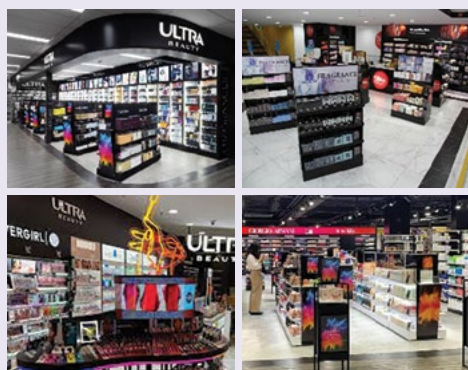
The Merged Group will also support stores under Other Retail Brands including Ultra Beauty and Optometrist Warehouse, which offer high quality beauty and healthcare products and services at affordable prices. There is an opportunity to roll these Other Retail Brands out as co-located stores, or in standalone locations, as well as online.

(i) 'Ultra Beauty'

Ultra Beauty was launched by Chemist Warehouse in 2018, and has quickly become a destination for premium beauty, bringing customers well-known international fragrance and beauty brands. The format is proving successful and has expanded its footprint to 16 stores in Australia (as well as 4 stores in New Zealand), and Chemist Warehouse management believes that there is potential for significant further store rollout.¹²³

Stores are co-located with Chemist Warehouse branded stores, benefitting from existing footfall while providing shoppers with a broader range of speciality beauty products in a premium yet accessible retail environment.

Ultra Beauty store format and product strategy



- ✓ Specialised retailer of luxury and premium beauty and cosmetics products
- ✓ Co-located within some Chemist Warehouse branded stores, taking advantage of existing footfall
- ✓ Competitively priced premium and luxury products with regular discount promotions

(ii) 'Optometrist Warehouse'

In partnership with optometry veterans Peter Larsen and Charles Hornor, Chemist Warehouse launched Optometrist Warehouse in 2023 with the aim of disrupting the \$4.6 billion optical market in Australia.¹²⁴

Optometrist Warehouse provides bulk-billed eye care services and discounted prices on glasses and contact lenses.

All stores employ optometrists and utilise a suite of advanced clinical technology to support customer outcomes.

Optometrist Warehouse is focused on broad-based patient health as well as eye wellness, working hand-in-hand with Chemist Warehouse franchisee pharmacists.

Eyewear brands stocked include Victoria Beckham, DSquared2, Levi's, Tommy Hilfiger, Polaroid, Marc Jacobs, Karl Lagerfeld and Rag & Bone, along with Optometrist Warehouse's exclusive house brands, London Times and San Paolo.

Optometrist Warehouse store format and product strategy



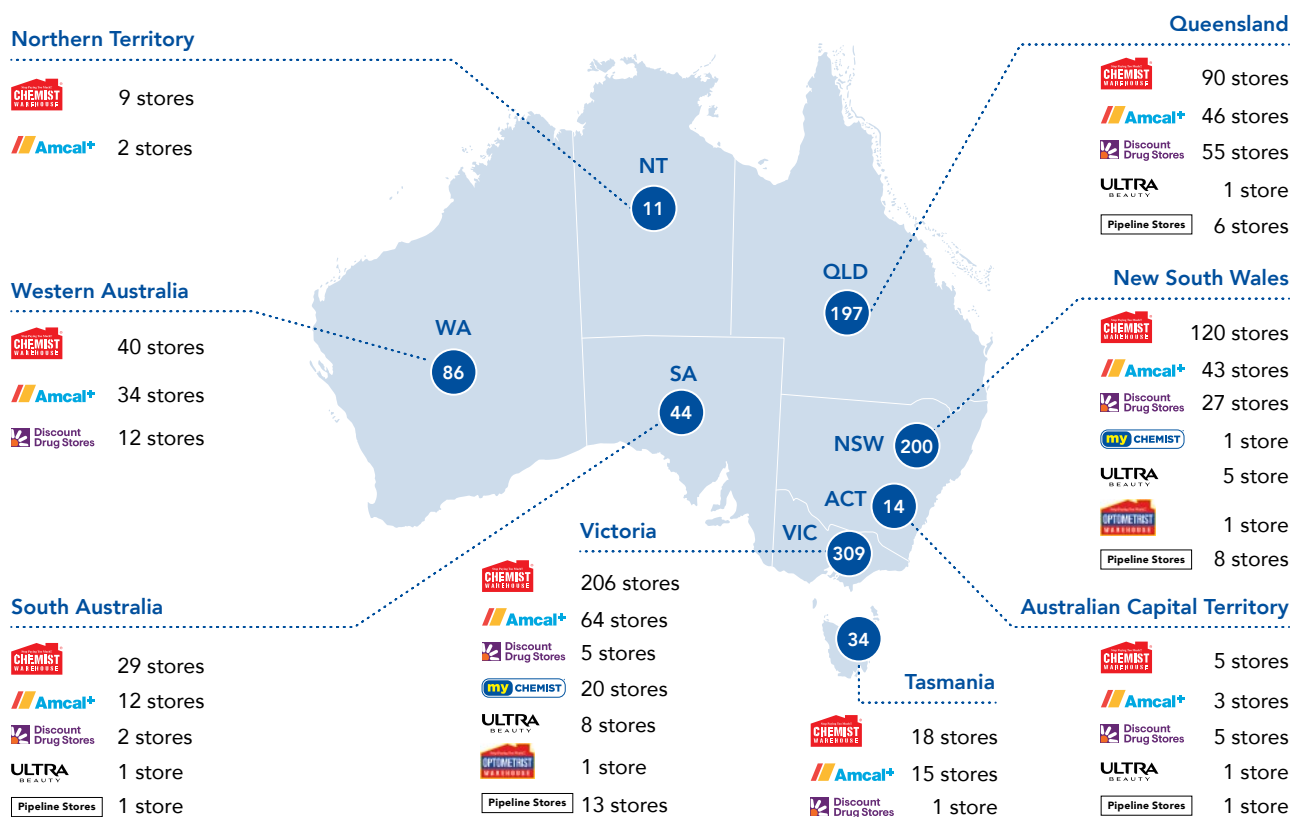
- ✓ Offers discounted prices on glasses and contact lenses and bulk-billed eye care
- ✓ Full suite of eye care services
- ✓ Stocks large and well-known range of glasses and contact lenses
- ✓ Standalone, or co-located with existing Chemist Warehouse branded stores

123. As at 30 June 2024.

124. IBISWorld; Optometry and Optical Dispensing in Australia (September 2024). Based on industry revenue for 2024-25.

An overview of the Australian Retail Network is set out below:¹²⁵

Figure 26: The Australian Retail Network (as at 30 June 2024)¹²⁶



(e) Retail pharmacy franchisor services

(i) Overview

Developing and maintaining strong working relationships with franchisees has been a fundamental pillar of Chemist Warehouse’s and Sigma’s respective businesses and is supported by franchise models that promote common interest and alignment between franchisees and franchisor.

There are several guiding principles that have underpinned the relationship between Chemist Warehouse and its franchisees and Sigma and its franchisees.

These guiding principles are:

- maximising the viability, sustainability and growth of the franchise network;
- preserving the health and stability of the franchisor and the services they provide to the franchise network;
- maintaining and growing the reputation of the pharmacy brands; and
- upholding the pharmacists’ professional and ethical standards and obligations.

These guiding principles have contributed to the long-term success of the franchisor and franchisees and will continue and are expected to underpin the relationship between the Merged Group and its franchisees.

125. The Australian Retail Network as at 30 June 2024 includes 880 Australian Franchise Network stores, 2 Optometrist Warehouse stores, and 16 Ultra Beauty stores. As at 30 June 2024, all Ultra Beauty stores were co-located with existing Chemist Warehouse branded pharmacies. Co-located stores are not included incrementally in the total number of Australian Retail Network stores.

126. Excludes PharmaSave and Guardian. As at 30 June 2024, there were 37 PharmaSave stores. Since September 2022, Sigma no longer offers the PharmaSave brand to new members. Sigma is in the process of encouraging PharmaSave stores to re-brand those stores to Amcal or DDS branded franchise stores. This initiative will continue post Implementation (to the extent not completed pre-Implementation). Sigma will continue to provide support to the remaining PharmaSave franchisees in accordance with existing agreements.

8. Information about the Merged Group continued

Consistent with existing practice of Sigma and Chemist Warehouse, the Merged Group will support its franchise operations and franchisees, and stakeholders will be encouraged to share professional learnings, promoting the continuous improvement that has supported the success of the franchise operations. These learnings and improvements will support the Merged Group's retail pharmacy brands to remain at the forefront of customer service and evolving trends.

(ii) Key services provided to franchisees

As a retail pharmacy franchisor in Australia, the Merged Group will provide a range of support services to the pharmacies in the Australian Franchise Network. The support services that will be provided by the Merged Group and the nature of fees charged for those services differ between the Merged Group's retail pharmacy franchise brands.

Until Implementation, there are legal limitations imposed by Australian competition laws on the degree to which Sigma and Chemist Warehouse may make joint decisions regarding the franchise services which the Merged Group will provide to its franchisees. Accordingly, sections 8.2(e)(ii)(A) and 8.2(e)(ii)(B) outline the franchise models that the Merged Group will inherit upon Implementation.

Post-Implementation, the Merged Group Board and senior management will consider strategic plans for the future of the franchise network in relation to such arrangements.

(A) Chemist Warehouse and My Chemist franchise pharmacies

The Merged Group will inherit Chemist Warehouse's pre-existing franchise model for pharmacies operating under the Chemist Warehouse and My Chemist brands (**Chemist Warehouse Franchise Model**). Under the Chemist Warehouse Franchise Model, franchisees have the right to use the relevant brand, benefit from brand marketing activities and gain access to a comprehensive range of goods, services and intellectual property. New franchise agreements typically run for a minimum period of 5 years, and typically include an option to renew for a period consistent with the initial term.

The key attributes of the Chemist Warehouse Franchise Model and benefits for franchisees are listed below:

| Key attribute | Detail |
|-------------------------------------|--|
| Product range and value proposition | Franchisees have access to a wide range of health, wellness and beauty products (including several exclusively ranged brands at discounted prices) to offer to their customers. |
| Marketing expertise | Franchisees benefit from the substantial advertising and marketing investment that the franchisor makes to promote the brand and its franchise network. |
| Strong retail focus | With a significant marketing focus on FOS, access to a broad range of FOS products at competitive cost pricing, as well as franchisor assistance in creating a unique retail experience, franchisees are able to develop robust retail businesses. |
| Seamless omnichannel offering | The successful Chemist Warehouse online stores deliver a seamless omnichannel experience to consumers, supporting in-store trading, including via Click & Collect and Fast Delivery purchases which are fulfilled by franchisees. |
| Suite of support services | An extensive suite of support services is made available to franchisees (see below for the support services). |
| Exceptional people and culture | A "Better Together" philosophy is instilled in all dealings with suppliers and pharmacists, which in Chemist Warehouse's experience, delivers better outcomes for all. |

The core range of services provided under the Chemist Warehouse Franchise Model is outlined below.

Wholesale supply of goods to Chemist Warehouse and My Chemist franchise pharmacies

The Merged Group will continue to directly supply a broad range of prescription products (including PBS medicines), OTC and FOS products to Chemist Warehouse and My Chemist franchise pharmacies, including products from its exclusive and private label ranges.

Support services provided to Chemist Warehouse and My Chemist franchise pharmacies

The Merged Group will provide a comprehensive range of support services to Chemist Warehouse and My Chemist franchise pharmacies in Australia, including:

- providing retail training to franchisees and their staff, with a focus on operations, product knowledge, customer service and sales conversion;
- access to IT systems tailored to the franchisee's needs, promoting efficiency and productivity across in-store operations;
- store planograms and assistance with design and layout;
- 'desktop' human resource services eg pro forma documents and checklists, payroll set-up;¹²⁷
- marketing and advertising services which are described further in section (g);
- support for maintaining the store premises, including assisting with insurance, repairs, maintenance and managed security services/CCTV; and
- property services, where the Merged Group acts as the interposed sublessor between a commercial lessor and the franchisee (the lease terms, including rental, able to be secured via this service tend to be favourable compared to the terms which would be offered to the franchisee).

The Merged Group will also (as Chemist Warehouse has historically done), negotiate terms for the supply of PBS and OTC medicines, and FOS products direct from external suppliers. Chemist Warehouse has a dedicated buying team that negotiate prices and terms with manufacturers and product sponsors, which will be made available exclusively to Chemist Warehouse and My Chemist Australian Franchise Network stores.

All franchise services listed above are available to Chemist Warehouse and My Chemist franchisees in all jurisdictions in Australia.

Fees charged for wholesale supply and support services

While there are some differences amongst jurisdictions for local compliance requirements, typically Chemist Warehouse will charge its franchisees:

- a margin on goods it supplies; and
- fees for the provision of a range of services and use of intellectual property.

Wholesale loyalty rebate arrangements apply where loyalty thresholds are met based on agreed parameters.

Where the Merged Group acts as interposed sublessor, rent is paid by the franchisee and recovered on a pass-through basis (equal to the head lease rent).

(B) Amcal and DDS franchise pharmacies

The Merged Group will operate the pre-existing franchise model for pharmacies under the Amcal and DDS brands (**Sigma Franchise Model**). New franchise agreements typically run for a minimum period of 5 years.

Under the Sigma Franchise Model, franchisees receive a non-exclusive license to use the relevant brand and access to a range of core services which are covered by a fixed annual franchise fee paid to the Merged Group. These core services vary slightly by brand, but typically include:

- team training support;
- access to private and exclusive label products;
- new store onboarding, including store design and fit out guidance;
- pharmacy design support;
- assistance with health services design, including programs for dispensary management and flu shots;
- pricing and promotion support, such as buying and pricing guides as well as promotional packages and campaigns; and
- marketing support, including brand awareness campaigns, social media content support and partnerships support.

Additional optional services may be provided at the franchisee's request (these may be at an additional cost to the franchisee).

Franchisees may elect to enter into wholesale supply agreements with Sigma which may provide discounts but are not obliged to do so. Franchisees may also be eligible for certain rebates and incentives, including wholesale supply incentives based on the proportion of total wholesale sales acquired from Sigma, brand compliance and operational best practice.

¹²⁷. Chemist Warehouse is not involved in staff selection, staff management, rostering or salary setting.

8. Information about the Merged Group continued

(iii) Franchise network growth

The Chemist Warehouse Franchise Model has demonstrated sustained, long-term success in attracting new franchisees due to its brand proposition across a range of retail pharmacy market segments and the assistance Chemist Warehouse provides to its franchisees.

In September 2022, Sigma commenced a retail brand consolidation process in order to simplify its retail strategy to focus on Amcal and DDS and seek to convert Guardian and PharmaSave stores to Amcal and DDS. Sigma closed the Guardian brand with effect from 31 January 2024. As at 30 June 2024, there were 37 PharmaSave stores.¹²⁸ Since the commencement of the consolidation process, the Sigma Franchise Network (including the legacy PharmaSave and Guardian brands which are not included in Sigma's Franchise Network stores) has reduced from 516 (as at 30 June 2022) to 350 (as at 30 June 2024) with the reduction of 89 of those stores being attributable to the consolidation.¹²⁹ Sigma also exited its joint venture with WholeLife Pharmacy and sold its 51% stake in that joint venture back to WholeLife Pharmacy in 2023.

Simplifying the retail strategy has enabled Sigma to provide more support to both existing and new Amcal and DDS members through improved services and focus along with a stronger value proposition for customers.

In collaboration with either existing or potential new franchisees, and in accordance with the relevant laws and regulations that govern the location of pharmacies in Australia (see further information in section 5.5(a)(vi)), the Merged Group will continue to aid franchisees in identifying potential locations that would be suitable to open a new store.

Franchisees and the Merged Group will have regard to a broad range of factors when assessing potential locations for new stores, including the opportunity for a new PBS-licensed pharmacy or the availability of an existing PBS-licensed pharmacy for acquisition, the suitability of the potential premises to support the retail footprint and fit-out of the relevant franchise pharmacy brand, area demographics and proximity to existing Australian Franchise Network stores and other retail pharmacies.

As the process of identifying suitable new locations is specific to the potential franchisee who will operate any potential new store, the Merged Group will not maintain a specific target list of potential new locations.

(A) Chemist Warehouse and My Chemist franchise pharmacies

The process of identifying new franchisees for Chemist Warehouse and My Chemist branded stores is well established, based on an approach of identifying registered pharmacy managers from within existing Chemist Warehouse and My Chemist branded stores.

Franchise candidates are predominantly drawn from the wide pool of registered pharmacists with long-term employment in a Chemist Warehouse or My Chemist branded store and who have had extensive training and education in the customer service, retail excellence, and operations that are part of the Chemist Warehouse and My Chemist franchise system.

Recommendations on new franchisee candidates are generally received from existing franchisees, putting potential candidates forward for consideration after they have expressed a desire to own and operate a Chemist Warehouse or My Chemist franchise.

As part of the process of becoming a Chemist Warehouse or My Chemist franchisee, candidate pharmacists typically acquire an existing pharmacy after obtaining the necessary approvals from relevant State and Federal pharmacy regulators (see further information in section 5.5(a)(vi)). If the acquired pharmacy does not meet the location and size requirements to become a Chemist Warehouse or My Chemist branded store, then it may initially be a Pipeline Store and receive services under a service arrangement, with a suite of services similar to that available to Chemist Warehouse and My Chemist franchisees (with the exception of access to relevant brand-related intellectual property). Subject to pharmacy location regulation, once a suitable new site has been identified, the pharmacist will seek approval from the relevant pharmacy regulator to re-locate and re-brand as a Chemist Warehouse or My Chemist branded store. Historically, Pipeline Stores have routinely proceeded to be re-branded to either a Chemist Warehouse or My Chemist branded store.

128. Sigma will continue to provide support to PharmaSave members in accordance with existing agreements. The impact of providing continued support to PharmaSave members in accordance with existing agreements until the transition is complete will be financially immaterial to the Merged Group.

129. As at 30 June 2024, there were 313 Sigma Franchise Network stores excluding PharmaSave, comprising of 209 Amcal and 104 DDS stores. There are 350 stores when including PharmaSave (37 pharmacies as at 30 June 2024) and Guardian (no pharmacies).

New franchisees will receive significant support from the Merged Group in opening a new Chemist Warehouse or My Chemist branded store, including:

- end-to-end support for new store openings, including assisting with location selection, store design, regulatory approvals, fit-out, leasing, insurance and managed security services/CCTV;
- property services, including where the Merged Group may act as interposed sublessor between a commercial lessor and the franchisee (as described above in section 8.2(e)(ii)(A));
- fit-out financing services whereby franchisees acquire store fit-out and may either pay for the fit-out from their own resources or enter into a fit-out lease with the Merged Group (under which the Merged Group funds the initial fit-out costs and recovers this cost over time through the fit-out lease with the franchisee);
- business loans for franchisees. Franchisees obtain business finance from a range of sources (eg the pharmacist's preferred bank, personal funds) for new or expanding franchise pharmacies. However, consistent with current practice by Chemist Warehouse, the Merged Group provides seed capital loans to franchisees for new or expanding franchise pharmacies on request. The loan terms are standard business lending terms (with some clauses which are more favourable to the borrower) and the interest rate is a standard business lending rate;¹³⁰ and
- support, training and mentoring relevant to owning and operating a Chemist Warehouse or My Chemist franchise pharmacy.

Over the last five years, the Chemist Warehouse Australian Franchise Network has grown by 97 stores, averaging approximately 19 new stores per year.¹³¹ Chemist Warehouse employs a team of 28 property advisory professionals, alongside a dedicated onboarding team, who have historically been capable of assisting franchisees in onboarding approximately 2-3 new stores per month.

(B) Amcal and DDS franchise pharmacies

The process of identifying new franchisees for Amcal and DDS is through enquiries from individuals and does not require referrals from existing franchisees.

New Amcal and DDS franchisees are provided with a number of benefits including:

- support for new store openings, including assistance with store design and fit-out; and
- support and training relevant to owning and operating an Amcal or DDS franchise pharmacy.

(f) Wholesale and distribution activities

(i) Overview

The Merged Group will be a national full-line CSO wholesaler with its distribution network servicing pharmacies Australia wide. It will supply a wide range of products, such as prescription products (including PBS medicines), OTC and FOS products.

The Merged Group will acquire products from pharmaceutical and other suppliers and distribute them to pharmacies across Australia, including Australian Franchise Network stores and independent pharmacies.

The Merged Group's wholesale and distribution activities will be supported by 14 distribution centres located across Australia with 272,200 sqm of aggregate capacity. Three distribution centre sites will be owned by the Merged Group, while the remaining will be leased.¹³² In Australia, Sigma's existing distribution centres will be used to service all pharmacies (including independent pharmacies and Australian Franchise Network stores), while Chemist Warehouse's existing distribution centres will exclusively service Chemist Warehouse Australian Franchise Network stores.¹³³ Following Implementation, the Merged Group will conduct a detailed review of its distribution centres to assess the size and future requirements, having regard to the Australian Franchise Network and the Merged Group's independent customer base.

130. Historically, EYFS has provided these business loans to franchisees. Chemist Warehouse is in the process of re-financing these business loans from EYFS into loans from Chemist Warehouse. It is expected that all such EYFS loans will be fully re-financed by the end of FY25. In addition, historically EYFS has provided short term 'bridging' loans to franchisees to acquire existing pharmacies on a time-sensitive basis. Whilst it is intended going forward that those loans be provided by third parties, from time to time, EYFS may provide 'bridging' loans to franchisees.

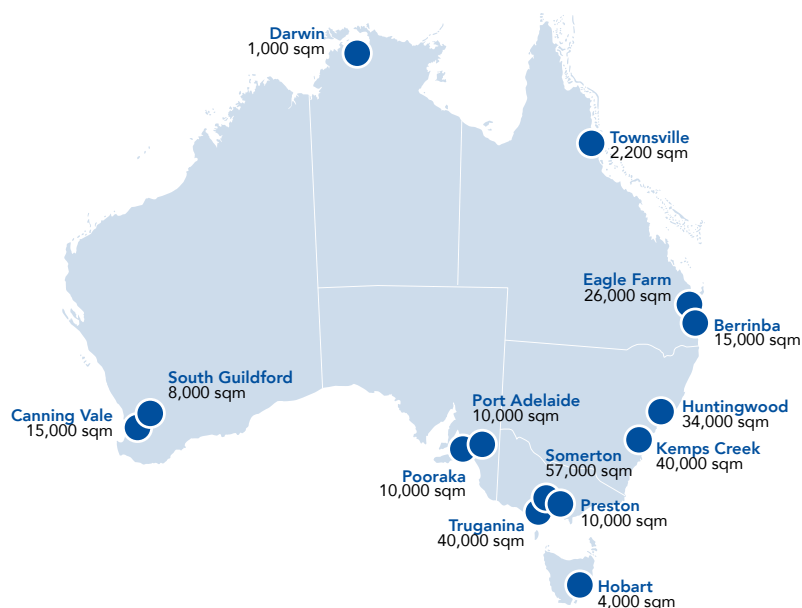
131. From 1 July 2019 to 30 June 2024.

132. Sigma's Canning Vale, Townsville and Truganina distribution centres are owned.

133. As at 30 June 2024 there were 567 Chemist Warehouse Australian Franchise Network stores, comprising of 517 Chemist Warehouse branded stores, 21 My Chemist branded stores and 29 Pipeline Stores.

8. Information about the Merged Group continued

Figure 27: The Merged Group's Australian distribution centre network¹³⁴



A number of sites in the Merged Group's distribution centre network benefitted from Sigma's recent \$400 million capital investment program which was completed in 2023.¹³⁵ The capital investment program focused on acquiring new distribution centre land and buildings, as well as deploying automation technology and upgrading IT systems. These investments will improve operational capacity and efficiency for the Merged Group and serve to reduce the requirement for significant capital investment in the foreseeable future. The Sigma Directors and the Proposed Directors believe that the Merged Group's existing distribution network will be capable of supporting continued like-for-like growth in current Australian Franchise Network stores and continued growth in new Australian Franchise Network stores in the medium term, as well as continued wholesale sales to independent pharmacy customers.

Among the eight distribution centres contributed by Sigma (representing 127,200 sqm), the Merged Group expects to have approximately 35% available wholesale capacity (after allowing for the annualised impact of the Sigma Supply Agreement). Available capacity across all the Merged Group's distribution centres will support the Merged Group's future growth ambitions for the supply of products to independent pharmacies and Australian Franchise Network stores and will provide an opportunity for cost synergies to be realised across the Merged Group's supply chain, consistent with the Merged Group's continuing CSO obligation. As set out in section 8.6(b), the Merged Group expects to deliver cost synergies through the optimisation of its supply chain and distribution centres, improved freight and route optimisation, as well as savings from consolidation of spend with third party service providers.

(ii) Wholesale and distribution services

The Merged Group's wholesale and distribution activities will include:

(A) Wholesale sales to Australian Franchise Network stores

The Merged Group will sell prescription, OTC and FOS products by wholesale to Australian Franchise Network stores operating under its core franchise brands (Chemist Warehouse, My Chemist, Amcal and DDS).

(B) Wholesale sales to independent pharmacies

The Merged Group will also sell prescription, OTC and FOS products by wholesale to independent pharmacies which, together with Australian Franchise Network stores, will include over 3,500 pharmacies across Australia.

Following Implementation, Sigma will continue to operate as a wholesaler accredited under the CSO arrangements. Sigma has also committed as part of its Merger Undertaking to the ACCC to continue to participate in the CSO for at least 5 years from Implementation. As a CSO distributor, Sigma will continue to be required to supply PBS medicines and National Diabetes Services Scheme products to any retail pharmacy in Australia in accordance with strict service standards and compliance requirements under its CSO obligations (see further information in section 5.1).

134. The Merged Group's distribution network does not include the Eastern Creek distribution centre (8,000 sqm) which Sigma is sub-leasing.

135. The \$400 million capital investment program was undertaken by Sigma and related exclusively to sites owned or operated by Sigma. The capital investment program did not extend to sites owned or operated by Chemist Warehouse Group.

(C) Third party logistics services

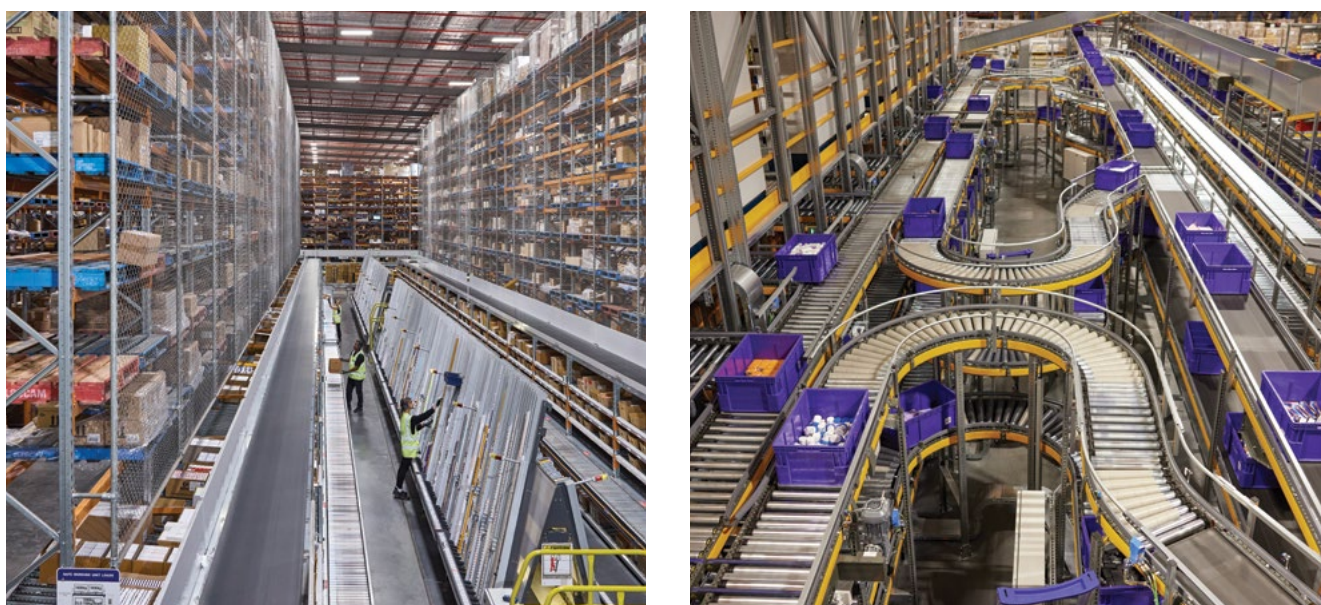
In addition to its wholesale activities, the Merged Group will also utilise its distribution infrastructure to provide third party logistics services to customers. The Merged Group's third-party logistics business generates income by providing warehousing, order fulfillment and transportation services to manufacturers of goods.

The Merged Group will utilise Sigma's national footprint of temperature-controlled facilities with bulk storage to handle a wide range of products. Through Sigma's supply chain capabilities and expertise, the Merged Group will be well positioned to effectively and efficiently provide third party services to customers from various sectors including pharmaceutical, medical consumables and fast-moving consumer goods.

(iii) Logistics infrastructure

Sigma has automated much of its logistics process to accommodate current and future demands on its supply chain. Sigma distribution centres operate an automated picking and buffering solution, where orders are picked, buffered and sequenced to delivery vehicles. These automated processes work to optimise the entire logistics process.

Figure 28: The Merged Group's automated distribution infrastructure



The Merged Group will transport goods from distribution centres directly to stores Australia wide through tendered freight contracts. The Merged Group will continue to identify route optimisation opportunities to drive timeliness of delivery as well as freight cost savings.

Through its national network and distribution infrastructure, the Merged Group will have the ability to effectively meet customer needs. The Merged Group will also benefit from Sigma's specialised wholesale and distribution capabilities and its track record of servicing pharmacies across Australia. For the last twelve months ended 30 June 2024, Sigma distributed over 230 million units to pharmacies across Australia with above 99% Delivery in Full and Despatch on Time.¹³⁶

(g) Advertising and marketing activities

The Merged Group will undertake a broad array of marketing and advertising activities, partnering with brand owners and suppliers to promote their products which will be offered through the Australian Franchise Network and online.¹³⁷

The Merged Group will have a range of owned media platforms, as well as established relationships enabling premium access to many external broadcast advertising mediums. The significant investment that Chemist Warehouse has made historically in these activities has positioned the Chemist Warehouse brand as one of the most visible and recognised brands in Australia and makes the Merged Group a trusted partner for brand owners and suppliers to advertise with.

136. Sigma Healthcare Limited – 1H25 Results Announcement (page 13).

137. Sales of suppliers' products across the Merged Group's online channels will initially be through the Chemist Warehouse and My Chemist branded online stores.

8. Information about the Merged Group continued


The Merged Group's extensive advertising and marketing activities will serve two distinct groups of users:

- franchisees:** Advertising and marketing services provided to Australian Franchise Network stores under their franchise agreements, including in-store promotions, catalogues, loyalty programs and online promotions which drive customer recognition and footfall; and
- suppliers:** The Merged Group will also sell opportunities to product suppliers and distributors to have products featured in the Merged Group's advertising content. Suppliers benefit from these marketing initiatives as the Merged Group provides affordable access and a broad engaged audience for its advertising partners.

The investment in the multi-medium advertising and marketing strategy will be designed to drive increased brand awareness (in both the Australian Franchise Network, and co-branded campaigns with suppliers), improve traffic across the Australian Franchise Network, and enhance sales growth for franchisees and product suppliers, in turn driving wholesale sales growth for the Merged Group itself.

The Merged Group will generate marketing and advertising revenues by charging suppliers' fees for advertising their products via catalogues, TV and radio advertisements, other digital and print media and sponsorship deals. The Merged Group will incur costs in delivering its advertising and marketing activities, including production expenses, distribution expenses, placement charges as well as general operating expenses relating to its advertising and marketing teams.

Overview of the Merged Group's advertising and marketing channels

| Platform | Overview |
|--|--|
| Catalogues  | <ul style="list-style-type: none"> Periodic catalogues branded and featuring available product and promotions across the Chemist Warehouse (67 million distributed p.a.), My Chemist (3 million p.a.), Amcal (9 million p.a.) and DDS (11 million p.a.) brands.¹³⁸ |
| In-store and online advertising  | <ul style="list-style-type: none"> A portfolio of advertising channels across in-store, digital and social media. In-store advertising includes Chemist Warehouse's in-store TV's, outdoor TV screens, proximity marketing units, window decals, security gate covers, counter mats, and other in-store opportunities which are a key tool in driving sales and increased basket size. |
| House of Wellness  | <ul style="list-style-type: none"> An Australian health and wellbeing media brand, with a broad ecosystem across print (magazines/newspaper lift-outs), TV, radio, digital and social media. Includes The House of Wellness show, a weekly TV program which reached 174,000 Australians on average each week in FY24.¹³⁹ Chemist Warehouse distributed 51 million House of Wellness magazines in FY24.¹⁴⁰ |
| TV advertising, newspaper, radio and out-of-home  | <ul style="list-style-type: none"> Strategically placed ads on commercial television and in-store, capturing significant reach and offering suppliers an attractive channel to purchase advertising space with engaged customers. 'What's on in the Warehouse' commercials, run daily and with three different campaigns per week, reached 1.4 million Australians per week in FY24.¹⁴¹ The Merged Group also intends to run an array of national marketing campaigns across prominent newspapers, major national radio programs, and in out-of-home channels including billboards and transit advertising. CW Remix is Chemist Warehouse's own DAB+ digital radio station, which is played live in all Chemist Warehouse branded stores. This station allows advertisers to reach pharmacy customers at the point of purchase. |

138. Management information. Distributed in the twelve months to 30 June 2024.

139. OzTAM: 1 July 2023 – 30 June 2024. Friday 14:00 – 15:00, and Sunday 12:00 – 13:00; average of all episodes. Total People. Metro Markets (Sydney, Melbourne, Brisbane, Adelaide, Perth) and Regional Markets (Queensland Aggregate, Northern NSW Aggregate, Southern NSW Aggregate, Victoria Aggregate). Consolidated 7 data. Broadcast TV data only.

140. Management information. Distributed in the twelve months to 30 June 2024.

141. OzTAM: 1 July 2023 – 30 June 2024. Monday – Sunday, 09:00 – 11:00; average of all placements. Total People. Metro Markets (Sydney, Melbourne, Brisbane, Adelaide, Perth) and Regional Markets (Queensland Aggregate, Northern NSW Aggregate, Southern NSW Aggregate, Victoria Aggregate). Consolidated 7 data. Broadcast TV data only.

Platform

Overview

Activations/ambassadors



- Partners with relevant suppliers for activations at product festivals and expositions, as well as with several well-known sports stars and health and nutrition specialists as brand ambassadors.

Sponsorships



- Major sponsor of many of Australia's premier sporting codes including the AFL and AFLW, NRL, NBL, netball and the Australian Open.¹⁴²

Loyalty programs



- Consumer-facing loyalty programs under the My Chemist, Amcal and DDS brands.

(h) Online

The Merged Group will have established online channels in Australia through which it or its franchisees operate several online stores.¹⁴³ This is (and is expected to continue to be) a strategically important channel that maintains brand awareness and engagement across each of the Merged Group's franchise brands and will aim to provide a seamless omnichannel experience enabling pharmacy customers of the Merged Group's franchisees to access a range of products at attractive prices online or in-store at their convenience.

The Merged Group's online stores in Australia will be accessed via the following websites: www.chemistwarehouse.com.au; www.mychemist.com.au; www.epharmacy.com.au; www.amcal.com.au; www.discountdrugstores.com.au; www.optometristwarehouse.com.au; and www.chemistwarehouse.com.au/ultra-beauty.

The Merged Group's online stores will operate differently across the various websites. In particular, the sales from online stores for franchisees under the Amcal and DDS brands are exclusively the sales of the relevant franchisee which a customer chooses to purchase from.

Additionally, prescription and OTC products in Australia can only be supplied by pharmacies (or other licensed businesses such as hospitals) and prescription products can only be dispensed upon receiving a valid electronic or paper prescription (with limited exceptions). Supply of pharmacist only ('behind the counter') pharmaceuticals is subject to compliance with the requirements in the jurisdiction of supply (see further information in section 5.5(a)(iii)). While the Merged Group will not dispense prescription products from its online stores, for several of its online stores it will facilitate a service whereby customers can send a prescription to a dispensing franchise store of their choice by post or e-prescription. These prescriptions will be directed to and fulfilled by the relevant franchise store which can supply to the customer. The Merged Group's online operations will benefit from investments made by Chemist Warehouse in recent years in developing the systems and infrastructure that support the online operations, which were aimed at enhancing efficiency and improving customer service levels. This included the establishment by Chemist Warehouse of a highly automated, 10,000 sqm online fulfilment centre in Preston (Victoria), and investment in improved tracking functionality.

142. NRL sponsorship includes the naming rights to 'Chemist Warehouse Sunday Football'.

143. The Merged Group also has an online channel in New Zealand and China; see further information in section 8.3.

8. Information about the Merged Group continued

(i) Chemist Warehouse, My Chemist, ePharmacy and Ultra Beauty online channels

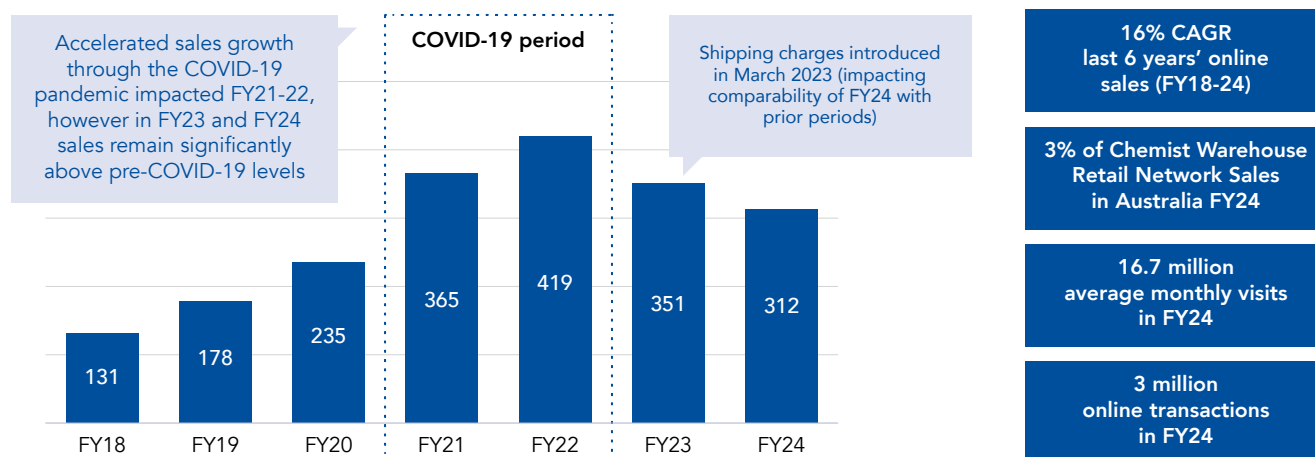
The Chemist Warehouse website in Australia – www.chemistwarehouse.com.au – offers a single 'digital front door' and complements in-store trading, by offering same day delivery, free Click & Collect and Fast Delivery with tracking functionality.

The way orders via the Chemist Warehouse online store are fulfilled varies based on the customer's delivery or collection preference and the nature of the goods ordered.

Any online sales involving prescription or OTC products, or where the consumer selects Click & Collect or Fast Delivery, are directed to and fulfilled by Chemist Warehouse franchisees (in both cases, orders are fulfilled by, and sales are attributed to, the relevant franchise store). Where an online order relates only to FOS goods, the products will be generally delivered to the customer direct from one of the Merged Group's distribution centres (in which case the sale will be attributed to the Merged Group) or may be directed to a Chemist Warehouse franchisee for fulfilment.

The My Chemist website – www.mychemist.com.au, ePharmacy website – www.epharmacy.com.au and Ultra Beauty website – www.chemistwarehouse.com.au/ultra-beauty, are operated under the same channel arrangements as described above for the Chemist Warehouse online store. The way the order is fulfilled is consistent with a Chemist Warehouse online order.

Figure 29: Chemist Warehouse Online Sales in Australia (\$m)^{144,145,146,147}



(ii) Amcal and DDS online channels

The Amcal and DDS websites – www.amcal.com.au, www.discountdrugstores.com.au – enable customers to shop direct from participating Amcal or DDS pharmacies (with orders placed online sold and fulfilled directly by the selected pharmacy). Purchases are limited to products currently available at the customer's chosen pharmacy. Depending on the contents of the order and the pharmacy fulfilling the order, there are a range of delivery methods including express, same or next day as well as Click & Collect.

(iii) Optometrist Warehouse online channel

The Optometrist Warehouse website – www.optometristwarehouse.com.au – offers customers an ability to shop and purchase contact lenses online. Customers can select from a wide range of contact lenses and are then prompted to enter their prescription details prior to completing the online order. The Optometrist Warehouse website also allows customers to make an online booking for an eye examination at a store selected based on the proximity to a location selected by the customer.

144. Includes online sales within the Chemist Warehouse, My Chemist and ePharmacy online channels. Any online sales in Australia involving scheduled medicines, or where the consumer selects Click & Collect or Fast Delivery, are directed to and fulfilled by franchisees. Where an online order relates only to consumer goods, the products are generally delivered to the customer direct from a Chemist Warehouse distribution centre, but may instead be directed to a franchisee for fulfilment if the distribution centre is unable to fulfil the order. Online sales figures shown above represent a combination of Chemist Warehouse revenue, and Chemist Warehouse Retail Network Sales.

145. FY18 to FY24, financial year ended 30 June.

146. Management information (unaudited).

147. Google Analytics in respect of monthly visits and online transactions.








(j) Owned, private label and exclusive brands and products

The Merged Group's operations will also include supplying a broad range of fully or partly-owned brands, private label and exclusive brands and products to certain stores in the Retail Network in Australia, as well as selling certain products from those brands directly to consumers through certain of the Merged Group's online channels.¹⁴⁸ Some private label brands may be supplied to both the Retail Network in Australia and independent pharmacies (as well as to certain international network stores).¹⁴⁹

The Merged Group's range of fully or partly owned, private label and exclusive brands and products provides franchisees, independent pharmacies and consumers with greater choice, and represents a higher margin product suite promoting increased profitability for both the Merged Group and its franchisees.

Expanding the range of owned, private label and exclusive brands and products across the Merged Group's various franchise brands represents a growth opportunity for the Merged Group.

Fully/partly owned brands, private label/licenced brands¹⁵⁰

| | Select brands | Overview |
|-------------------|---|---|
| Chemist Warehouse |  | Australian pharmacy brands with premium medicinal and vitamin products across a broad range of categories, as well as general health accessories. |
| |  | Nutritionally balanced, high quality and affordable range of sports nutrition products. |
| |  | Australian vitamin brand with a premium range of high-quality vitamins and supplements. |
| |  | Innovative range of goat milk skincare, personal care and hair care products. |
| |  | Range of healthy protein and supplement powders, including collagen powders and creamers, vegan and keto protein powders, and healthy confectionary. |
| Sigma |  | Private label range of prescription, OTC and FOS products, available to Amcal franchisees. |
| |  | Private label range of prescription, OTC and FOS products, including skincare, pain relief medication, vitamins, beauty, and baby products. ¹⁵¹ It is currently planned that the Pharmacy Care brand will be replaced with the Guardian brand. |

Chemist Warehouse's suite of fully or partly owned, private label and licenced brands represented \$364 million in network sales in Australia for FY24 (approximately 5% of Chemist Warehouse Retail Network Sales in Australia in FY24).¹⁵²

Exclusive brands and products

Exclusive brands and products are a range of products that will be exclusively available to the Retail Network in Australia. Exclusive rights typically vary by product and/or brand (as agreed between the Merged Group and the exclusive brand/product owner). Exclusivity typically covers retailing in Australia (and in some cases, also covers New Zealand).

Chemist Warehouse's suite of exclusive brands and products represented \$457 million in network sales in Australia for FY24 (approximately 6% of Chemist Warehouse Retail Network Sales in Australia in FY24).¹⁵³

148. The Merged Group has varying ownership levels across a number of brands, in addition to exclusive rights to import, manufacture and/or distribute certain brands and products. The Merged Group also has exclusive licensing and distribution rights over certain brands and products (such as Messi fragrances and skincare lines).

149. Such as PharmacyCare.

150. See footnote 148.

151. Available to Sigma franchise pharmacies and independent pharmacy customers.

152. Management information (unaudited). Network sales across the Sigma Franchise Network, as well as network sales relating to Sigma's fully / partly owned brands and private label / licenced brands and Sigma's exclusive brands and products, are not included in the section above due to limitations in the availability of franchise store sales data historically.

153. Management information (unaudited). Network sales across the Sigma Franchise Network, as well as network sales relating to Sigma's fully / partly owned brands and private label / licenced brands and Sigma's exclusive brands and products, are not included in the section above due to limitations in the availability of franchise store sales data historically.

8. Information about the Merged Group continued

(k) Other activities in Australia
















(i) Other businesses

The Merged Group will partly or fully own a range of complementary businesses that will provide a range of value-added services for the Merged Group and third parties. These include but are not limited to:

| Business | Ownership | Description |
|---|--------------------|--|
|  Strat <small>WE BUILD BRANDS UP</small> | 100% | <ul style="list-style-type: none"> Advertising agency, producing content and purchasing media on behalf of Chemist Warehouse and third-party customers including (but not limited to) The Good Guys, TGI Fridays, RSEA Safety, Shaver Shop, Pedders and St Kilda Football Club. |
|  Game On! <small>Product Group</small> | 100% | <ul style="list-style-type: none"> Manufacturer and distributor of health and beauty related products, with global licences with Liverpool FC, Tottenham Hotspur FC, Arsenal FC, Messi Fragrance, and NFL International, as well as regional licenses (across a combination of countries including the USA, Australia, New Zealand and several countries throughout Asia) with Disney, Marvel, Warner Brothers, Lucas Films, Mattel, the AFL and the All Blacks.¹⁵⁴ These products are ranged in a wide variety of leading retailers (in addition to Chemist Warehouse and My Chemist branded stores). |
|  MPS <small>CONNECT</small> | 100% | <ul style="list-style-type: none"> Provides integrated packing services and Dose Administration Aid solutions to pharmacies with compliant documentation and quality control for greater efficiency, quality and accuracy. Links doctors, to pharmacists, to individuals in the community and aged care homes, and their care staff and residents. TGA licensed packing facilities. |
|  Instant Consult | 60% ¹⁵⁵ | <ul style="list-style-type: none"> An online telehealth platform connecting patients to an Australian qualified online doctor, facilitating affordable and effective telehealth consultations. The Merged Group will have both a strategic partnership and an equity partnership with Instant Consult. |
|  market reach | 100% | <ul style="list-style-type: none"> Offers a targeted sampling program to the pharmaceutical industry, distributing medical samples on behalf of brand and product partners to reach a large number of pre-qualified potential health professionals. Created to help pharmaceutical and healthcare companies distribute starter packs, education and samples to healthcare professionals Australia wide. |

(ii) Partnerships and investments

The Merged Group will have equity investments in certain third-party product suppliers and service providers. These equity stakes promote alignment and will incentivise the Merged Group and the service or product supplier to invest in and grow these partnerships.

| Select product suppliers | Select service providers |
|---|--|
|     |   |
|     |   |
|    | |

154. Game On's license with NFL International excludes the United States of America.

155. Remaining 40% shareholding owned by founders and other individual shareholders.

8.3 International Operations

(a) New Zealand

The Merged Group's business will include part-ownership of a leading pharmacy network in New Zealand, under the Chemist Warehouse brand. Each Chemist Warehouse branded pharmacy in New Zealand is operated by a separate entity that is partially owned by Chemist Warehouse, who holds the majority of economic shares and a minority of voting shares, and by Chemist Warehouse's local partner (who is a New Zealand registered pharmacist) and other New Zealand registered pharmacists (or vehicles which they control).

Chemist Warehouse commenced its entry into New Zealand in November 2017 and has achieved rapid growth as consumers embraced the Chemist Warehouse brand. The New Zealand market is well-established and has a more flexible regulatory regime without strict location rules (in contrast to Australia) (see section 5.5(b) for an overview of this regulatory regime).

As at 30 June 2024, there were 50 Chemist Warehouse branded stores in New Zealand, generating Network Sales of \$886 million in FY24.

Given the part ownership structure, the financial results of the New Zealand network stores are not consolidated into the Merged Group's revenues (rather they are accounted for under the equity accounting method).

Figure 30: New Zealand Retail Network Sales evolution (\$m)^{156,157}

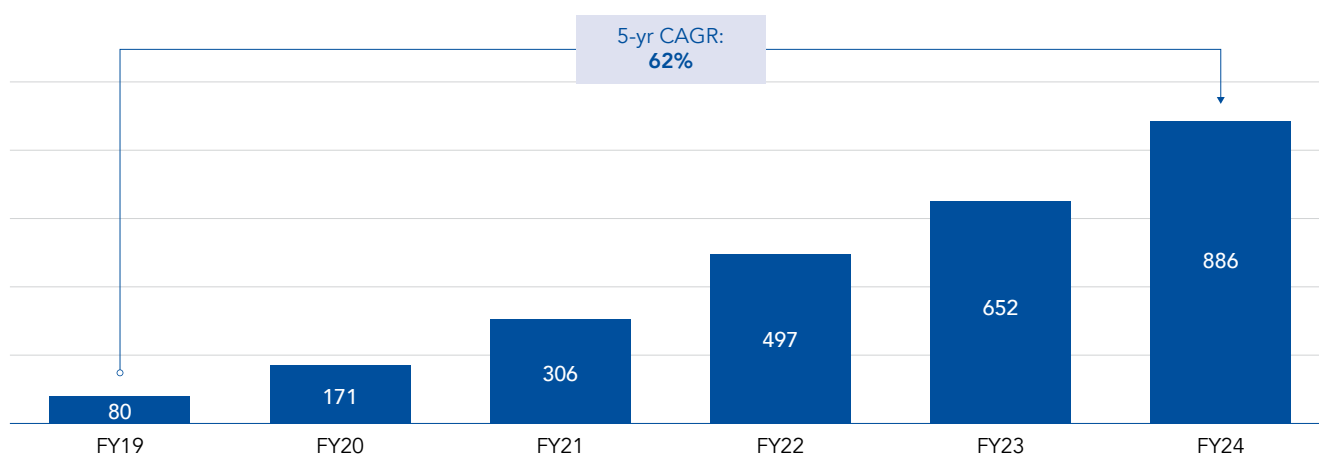
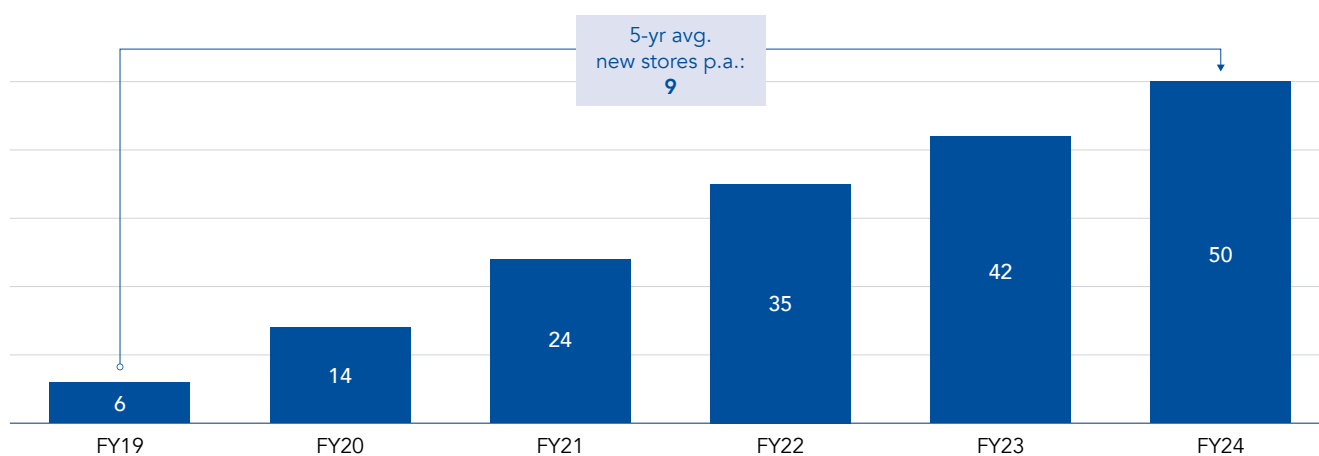


Figure 31: New Zealand Retail Network evolution (no. of stores)¹⁵⁸



156. FY19 to FY24, financial year ended 30 June.

157. Management information (unaudited).

158. FY19 to FY24, financial year ended 30 June.

8. Information about the Merged Group continued

In New Zealand, all stores operate under the Chemist Warehouse brand and the store design and layout are similar to Chemist Warehouse branded stores in Australia (refer section 8.2(c)).

There is an online channel operating in New Zealand via the website – www.chemistwarehouse.co.nz. The website has a similar look and feel to the Chemist Warehouse website in Australia and similarly offers a single 'digital front door'. It also complements in-store trading, by offering same day delivery, free Click & Collect and Fast Delivery with tracking functionality. Online sales in New Zealand are predominantly fulfilled by the Merged Group's 4,000 sqm New Zealand distribution centre, which has the capability and a dispensary enabling fulfillment of online orders including prescription, OTC and FOS goods.¹⁵⁹ Online sales in New Zealand continue to grow and reached \$77 million in FY24, representing 9% of New Zealand Retail Network Sales in the period.

(b) Ireland

The Merged Group's business will include part-ownership of a pharmacy network in Ireland. Each Chemist Warehouse branded pharmacy in Ireland is operated by a separate entity in which Chemist Warehouse holds a majority interest and the balance of the shares are held by Chemist Warehouse's local Irish partner.¹⁶⁰ The financial results for each of the Irish companies are consolidated in the Merged Group's financial accounts.

Operations commenced in Ireland in 2020 with the opening of a Chemist Warehouse branded store in Blanchardstown. Despite initial headwinds at the onset of COVID-19, steady store growth has been achieved with the Ireland store network comprising 10 stores as at 30 June 2024.

Figure 32: Retail Network stores in Ireland¹⁶¹



Figure 33: Ireland Retail Network evolution (no. of stores)¹⁶²

| FY20 | FY21 | FY22 | FY23 | FY24 | Store growth FY20-FY24 | |
|------|------|------|------|------|------------------------|-----|
| | | | | | # | % |
| - | 2 | 4 | 6 | 10 | 10 | n/a |

With a strong public healthcare system and similar demographic characteristics to the Australian and New Zealand markets, Ireland is an appealing market opportunity for the Merged Group to expand the store network as part of the Merged Group's broader growth strategy. See section 5.5(c) for an overview of Ireland's regulatory regime.

(c) China

In China, there are a number of Chemist Warehouse branded retail stores and online e-commerce stores, which are operated by a series of local partners under the direction of Chemist Warehouse with the local partner entitled to retain a percentage of local revenue. These stores are retail shops selling consumer goods, and they do not sell prescription goods or anything else that requires a pharmaceutical operation licence in China.

159. Pharmaceutical orders are dispensed and delivered by a Chemist Warehouse branded pharmacy located nearby the distribution centre.

160. Each pharmacy is operated by a separate operating company which is currently owned by Chemist Warehouse and the local Irish partner.

Chemist Warehouse recently began, or will shortly begin, to offer minority equity interests in particular operating companies to one or more pharmacists who work at that particular pharmacy. This will reduce the percentage holding of the local Irish partner, with Chemist Warehouse's holding in the operating company to remain unchanged.

161. As at 30 June 2024.

162. FY19 to FY24, financial year ended 30 June.

(i) China online channels

The Merged Group's business will include operations on e-commerce platforms in China, which commenced in 2015 with the opening of a Chemist Warehouse branded online store on T-MALL Global, a Chinese online marketplace. The Chemist Warehouse T-MALL store has become a major international health and beauty online store. Chemist Warehouse's online and e-commerce presence in China has expanded to include three flagship digital stores on the T-MALL Global platform, and one flagship store each on the Kaola, Douyin, and Kuaishou platforms.

The success of the online operations in China has resulted in recognition through several awards, including:

- T-MALL Global Operational Excellence Award (2019 – 2022);
- #1 seller for the month on the Kuaishou live streaming platform (September 2022 – December 2022);
- International E-Tailer of the Year by Retail Asia (2023 – 2024)^{163,164}
- International Health & Beauty Retailer of the Year by APAC Insider Southeast Asia Business Awards (2023 – 2024);^{165,166} and
- Finalist, eCommerce (including cross-border eCommerce) – Governor of Victoria Export Awards (2024).¹⁶⁷

(ii) China physical stores

The Merged Group's business will include a physical store network in China which comprised 10 Chemist Warehouse branded stores as at 30 June 2024. The first physical store in China opened in 2019.

China Retail Network evolution (no. of stores)¹⁶⁸

| FY20 | FY21 | FY22 | FY23 | Store growth FY20-FY24 | | |
|------|------|------|------|------------------------|---|------|
| | | | | FY24 | # | % |
| 1 | 4 | 5 | 6 | 10 | 9 | 900% |

The Merged Group's business will reflect 100% economic contribution of the China store network (with the financial results fully consolidated).

(d) Dubai

The first Chemist Warehouse branded store in Deira, Dubai opened in October 2024. Each pharmacy in Dubai is (or will be) operated by a Dubai-incorporated operating company, which is majority owned by Chemist Warehouse.

With a high standard of living and income per capita, and strong consumer demand for beauty and wellness products, Dubai is viewed by the Merged Group as providing an opportunity for future growth in the roll out of further Retail Network stores under the Chemist Warehouse brand.

8.4 People and organisational structure

The Merged Group will employ over 2,500 staff across functions including warehousing and logistics, marketing, operations, and corporate and administration.¹⁶⁹

Refer to section 8.9 for further background on the Merged Group's key executives and board.

163. <https://retailasia.com/videos/retail-asia-awards-2023-winner-chemist-warehouse#:~:text=Chemist%20Warehouse%20wins%20the%20International,model%20and%20supporting%20its%20expansion.>

164. <https://retailasia.com/co-written-partner/event-news/retail-asia-awards-2024-crowns-regions-top-retail-innovators>

165. <https://apacinsider.digital/winners/chemist-warehouse/>

166. <https://apacinsider.digital/winners/chemist-warehouse-2/>

167. <https://global.vic.gov.au/our-programs-and-services/our-programs/governor-of-victoria-export-awards>

168. FY19 to FY24, financial year ended 30 June.

169. Not including staff employed in the Retail Network, who are not employees of the Merged Group.

8. Information about the Merged Group continued

8.5 Information technology and security

(a) Overview of the Merged Group's information technology environment

The Merged Group will have a range of information technology systems to support the operation of its retail pharmacy franchisor services, pharmaceutical wholesale and distribution operations and administration support services, as well as in providing a suite of IT services to the Retail Network. Making stable, secure, scalable and modern services available to the Merged Group and the Retail Network will be core to the Merged Group's technology strategy.

Certain technology the Retail Network will employ includes systems that have been purpose configured and customised to support franchise pharmacies to provide a market leading retail experience, and benefit all relevant pharmacy stakeholders (including consumers, suppliers and employees). The bespoke and efficient technology suite that the Merged Group will offer to the Retail Network, will also serve to reduce friction for franchisees and enable them to focus on the operation and growth of their franchise pharmacies.

The Merged Group will have a dedicated team of approximately 290 IT personnel with a complementary combination of IT experience and retail knowledge and predominantly based out of the Merged Group's offices in Melbourne.¹⁷⁰ This includes a highly experienced team of senior personnel who lead functional support teams across IT infrastructure, operations, cyber and risk, innovation and research, enterprise architecture, enterprise applications, data, software engineering and global services.

Figure 34: Technology functions in the operations of the Merged Group

| Function | Description | Activities | Selected examples |
|--|---|---|---|
| Supply chain, logistics and wholesale operations | Technology infrastructure supporting the management of stock flows efficiently across transportation, storage and handling | <ul style="list-style-type: none"> • Whole of market wholesale operations • Supplier management • Customer account management • Warehouse management • Order fulfillment • Freight scheduling • Shipment tracking and documentation • Inventory planning | <p>Figure 35: Sigma's automated storage and retrieval systems</p> <p>Figure 36: Chemist Warehouse's Autostore systems</p> |
| Retail store operations | Technology infrastructure maintained and offered to Chemist Warehouse and My Chemist franchisees in order to efficiently and effectively operate their franchise pharmacies | <ul style="list-style-type: none"> • Retail point of sales (POS) • Promotion management • Dispensing • Human capital management and payroll | <p>Figure 37: Chemist Warehouse's POS system</p> <p>Figure 38: Chemist Warehouse's dispensing system</p> |
| Online operations | Technology infrastructure supporting online shopfront and retail trade | <ul style="list-style-type: none"> • Website infrastructure • e-Commerce operations • Chemist Warehouse mobile application | Figure 39: Chemist Warehouse's online infrastructure |
| Head office operations | Technology infrastructure supporting the Merged Group's corporate and head office functions | <ul style="list-style-type: none"> • Advertising and marketing • Financial management and reporting • Data analytics • Human capital management and payroll • Contract management • Workflow management • Cyber and information security • Procurement • Privacy • Enterprise risk management | |

The Merged Group will benefit from significant recent investment made by both Chemist Warehouse and Sigma in technology enablement and system enhancements, including several examples outlined below. Further technology enablement and efficiency will remain core pillars in the Merged Group's plans to continue to support growth and scaling of the Retail Network and other operations.

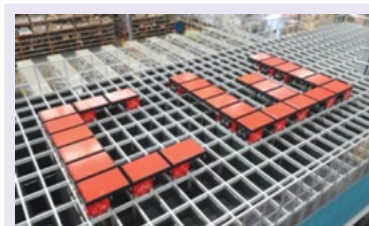
¹⁷⁰.As at 30 June 2024.

Figure 35: Sigma's automated storage and retrieval systems



Sigma's network features five highly automated distribution centres equipped with advanced technology, including robot pick arms, A-frames, automated carton erectors and Automated Storage and Retrieval Systems. These physical systems are integrated to Warehouse Control Systems as well as the Warehouse Management System, providing real time visibility and control and with 24x7 operating capability if needed.

Figure 36: Chemist Warehouse's Autostore systems



In 2024, Chemist Warehouse commissioned an advanced Goods-to-Person Automated Storage and Retrieval System at its distribution centre in Somerton.

This new system enables the Somerton site to run at a far accelerated line rate and has extended the sites capability to accurately and efficiently service stores well beyond previous configurations.

Figure 37: Chemist Warehouse's POS system

Chemist Warehouse's POS system is a powerful tool that has been custom configured and refined to align with how Chemist Warehouse branded pharmacies operate and supports a broad range of functions including product ranging, inventory management, store presentation and planograms.

Speed and accuracy of transactions is another key element which the POS system supports, underpinned by an intuitive user experience that employees can navigate proficiently, as well as offering fast and reliable EFTPOS payment.

Chemist Warehouse continues to develop and enhance the POS system, including with new modules enabling Retail Network business improvement.

The POS system also offers a reporting suite that provides franchisees with analytics and reporting on store sales, cost of goods, gross profit, a suite of inventory management optimisation tools, security and shrinkage alerts and other key measures of performance and profitability. This reporting suite represents a valuable tool for franchisees and enables them to make informed decisions to efficiently operate their pharmacies.

Figure 38: Chemist Warehouse's dispensing systems

Chemist Warehouse also provides dispensing and clinical support software solutions to Chemist Warehouse and My Chemist pharmacies in the Australian Franchise Network, which promotes accurate and efficient fulfillment of prescriptions while maintaining strict compliance with the relevant laws and regulations applicable to each franchise pharmacy. This dispensing software enabled Chemist Warehouse and My Chemist franchisees to dispense approximately 73 million prescriptions in FY24, and record millions of clinical interventions with patients each year.¹⁷¹

171. Management information. For the twelve months ended 30 June 2024.

8. Information about the Merged Group continued

Figure 39: Chemist Warehouse's online infrastructure



Chemist Warehouse's current digital & eCommerce ecosystem supports several of the largest online pharmacy websites in Australia.

With significant further growth expected in the online channel, work has recently been underway on a new eCommerce platform. This will aim to improve website performance, scalability, speed to market, and overall customer experience, driving potential new sales opportunities, and opening extra retail media and advertising inventory onsite (in turn supporting creative and dynamic delivery of sale events and promotions). This platform will enhance Chemist Warehouse's omni-channel offering, empowering consumers to shop wherever, whenever and however they chose.

(b) Cyber and information security

Maintaining industry standards and security frameworks with the stringent and focused approach that Chemist Warehouse and Sigma have historically adopted regarding cyber and information security will be a focus of the Merged Group.

The Merged Group will utilise a variety of commercial and cyber controls, integrated to enable security events and data to be shared across multiple platforms and enriching the entire ecosystem for the purpose of effective incident response. External threat intelligence and advisory solutions will be employed, powered by a leading brand protection platform for detecting misuse of online and social media, an online fraud system to protect against fraudulent online transactions, and continuous threat exposure management capability, providing a risk-informed view of how the Merged Group is targeted and enabling precautionary risk mitigation measures.

The Merged Group will monitor its cyber maturity and will track governance, risk and compliance activities (such as assessments, cyber metrics and reporting, cyber capability, issues and risks) against frameworks as set by a number of leading information security management standards. The Merged Group will utilise a leading third-party security operating centre platform.

The Merged Group will also continue to prioritise and proactively take steps to meet its privacy law compliance obligations, utilising the robust and effective privacy practices, procedures and systems Chemist Warehouse and Sigma currently have in place (and regularly monitor) in order to protect customer, supplier and other relevant stakeholder information.

The Merged Group will inherit the existing cyber and information security capabilities of both Chemist Warehouse and Sigma, which include (but are not limited to) the following capabilities which will be present to varying degrees within the Merged Group:

- managed security operations centre including incident detection, vulnerability management and threat intelligence;
- firewall security;
- endpoint networks and gateway monitoring and threat detection;
- cyber governance, risk and compliance including third party risk management;
- security architecture;
- data encryption protection;
- identity management; and
- multi factor authentication.

8.6 Integration

(a) Approach to integration

Post-Implementation, management of the Merged Group will commence a comprehensive integration program across a wide range of functions, focussed on effectively and efficiently integrating the Chemist Warehouse and Sigma businesses.

(b) Overview of potential synergies and efficiencies

Post-Implementation, and upon combination and integration of Chemist Warehouse and Sigma, the Merged Group will have the potential to unlock significant synergies and efficiencies, reflecting the strong commercial logic of the Transaction.

As a result of initial work undertaken to date to scope and estimate potential synergies, management estimates that potential cost synergies of approximately \$60 million per year could be realised by the fourth-year post-Implementation, with full run rate synergies expected to be achieved in the fifth-year post-Implementation. Management is currently estimating one-off costs of approximately \$75 million will need to be incurred to achieve these potential synergies.

Projected cost synergies are expected to be derived from:

- rationalisation and optimisation of corporate costs as well as (which includes rationalisation of duplicated services and support functions);
- cost savings from consolidation of marketing and general and administration expenses (which includes streamlining third party service provision to corporate and head office functions); and
- supply chain optimisation resulting from optimisation of distribution centres and improved freight utilisation and route optimisation, as well as savings from consolidation of spend with third-party freight and supply chain services providers.

The specific timing and quantum of contribution of the above cost synergies (within the overall expected time period and cost synergy estimates outlined above) cannot be stated with precision as this will be influenced by a number of factors including the timing of decisions to be made after implementation of the Transaction to realise cost synergies (which in turn will be impacted by prevailing business conditions and related matters).

8.7 ESG

In its sustainability report released in May 2024, Sigma committed to reducing its impact on the environment, and to creating a safe, values-based culture and an inclusive and diverse workforce where its people's careers can thrive.¹⁷² Sigma has also committed to ensuring a governance framework is maintained to operate its business in an ethical way and transparently report on its operations and decision-making processes.

As a leading Australian retail pharmacy franchisor and a full-line pharmaceutical wholesaler and distributor, the Merged Group recognises it is important to support an efficient and sustainable supply chain, to encourage the wellbeing of its employees and the communities it interacts with to reduce the environmental impact of its activities, and to conduct business in alignment with high standards of ethical behaviour and corporate governance principles.

Given the breadth and depth of the business combination, post-Implementation, the Merged Group will undertake a materiality assessment to ascertain whether the materiality targets of the Merged Group need to be altered or re-assessed from those which Sigma has previously outlined.

The Merged Group will review the scope and timeline for the existing 'Plan to 2030' outlined by Sigma, to ensure a comprehensive plan is developed that is fit for purpose for the Merged Group to achieve key goals in areas of focus including climate change, emissions reductions and waste management.

The Merged Group acknowledges the challenges that climate change is posing to the world, and the associated potential risks and opportunities arising for the Merged Group. As such, the Merged Group will consider a phased approach to implementing the recommendations of the Australian Sustainability Reporting Standards.

Whilst yet to be considered by the Merged Group Board, it is the present intention that a baseline for key goals under each sustainability focus area will likely include:

Environment: Reducing impact on the environment

- increase the energy efficiency of the Merged Group's offices and distribution centres, and work with the Merged Group's franchisees to identify appropriate energy efficiency initiatives. Such initiatives will include exploring expanding the existing solar panels on distribution centres, exploring solar options for the Retail Network (for example, Chemist Warehouse is conducting roof top solar trials on multiple stores in SA and Victoria) and consolidating Sigma and Chemist Warehouse outbound logistics to reduce kilometres travelled by transportation vehicles;
- reduce operational waste and meet the requirements of the Australian Packaging Covenant; and
- investigate opportunities to divert solid waste generated at facilities (warehouses, offices and within Retail Network stores).

Social: Invest in the health and wellbeing of the team, and the communities the Merged Group and its franchisees serve

- invest in the health and wellbeing of the Merged Group's employees;
- support equitable access to available medicines for all Australian communities; and
- operate a responsible and ethical supply chain that mitigates the likelihood of modern slavery.

172. <https://investorcentre.sigmahealthcare.com.au/corporate-sustainability#:~:text=Sigma%20Healthcare%20is%20committed%20to,policies%20and%20decision%20making%20processes>

8. Information about the Merged Group continued

Governance: Conduct business in an ethical way and transparently report on operations and decision-making processes

- ensure the Merged Group is a responsible steward of stakeholder data and privacy;
- report transparently to the market on financial and non-financial performance; and
- ensure the Board has the right mix of skills, experience and diverse perspectives.

Sigma currently has an 'ESG Steering Committee' led by an Executive Leadership Team with external advisory support, which drives and provides oversight on ESG focus areas for Sigma and periodically reports ESG progress to the Sigma Board.

8.8 The Merged Group's growth strategy

Until Implementation has occurred, there are legal limitations imposed by Australian competition laws on the degree to which Sigma and Chemist Warehouse may make joint decisions about the future operation of the Merged Group. The Merged Group will undertake a detailed strategic review of the business following Implementation in order to develop a broader growth strategy and business plan. The summary below provides an indication of the nature of growth opportunities that the Merged Group expects to have.

(a) Overview

The Merged Group's growth strategy is expected to include pursuing growth opportunities which, amongst other things, include:

- the continued roll-out of Australian Franchise Network stores;
- the continued roll-out of Chemist Warehouse branded stores internationally;
- expansion of owned, private label, licenced and exclusive brands and products;
- increased online penetration and omni-channel capabilities;
- expansion of in-house media and marketing capabilities;
- supporting franchisees to deliver pharmacy services to customers;
- continuing to achieve profitable growth in the Merged Group's wholesale and third-party logistics business; and
- improving the efficiency of supply chains and logistics.

The key elements of the Merged Group's growth strategy that are expected to be considered include:

(b) Continued roll-out of Australian Franchise Network stores

Chemist Warehouse has demonstrated sustained, long-term success in attracting new franchisees, supported by its attractive proposition across a broad range of retail pharmacy market segments and the assistance it provides to franchisees in identifying and facilitating the opening of new stores.¹⁷³

Upon Implementation, the Australian Franchise Network will have multiple retail franchise brands represented in every State and Territory.¹⁷⁴ The Merged Group's growth strategy will involve a continuation of Chemist Warehouse's and Sigma's store growth strategies.

(c) International market expansion under the Chemist Warehouse brand

The success internationally to date of Chemist Warehouse demonstrates the transportability and acceptance of the Chemist Warehouse brand and value proposition into new geographies.¹⁷⁵ This lays a solid foundation for the Merged Group to pursue continued long-term growth from international expansion under the Chemist Warehouse brand.

The Merged Group's supply chain capabilities and expertise will enhance the international expansion of the Chemist Warehouse brand.

Continuing to pursue strong growth in the existing international geographies that the Merged Group will have a presence in, as well as evaluating opportunities to enter new international geographies, is expected to form an attractive element of the Merged Group's growth strategy.

173. Refer section 8.2(e)(iii) 'Franchise network growth'.

174. Refer map of Australia in section 8.2(c) 'Retail pharmacy brands'.

175. Refer section 8.3 'International Operations'.

(d) Expansion of owned, private label, licenced and exclusive brands and products

Expansion of owned, private label and exclusive brands and products across the Merged Group's various retail pharmacy brands represent an attractive growth opportunity for the Merged Group. These products typically have enhanced margins and profitability, with a differentiated product offering making them an important driver of value for franchisees and their customers.

The Merged Group will have a platform and capabilities to launch new/exclusive supplier brands and to expand its range of owned and private label offerings. Chemist Warehouse's suite of fully or partly owned, private label, licenced and exclusive brands and products represented \$821 million in network sales in Australia in FY24, which represented a penetration rate of approximately 10% of Chemist Warehouse Retail Network Sales in Australia in FY24.¹⁷⁶

The Merged Group will build on the strategies that both Chemist Warehouse and Sigma have been pursuing to grow, in a measured manner, the penetration rate of their respective owned, private label and exclusive brands and products.

(e) Increased online penetration and omni-channel capabilities

Upon Implementation, the online and omni-channel capabilities of the Merged Group will be different across its pharmacy franchise brands and websites. It is expected that there will continue to be a focus on improving online and omni-channel capabilities applicable to the online stores of the Merged Group and franchisees with a view to driving increased online penetration through enhanced online store functionality and enhanced capability across Click & Collect and Fast Delivery. Over time there may also be opportunities to explore a best of breed approach whereby the best elements of the Merged Group's online and omni-channel capabilities are applied more broadly across the Merged Group's other online operations.

(f) Expansion of in-house media and marketing capability

Expansion of the Merged Group's in-house media and marketing capability across the Merged Group's retail pharmacy franchise brands is an attractive growth opportunity for the Merged Group. Historically the application of this capability has predominately been within the Chemist Warehouse franchise brand. The innovative approach to marketing that Chemist Warehouse has employed, which has been a factor that has contributed to growth in the Chemist Warehouse Australian Franchise Network and for Chemist Warehouse itself, will be an ongoing feature that is expected to drive future growth for the Merged Group. There may also be opportunities to apply aspects of this capability more broadly across the Merged Group's business operations.

(g) Supporting franchisees to deliver pharmacy services to customers

Supporting franchisees to deliver adjacent pharmacy services to customers is expected to form part of the Merged Group's growth strategy. It is expected that the Merged Group will invest in and develop its offering to franchisees and customers, bringing innovative services to the market and thereby seeking to capture a greater share of customer expenditure, which is expected to drive benefits for franchisees and in turn, the Merged Group through increased product sales to franchisees and fee revenue from the provision of services. These are expected to include:

Ultra Beauty

With a footprint across Australia and New Zealand of 20 stores, the Ultra Beauty retail format is proving successful.¹⁷⁷ There is potential for significant further store rollout as well as growth in the Ultra Beauty online store.

Optometrist Warehouse

Launched in 2023 with the aim of disrupting the \$46 billion optical market in Australia, there is potential for significant further rollout of Optometrist Warehouse stores as well as growth in the Optometrist Warehouse online store.¹⁷⁸

Other

Recognising increasing community support in Australia for pharmacists to be able to provide more professional health services, particularly in relation to common, non-complex conditions, the Merged Group is expected to continue existing initiatives to aid and support pharmacists across Australian Franchise Network stores to offer to their customers an expanding array of health services.

176. Management information (unaudited).

177. As at 30 June 2024.

178. IBISWorld; Optometry and Optical Dispensing in Australia (September 2024). Based on industry revenue for 2024-25.

8. Information about the Merged Group continued

(h) Growing profitable market share in the wholesale business

The Merged Group will continue to focus on growing profitable wholesale sales to pharmacies across Australia. Through its national network and distribution infrastructure, the Merged Group will have the ability to effectively meet the needs of existing customers and service new customers.

The Merged Group will continue to offer a compelling proposition to wholesale customers by providing them with the ability to access a wide variety of products (including some exclusive product ranges) through an efficient and effective supply chain from a national network of 14 distribution centres across Australia (and under the obligations of the CSO service standards; see further information in section 5.5(a)(vii)(C)). Sigma's existing distribution centres will be used to service all pharmacies (including independent pharmacies and Australian Franchise Network stores), while Chemist Warehouse's existing distribution centres will exclusively service Chemist Warehouse Australian Franchise Network stores.



The Merged Group will also have available wholesale capacity to absorb a level of future growth without the need for material capital expenditure. Growth will also be supported by automated logistics processes, which will ensure that it is well positioned for future demands on its supply chain.





(i) Improving the efficiency of supply chains and logistics

A key area where there is an opportunity to achieve earnings growth in the Merged Group's business is via improving the efficiency of supply chains and logistics across the combined operations of Sigma and Chemist Warehouse.

8.9 Directors and management of the Merged Group following the Transaction

(a) Board

| Director | Experience and background |
|--|--|
| <p>Michael Sammells</p> <p><i>Independent Non-Executive Chairman</i></p>  | <p>Mr Sammells was appointed as a Director of Sigma in February 2020 and Chairman in August 2022.</p> <p>Mr Sammells is also currently a non-executive director at AMP Limited and a director at GMHBA. He has 35 years of broad experience in finance, corporate services and has held operational roles with expertise in finance, accounting, treasury, investor relations, capital developments, mergers and acquisitions and IPOs.</p> <p>Further, Mr Sammells is a former Chief Financial Officer of Healthscope Limited and Medibank Private.</p> <p><i>BBUs (Acc), FCPA, GAICD</i></p> |
| <p>Vikesh Ramsunder</p> <p><i>Chief Executive Officer & Managing Director</i></p>  | <p>Mr Ramsunder commenced as the Managing Director and Chief Executive Officer of Sigma on 1 February 2022.</p> <p>Mr Ramsunder has extensive experience in pharmacy retailing, wholesaling and logistics. He spent 28 Years with the Clicks Group in South Africa, a top-30 JSE listed company, and one of the largest pharmacy and retail operations in Africa. This included 18 years as part of the executive team.</p> <p>Before becoming Clicks Group Chief Executive Officer in January 2019, Mr Ramsunder held a number of roles within Clicks, including Chief Operating Officer from 2015 and Managing Director of the pharmaceutical wholesaler business, United Pharmaceutical Distributors from 2010.</p> <p><i>B.Com (Logistics), MBL (Corporate Strategy)</i></p> |

| Director | Experience and background |
|---|---|
| <p>Dr Christopher (Chris) Roberts AO <i>Non-Executive Director</i>¹⁷⁹</p> | <p>Dr Roberts was appointed as a Director of Sigma on 6 October 2023.</p> <p>Dr Roberts has more than 40 years' experience in the medical device industry, including as the former Chief Executive Officer of Cochlear Limited (ASX:COH) from 2004 to 2015, Executive Vice President of ResMed Inc (NYSE:RMD) from 1992 to 2003 and as a director of ResMed Inc until November 2017.</p> <p>He is currently a non-executive director of HMC Capital, HMC Capital managed HealthCo Healthcare and Wellness REIT (ASX:HCW), HMC Capital Partners Fund 1, Clarity Pharmaceuticals Limited (ASX:CU6), Nutromics Pty Ltd, Atmo Biosciences Limited and the Cochlear Foundation Board. He is also a Governor of the Centenary Institute Cancer Medicine and Cell Biology.</p> <p><i>B.Eng (Honours), MBA, PhD</i></p> |
|  | |
| <p>Annette Carey <i>Independent Non-Executive Director</i></p> | <p>Ms Carey was appointed as a Director of Sigma in April 2023.</p> <p>Ms Carey is a current non-executive director of National Intermodal Corporation and a non-executive director of the Kinetic bus group.</p> <p>Prior to joining Sigma, Ms Carey has held director roles within the Linfox group of companies and been Chair or Deputy Chair of Australia Post joint ventures in the UK and China.</p> <p>She has previously held various senior roles within the Linfox Logistics group, progressing from General Counsel and Company Secretary to Chief Executive Officer. Ms Carey also held the position of Executive General Manager International with Australia Post.</p> <p>Ms Carey is a member of Chief Executive Women.</p> <p><i>LLB, BA</i></p> |
|  | |
| <p>Neville Mitchell <i>Independent Non-Executive Director</i></p> | <p>Mr Mitchell was appointed a Director of Sigma in February 2023.</p> <p>Mr Mitchell is a qualified Chartered Accountant with international healthcare and finance experience. He was Chief Financial Officer and Company Secretary at ASX-listed Cochlear Limited (until March 2017), a world leading medical device developer, manufacturer and seller of hearing devices.</p> <p>Mr Mitchell is currently the Chairman of ASX and NZX-listed Fisher&Paykel Healthcare Corporation (non-executive director from November 2018) and a non-executive director of Sonic Healthcare Limited from September 2017. He is Chair of the Sonic Audit Committee. He was formerly a non-executive director of ASX-listed Sirtex Healthcare, Osprey Medical Inc and Q'Biotics Group Limited.</p> <p>He has also performed roles with a number of industry and Government committees.</p> <p><i>B.Com, CA</i></p> |
|  | |
| <p>Jack Gance <i>Proposed Non-Executive Director</i></p> | <p>Mr J Gance is a qualified pharmacist who co-founded Chemist Warehouse with Sam Gance. He is currently Chair of Chemist Warehouse.</p> <p>Mr J Gance qualified as a pharmacist in 1967 and opened his first pharmacy store in Reservoir, Victoria, with Sam in 1972. In 1997, Mr J Gance, Sam Gance and Mario Verrocchi, established MyChemist and opened the first MyChemist store. In 2000, Mr J Gance, along with Mr Sam Gance and Mr Verrocchi, established the Chemist Warehouse chain and opened the first Chemist Warehouse store.</p> <p>Mr J Gance also created the brands Le Specs, Le Tan and Colours of Australis.</p> <p><i>PhC MPS, MBA, GAICD, AFAIM</i></p> |
|  | |

179. As at the Last Practicable Date, Dr Roberts is not considered independent as he is a director of HMC Capital Limited and HMC Capital Partners Fund 1 (together, the **HMC Parties**) (and the HMC Parties collectively hold more than 5% of Sigma Shares as at the Last Practicable Date). Following Implementation, however, the HMC Parties' shareholding in Sigma is expected to be below 5% and therefore Dr Roberts will be considered to be independent in that case. If the Transaction is not implemented, Dr Roberts will continue to be considered to be a non-independent Director.

8. Information about the Merged Group continued

Director

Experience and background

Mario Verrocchi

Proposed Executive Director



Mr Verrocchi is a qualified pharmacist who joined Jack and Sam Gance's pharmacy group in 1982. Mr Verrocchi established MyChemist with Jack Gance and Sam Gance in 1997 and subsequently created the Chemist Warehouse chain with Messrs Gance in 2000.

He is currently Chief Executive Officer of Chemist Warehouse.

BPharm

Damien Gance

Proposed Executive Director



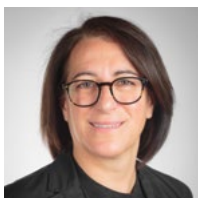
Mr D Gance is a qualified pharmacist who joined My Chemist in 1998 and is currently the Chief Commercial Officer of Chemist Warehouse.

Mr D Gance was the first Chemist Warehouse franchisee opening the first Chemist Warehouse pharmacy in June 2000.

BPharm, MBA, GAICD

Danielle Di Pilla

Proposed Executive Director








Ms Di Pilla is a qualified pharmacist who is currently the Chief People Officer at Chemist Warehouse.

Ms Di Pilla established DPP Pharmaceuticals Pty Ltd (**DPP**) in 2000 and is the founder of brands such as Goat Soap, which has had international success. Ms Di Pilla has been the managing director of DPP since it was incorporated. DPP is a wholly owned subsidiary of Chemist Warehouse.

Ms Di Pilla also sits on the Board of Gotcha4Life.

BSc, BPharm

(b) Senior management

| Executive | Experience and background |
|---|--|
| <p>Vikesh Ramsunder <i>Chief Executive Officer and Managing Director</i></p>  | <p>Please see section 8.9(a) for further detail.</p> |
| <p>Mark Davis <i>Chief Financial Officer</i></p>  | <p>Mr Davis joined Chemist Warehouse in 2020 as the Chief Financial Officer of Chemist Warehouse.</p> <p>Prior to this, Mr Davis held a variety of senior positions with Computershare Limited over a 19-year period, including serving as its Chief Financial Officer for seven years, with responsibilities for all of Computershare's finance functions globally.</p> <p>Before taking on the role of Chief Financial Officer of Computershare, Mr Davis co-led the integration of the Shareowner Services business acquired from the Bank of New York Mellon Corporation in 2011. Prior to this, he held a variety of senior positions within the Computershare group, including as Regional Director with management responsibility for all of Computershare's business and operations in the Australasian region.</p> <p><i>B.Com, LLB (Honours), PostGradDip Applied Finance and Investment</i></p> |
| <p>Mario Verrocchi <i>Executive Director</i></p>  | <p>Please see section 8.9(a) for further detail.</p> <p>Mr Verrocchi, reporting to Mr Ramsunder, will continue to lead the Chemist Warehouse business.</p> |
| <p>Damien Gance <i>Executive Director</i></p>  | <p>Please see section 8.9(a) for further detail.</p> |
| <p>Danielle Di Pilla <i>Executive Director</i></p>  | <p>Please see section 8.9(a) for further detail.</p> |

8. Information about the Merged Group continued

8.10 Executive remuneration

If the Merger completes, then with effect from the Implementation Date, the key executives of the Merged Group are intended to be:

- Vikesh Ramsunder (Chief Executive Officer and Managing Director);
- Mark Davis (Chief Financial Officer); and
- the following Proposed Directors:
 - Mario Verrocchi;
 - Damien Gance; and
 - Danielle Di Pilla.

Their employment arrangements are set out below. These arrangements will be effective on Implementation.

(a) Vikesh Ramsunder (Chief Executive Officer and Managing Director)

| Term | Description |
|---|---|
| Employer | Sigma |
| Fixed annual remuneration | Mr Ramsunder's fixed remuneration will be \$1,600,000 per annum (inclusive of superannuation). |
| Short term incentive (STI) | <p>Mr Ramsunder would ordinarily be entitled to earn a maximum 'at target' benefit of 100% of his fixed annual remuneration and up to 150% of his fixed annual remuneration 'at stretch' (for a maximum STI benefit of 150% of his fixed annual remuneration), subject to the achievement of those 'at target' and 'at stretch' targets against key performance indicators to be set by the Merged Group Board each year. This is based on a 12-month financial year.</p> <p>Due to the financial year end date change associated with the Transaction, following Implementation, Mr Ramsunder's STI opportunity for the 2025/2026 financial year only will be a maximum 'at target' benefit of 141.67% of his fixed annual remuneration and up to 70.83% of his fixed annual remuneration 'at stretch' (for a maximum STI benefit of 212.50% of his fixed annual remuneration) based on a 17 month period (being 1 February 2025 to 30 June 2026). Any STI reward will be delivered in a combination of cash and deferred equity as determined by the Merged Group Board. For FY25/26, this will be 67% in cash and 33% deferred performance shares (50% to be deferred for 12 months with the remaining 50% deferred for 2 years).</p> <p>The foregoing is subject to Sigma Shareholder approval.</p> |
| Long term incentive (LTI) | <p>Mr Ramsunder will be eligible to participate in the Merged Group's long term incentive schemes (subject to Sigma Shareholder approval to the extent required). His annual LTI grant value will be equal to 150% of his fixed annual remuneration.</p> <p>Details of Mr Ramsunder's current interests in the LTI Plans are set out in section 12.2(c).</p> |
| Other benefits | Mr Ramsunder also received a one-off grant of CEO Sign-On Rights as set out in section 12.2(c). See section 12.2 for further information. |
| Notice period, termination and termination payments | <p>Mr Ramsunder's employment will be able to be terminated by either him or by Sigma giving the other party 12 months' notice (or Sigma making payment in lieu of part or all of the notice period where Sigma terminates).</p> <p>In the event of serious misconduct or other circumstances warranting summary dismissal, Sigma may terminate Mr Ramsunder's employment immediately without payment in lieu of notice.</p> |
| Non-solicitation/restrictions of future activities | <p>Mr Ramsunder's employment contract will contain post-employment restraints, including restraints on:</p> <ul style="list-style-type: none"> • carrying on or being involved in any business or activity that is the same, similar to or competitive with the business operated by the Merged Group in relation to which Mr Ramsunder performed duties during the 12 month period prior to the cessation of his employment; • inducing any employee or contractor of the Merged Group with whom Mr Ramsunder dealt with in the 12 month period prior to his cessation of employment, to leave his employment or engagement with the Merged Group; and • soliciting a client or customer of the Merged Group or disrupting the relationship of the Merged Group with whom Mr Ramsunder dealt with in the 12 month period prior to his cessation of employment, with a view to obtaining the custom of that person in a business similar to or competitive with the Merged Group's business. <p>The restraint of trade restrictions purport to operate for up to 12 months post-employment and purport to apply within Australia.</p> <p>The enforceability of these restraints is subject to all usual legal requirements.</p> |

(b) Mark Davis (Chief Financial Officer)

| Term | Description |
|--|---|
| Employer | CW Retail Services |
| Fixed annual remuneration | Mr Davis' fixed remuneration will be \$1,200,000 per annum (inclusive of superannuation) effective from Implementation. |
| Short term incentive (STI) | <p>Mr Davis will ordinarily be entitled to earn a maximum 'at target' benefit of 80% of his fixed annual remuneration and up to 40% of his fixed annual remuneration 'at stretch' (for a total maximum STI benefit of up to 120% of his fixed annual remuneration), subject to the achievement of those 'at target' and 'at stretch' targets against key performance indicators to be set by the Merged Group Board each year.</p> <p>Any STI reward will be delivered in a combination of cash and deferred equity as determined by the Merged Group Board. For FY25/26, this will be 67% in cash and 33% deferred performance shares (50% to be deferred for 12 months with the remaining 50% deferred for 2 years).</p> <p>The foregoing will be subject to Merged Group Shareholder approval to the extent required.</p> |
| Long term incentive (LTI) | <p>Mr Davis will be eligible to participate in the Merged Group's long term incentive schemes. His annual LTI grant value will be equal to 120% of his fixed annual remuneration.</p> <p>The foregoing will be subject to Merged Group Shareholder approval to the extent required.</p> |
| Notice period, termination and termination payments | <p>Mr Davis' employment will be able to be terminated by either him or the employer giving the other party 6 months' written notice (or the employer making payment in lieu of part or all of the notice period).</p> <p>In the event of serious misconduct or other circumstances warranting Mr Davis' summary dismissal, the employer may terminate Mr Davis' employment immediately without payment in lieu of notice.</p> |
| Non-solicitation/restrictions of future activities | <p>Mr Davis' employment contract contains post-employment restraints, including restraints on:</p> <ul style="list-style-type: none">• carrying on, being employed by, or engaged or otherwise interested in any competitive business of the Merged Group, or for a contractor, supplier or financier of the Merged Group, to perform duties or provide services:<ul style="list-style-type: none">– which are the same or similar to those Mr Davis provided to the Merged Group in the 12 month period prior to the cessation of his employment; or– in a position in which Mr Davis can use confidential information to gain an advantage for the relevant entity or cause detriment to the Merged Group;• inducing directors, employees or contractors with whom Mr Davis dealt with in the 12 month period prior to the cessation of his employment or about whom he has or has had confidential information about in respect of their engagement with the Merged Group, to terminate their engagement with the Merged Group; and• soliciting, canvassing or approaching a person or entity of the customer or supplier (or potential customer or supplier) of the Merged Group with whom Mr Davis had work related dealings within the 12 month period prior to the cessation of his employment or about whom Mr Davis has had confidential information, with a view to obtaining their custom or business, persuading them to cease business with the Merged Group or persuading them to reduce the amount of business they would do with the Merged Group. <p>These restrictions purport to operate for up to 12 months post-employment.</p> <p>The enforceability of these restraints is subject to the usual legal requirements.</p> |

Sigma has a Minimum Shareholding Policy that will apply to Mr Davis with effect from Implementation. A summary of this policy is included in section 8.11(e)(iii).

8. Information about the Merged Group continued

(c) Mario Verrocchi (Executive Director of the Merged Group and Chief Executive Officer of Chemist Warehouse)

| Term | Description |
|---|--|
| Employer | CW Retail Services Pty Ltd |
| Fixed annual remuneration | Mr Verrocchi's fixed remuneration will be \$995,565 per annum (inclusive of superannuation). |
| Short term incentive (STI) | <p>Following Implementation, Mr Verrocchi may be eligible to participate in the Merged Group's short term Sigma Incentive Plans.</p> <p>Grants of Sigma Incentive Securities to Mr Verrocchi are subject to Sigma Shareholder approval.</p> |
| Long term incentive (LTI) | <p>Following Implementation, Mr Verrocchi may be eligible to participate in the Merged Group's long term Sigma Incentive Plans.</p> <p>Grants of Sigma Incentive Securities to Mr Verrocchi are subject to Sigma Shareholder approval.</p> |
| Notice period, termination and termination payments | <p>Mr Verrocchi's employment will be able to be terminated by either him or the employer giving the other party 6 months' written notice (or the employer making payment in lieu of part or all of the notice period).</p> <p>In the event of serious misconduct or other circumstances warranting Mr Verrocchi's summary dismissal, the employer may terminate Mr Verrocchi's employment immediately without payment in lieu of notice.</p> |
| Non-solicitation/restrictions of future activities | <p>Mr Verrocchi's employment contract contains post-employment restraints, including restraints on:</p> <ul style="list-style-type: none"> • carrying on, being employed by, or engaged or otherwise interested in any competitive business of the Merged Group, or for a contractor, supplier or financier of the Merged Group, to perform duties or provide services; • which are the same or similar to those Mr Verrocchi provided to the Merged Group in the 12 month period prior to the cessation of his employment; or • in a position in which Mr Verrocchi can use confidential information to gain an advantage for the relevant entity or cause detriment to the Merged Group; • inducing directors, officers, employees or contractors with whom Mr Verrocchi dealt with in the 12 month period prior to the cessation of his employment or about whom he has or has had confidential information about in respect of their engagement with the Merged Group, to terminate their engagement with the Merged Group; and • soliciting a person or entity of the customer or supplier (or potential customer or supplier) of the Merged Group with whom Mr Verrocchi had work related dealings within the 12 month period prior to the cessation of his employment or about whom Mr Verrocchi has had confidential information, with a view to obtaining their custom or business, persuading them to cease business with the Merged Group or persuading them to reduce the amount of business they would do with the Merged Group. <p>These restrictions purport to operate for up to 12 months post-employment and purport to apply within Australia.</p> <p>The enforceability of these restraints is subject to the usual legal requirements.</p> |

(d) Damien Gance (Executive Director of the Merged Group and Chief Commercial Officer of Chemist Warehouse)

| Term | Description |
|---|--|
| Employer | CW Retail Services Pty Ltd |
| Fixed annual remuneration | Mr D Gance's fixed remuneration will be \$673,652 per annum (inclusive of superannuation). |
| Short term incentive (STI) | <p>Following Implementation, Mr D Gance may be eligible to participate in the Merged Group's short term Sigma Incentive Plans.</p> <p>Grants of Sigma Incentive Securities to Mr D Gance are subject to Sigma Shareholder approval.</p> |
| Long term incentive (LTI) | <p>Following Implementation, Mr D Gance may be eligible to participate in the Merged Group's long term Sigma Incentive Plans.</p> <p>Grants of Sigma Incentive Securities to Mr D Gance are subject to Sigma Shareholder approval.</p> |
| Notice period, termination and termination payments | <p>Mr D Gance's employment will be able to be terminated by either him or the employer giving the other party 6 months' written notice (or the employer making payment in lieu of part or all of the notice period).</p> <p>In the event of serious misconduct or other circumstances warranting Mr D Gance's summary dismissal, the employer may terminate Mr D Gance's employment immediately without payment in lieu of notice.</p> |
| Non-solicitation/restrictions of future activities | <p>Mr D Gance's employment contract contains post-employment restraints, including restraints on:</p> <ul style="list-style-type: none"> • carrying on, being employed by, or engaged or otherwise interested in any competitive business of the Merged Group, or for a contractor, supplier or financier of the Merged Group, to perform duties or provide services: <ul style="list-style-type: none"> – which are the same or similar to those Mr D Gance provided to the Merged Group in the 12 month period prior to the cessation of his employment; or – in a position in which Mr D Gance can use confidential information to gain an advantage for the relevant entity or cause detriment to the Merged Group; • inducing directors, officers, employees or contractors with whom Mr D Gance dealt with in the 12 month period prior to the cessation of his employment or about whom he has or has had confidential information about in respect of their engagement with the Merged Group, to terminate their engagement with the Merged Group; and • soliciting a person or entity of the customer or supplier (or potential customer or supplier) of the Merged Group with whom Mr D Gance had work related dealings within the 12 month period prior to the cessation of his employment or about whom Mr D Gance has had confidential information, with a view to obtaining their custom or business, persuading them to cease business with the Merged Group or persuading them to reduce the amount of business they would do with the Merged Group. <p>These restrictions purport to operate for up to 12 months post-employment and purport to apply within Australia.</p> <p>The enforceability of these restraints is subject to the usual legal requirements.</p> |

8. Information about the Merged Group continued

(e) Danielle Di Pilla (Executive Director of the Merged Group and Chief People Officer of Chemist Warehouse)

| Term | Description |
|---|---|
| Employer | CW Retail Services |
| Fixed annual remuneration | Ms Di Pilla's fixed remuneration will be \$673,652 per annum (inclusive of superannuation). |
| Short term incentive (STI) | Following Implementation, Ms Di Pilla may be eligible to participate in the Merged Group's short term Sigma Incentive Plans. Grants of Sigma Incentive Securities to Ms Di Pilla are subject to Sigma Shareholder approval. |
| Long term incentive (LTI) | Following Implementation, Ms Di Pilla may be eligible to participate in the Merged Group's long term Sigma Incentive Plans. Grants of Sigma Incentive Securities to Ms Di Pilla are subject to Sigma Shareholder approval. |
| Notice period, termination and termination payments | Ms Di Pilla's employment will be able to be terminated by either her or the employer giving the other party 6 months' written notice (or the employer making payment in lieu of part or all of the notice period). In the event of serious misconduct or other circumstances warranting Ms Di Pilla's summary dismissal, the employer may terminate Ms Di Pilla's employment immediately without payment in lieu of notice. |
| Non-solicitation/ restrictions of future activities | Ms Di Pilla's employment contract contains post-employment restraints, including restraints on: <ul style="list-style-type: none"> • carrying on, being employed by, or engaged or otherwise interested in any competitive business of the Merged Group, or for a contractor, supplier or financier of the Merged Group, to perform duties or provide services; • which are the same or similar to those Ms Di Pilla provided to the Merged Group in the 12 month period prior to the cessation of her employment; or • in a position in which Ms Di Pilla can use confidential information to gain an advantage for the relevant entity or cause detriment to the Merged Group; • inducing directors, officers, employees or contractors with whom Ms Di Pilla dealt with in the 12 month period prior to the cessation of her employment or about whom she has or has had confidential information about in respect of their engagement with the Merged Group, to terminate their engagement with the Merged Group; and • soliciting a person or entity who was a customer or supplier (or potential customer or supplier) of the Merged Group with whom Ms Di Pilla had work related dealings within the 12 month period prior to the cessation of her employment or about whom Ms Di Pilla has had confidential information, with a view to obtaining their custom or business, persuading them to cease business with the Merged Group or persuading them to reduce the amount of business they would do with the Merged Group. <p>These restrictions purport to operate for up to 12 months post-employment and purport to apply within Australia.</p> <p>The enforceability of these restraints is subject to the usual legal requirements.</p> |

8.11 Corporate governance (Board charter, Board committees, corporate governance policies)

(a) Overview

This section 8.11 explains how the Sigma Board oversees the management of Sigma's business, and upon Implementation, how the Merged Group Board will oversee the management of the Merged Group's business. The Sigma Board is responsible for the overall corporate governance of Sigma, including establishing and monitoring key performance goals. The Sigma Board monitors the operational and financial position and performance of Sigma and oversees its business strategy, including approving the strategic goals of Sigma and considering and approving an annual business plan (including a budget).

The Sigma Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Sigma Group. In conducting Sigma's business with these objectives, the Sigma Board seeks to ensure that Sigma is properly managed to protect and enhance shareholder interests, and that Sigma and the Sigma Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Sigma Board has created a framework for managing Sigma, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Sigma's business and which are designed to promote the responsible management and conduct of Sigma.

The ASX Corporate Governance Council has developed and released its fourth edition of the Corporate Governance Principles and Recommendations for Australian listed entities to promote investor confidence and to assist companies in meeting stakeholder expectations (**ASX Recommendations**). The ASX Recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, Sigma is required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where Sigma does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it and must also disclose what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

(b) Composition of the Merged Group Board

The Board Charter sets out guidelines for the purpose of determining independence of Sigma Directors which reflect the commentary in the ASX Recommendations. The independence of all Sigma Directors is reviewed annually. The Sigma Board considers that an independent director is a non-executive director who is free of any interest, position or relationship that might influence, or be reasonably perceived to influence, in a material respect the Sigma Director's capacity to bring an independent judgment to bear on the issues before the Sigma Board and to act in the best interest of Sigma as a whole. This includes a person who:

- is not, does not represent, and has not within the last three years been an officer or employee of, or professional adviser to, a substantial security holder of Sigma. A substantial security holder is a security holder who holds more than 5% of the issued capital of Sigma;
- is not, and has not been employed in an executive capacity by Sigma or any member of the Sigma Group, within the three years prior to them serving on the Sigma Board;
- is not, and has not within the last three years been, in a material business relationship (eg as a supplier, professional adviser, consultant or customer) with any member of the Sigma Group, or is an officer of, or otherwise associated with, someone with such a relationship. A material supplier or customer is a supplier or customer who controls more than 5% of the value of Sigma's total purchases or 5% of the value of Sigma's total sales or more than 50% of the suppliers or customers purchases or sales are from or to Sigma;
- does not receive performance-based remuneration (including options or performance rights) from, or participate in an employee incentive scheme of, Sigma;
- does not have close personal ties with any person who falls within any of the categories described above; and
- has not been a Sigma Director for such a period that their independence from management and substantial holders may have been compromised.

The Sigma Board may determine that a non-executive director is independent notwithstanding the existence of a relationship of the kind referred to above. The Sigma Board will state its reasons for making that determination.

As at the Last Practicable Date, the Sigma Board considers that each of Michael Sammells, Annette Carey and Neville Mitchell is free from any interest, position, association or relationship that might influence, or reasonably be perceived to influence, the independent exercise of the director's judgement and that each of them is able to fulfil the role of independent director for the purpose of the ASX Recommendations.

With respect to Dr Chris Roberts, as at the Last Practicable Date, he is not considered independent as he is a director of HMC Capital Partners Fund 1 and HMC Capital Limited (together the **HMC Parties**) (and the HMC Parties collectively hold more than 5% of Sigma Shares as at the Last Practicable Date). Following Implementation, however, the HMC Parties' shareholding in Sigma is expected to be below 5% and therefore Dr Chris Roberts will be considered to be independent in that case. If the Scheme is not implemented, Dr Chris Roberts will continue to be considered to be a non-independent director.

Upon Implementation, it is intended that the following individuals (being the Proposed Directors) will become directors of the Merged Group Board:

- Jack Gance is currently considered by the Sigma Board not to be independent given his former role as an executive of Chemist Warehouse and the fact that he is a substantial shareholder of the Merged Group.
- Mario Verrocchi is currently considered by the Sigma Board not to be independent given his role as an executive of the Merged Group and the fact that he is a substantial shareholder of the Merged Group.
- Damien Gance is currently considered by the Sigma Board not to be independent given his role as an executive of the Merged Group.
- Danielle Di Pilla is currently considered by the Sigma Board not to be independent given her role as an executive of the Merged Group.

Accordingly, as at the Implementation Date, the Merged Group Board will not consist of a majority of independent directors. This is a departure from the ASX Recommendations, however, the Sigma Board considers that the composition of the Merged Group Board following Implementation is appropriate in light of the experience and skills of each of the non-independent directors and the value they will add to the operation of the Merged Group Board.

8. Information about the Merged Group continued

All of the Proposed Directors have confirmed that they believe that they will be able to, individually and collectively, analyse the issues before them objectively and in the best interests of shareholders and in accordance with their duties as directors. Sigma has undertaken appropriate checks on the Proposed Directors' character, experience, education, criminal record and bankruptcy history.

(c) Sigma Board charter

The Board Charter adopted by the Sigma Board sets out the authorities, accountabilities, responsibilities, membership and operations of the Sigma Board in greater detail. It provides that the Sigma Board should comprise Sigma Directors with the appropriate mix of skills, background, experience, knowledge, education, expertise and diversity to enable it to effectively discharge its responsibilities. As noted above, the Board Charter also sets out the criteria for assessment of independence of Sigma Board members.

The Board Charter allows the Sigma Board to delegate powers and responsibilities to committees established by the Sigma Board. Matters determined by the committees are submitted to the full Board as recommendations for decision. The Board retains ultimate accountability to Sigma Shareholders in discharging its duties and under the Board Charter has reserved responsibility for a range of matters.

Upon Implementation, the current Sigma Board Charter will become the Board Charter of the Merged Group (with any necessary administrative changes made to the Board Charter).

(d) Sigma Board committees

The Sigma Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities.

As at the Last Practicable Date, Sigma has in place a Risk Management and Audit Committee and a Nomination and Remuneration Committee. Details of those committees and their charters are available on Sigma's website. In the event that the Scheme is not implemented, Sigma's existing committee structure will remain intact.

Upon Implementation, it is intended that Sigma will have in place the following standing committees:

- an Independent Board Committee for Related Party Transactions (**Related Party IBC**);
- an Audit Committee;
- a Nomination and Remuneration Committee; and
- a Risk, Compliance and Sustainability Committee.

Other committees may be established by the Merged Group Board as and when required. Membership of the Merged Group Board committees will be based on the needs of the Merged Group, relevant legislative and other requirements, and the skills and experience of individual Merged Group Directors.

(i) Related Party IBC

The role of the Related Party IBC is to amongst other things:

- consider, negotiate, enter into, make any changes or amendments to, and take any actions (including exercise any rights) under Existing Related Party Arrangements and Future Related Party Dealings, and all matters in connection with or related to Existing Related Party Arrangements or Future Related Party Dealings;
- oversee and monitor compliance of the Existing Related Party Arrangements and Future Related Party Dealings with the requirements of: the Related Party Arrangements Approval; the Protocols; the Related Party Manual; Listing Rule 10.1; and Chapter 2E; and
- ensure that, at all times, the Existing Related Party Arrangements and Future Related Party Dealings are in the best interests of Sigma Shareholders including having regard to the Principles (as defined in section 10.3(r)).

Upon Implementation, the proposed composition of the Related Party IBC is intended to be:

- Michael Sammells (Committee Chair);
- Annette Carey; and
- Neville Mitchell.

The Related Party IBC must consist only of independent directors of the Merged Group and must not include a person who is: a Chemist Warehouse nominee director appointed in connection with the Transaction, a Related Party or an associate of a Related Party; a person who was a Related Party or an associate of a Related Party in the 6 months prior to their appointment to the Related Party IBC; or a person who has a current material business relationship (not including by virtue of their Sigma directorship) with a Related Party.

Please see section 10.3(n) of this Explanatory Memorandum for a summary of the proposed Related Party Governance Framework.

(ii) Audit Committee

The role of the Audit Committee will be to advise and assist the Merged Group Board in fulfilling its responsibilities for corporate governance and overseeing the Merged Group's financial reporting, integrity of financial statements, and internal and external audit functions. This includes confirming the quality and reliability of the financial information prepared by the Merged Group, working with the external auditor on behalf of the Merged Group Board and reviewing non-audit services provided by the external auditor to confirm they are consistent with maintaining external audit independence.

The Audit Committee recommends the appointment, removal and remuneration of the external auditors. It also reviews the activities and organisational structure of the internal audit function. Prior approval of the Audit Committee must be gained for non-audit services to be performed by the external auditor. There are specified qualitative limits on non-audit services to ensure that the independence of the auditor is maintained. There is also a requirement that the audit partner responsible for the audit to not perform in that role for more than five years.

Upon Implementation, the proposed composition of the Audit Committee is intended to be:

- Neville Mitchell (Committee Chair);
- Chris Roberts;
- Michael Sammells; and
- Jack Gance.

As Sigma is included in the S&P/ASX 300 index, it is mandatory that it has an audit committee which has at least three members, all of whom are non-executive directors and a majority of whom are independent directors, and that the committee be chaired by an independent director. The composition of the Audit Committee will therefore be compliant with the ASX Recommendations.

(iii) Nomination and Remuneration Committee

Consistent with its charter, the Nomination and Remuneration Committee's main responsibilities will be to advise the Merged Group Board on remuneration policies and practices, assess the necessary and desirable competencies of the Merged Group Board members, evaluate the Merged Group Board performance, review the Merged Group Board and management succession plans and to make specific recommendations on remuneration packages for the Chief Executive Officer, non-executive directors and senior management based on an annual review.

The Nomination and Remuneration Committee is primarily responsible for providing recommendations to the Merged Group Board about the nomination and remuneration strategy, policies and practices applicable to non-executive directors and the senior executive team, including the Chief Executive Officer, and senior executives.

Further details of the responsibilities and activities of the Nomination and Remuneration Committee, remuneration policies and structures, details of remuneration and retirement benefits paid to Merged Group Directors will be set out in the Merged Group's remuneration report.

Upon Implementation, the proposed composition of the Nomination and Remuneration Committee is intended to be:

- Annette Carey (Committee Chair);
- Michael Sammells;
- Neville Mitchell; and
- Jack Gance.

In accordance with the ASX Recommendations it is mandatory that its members are all non-executive directors. It is suggested that a listed entity has a nomination committee which has at least three members, a majority of whom are independent directors, and that the committee be chaired by an independent director. The composition of the Nomination and Remuneration Committee therefore complies with the ASX Recommendations.

(iv) Risk, Compliance and Sustainability Committee

Consistent with its charter, the Risk, Compliance and Sustainability Committee's main responsibilities will be to assist the Merged Group Board in managing the Merged Group's risk, compliance, sustainability and occupational health and safety frameworks. It will assist the Merged Group Board with, amongst other things, ensuring robust internal control systems and effective risk and compliance management.

8. Information about the Merged Group continued

The Risk, Compliance and Sustainability Committee oversees the Merged Group's risk management framework, reviews risk management strategies, promotes a culture of risk management and compliance, and evaluates the Merged Group's insurance coverage. It is responsible for reviewing and approving frameworks and policies that support the compliance management framework. It oversees the Merged Group's sustainability practices (excluding climate change reporting) and reviews environmental, social and governance related policies and management systems. It also manages the Merged Group's OHS practices, including the adequacy of the OHS risk management framework and compliance with OHS laws and regulations.

Upon Implementation, the proposed composition of the Risk, Compliance and Sustainability Committee is intended to be:

- Chris Roberts (Committee Chair);
- Annette Carey;
- Mario Verrocchi;
- Danielle Di Pilla;
- Damien Gance; and
- Jack Gance.

The ASX Recommendations suggest that a listed entity has a risk committee which has at least three members, a majority of whom are independent directors, and that the committee be chaired by an independent director.

Although it will be chaired by an independent director, the composition of the Risk, Compliance and Sustainability Committee will not be in compliance with the ASX Recommendations because it will not have a majority of independent members. Despite this, the Merged Group Board considers that each member will add significant value to deliberations of the Risk, Compliance and Sustainability Committee, because of their considerable experience and skills. Furthermore, the Merged Group Board believes that each of the non-independent directors will bring objective and independent judgement to the Risk, Compliance and Sustainability Committee's deliberations. Each of the non-independent directors believes that they are able to objectively analyse the issues before them in accordance with their duties as directors.

(e) Corporate governance policies

The Sigma Board has adopted the following corporate governance policies, each of which has been prepared having regard to the ASX Recommendations.

(i) Continuous Disclosure and Market Communications Policy

As Sigma is listed, it is required to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act. Subject to the exceptions contained in the Listing Rules, Sigma is required to immediately advise ASX of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Sigma Shares.

Sigma has adopted a Continuous Disclosure and Market Communications Policy which reinforces its commitment to its continuous disclosure obligations and describes the processes in place that enable Sigma to provide Sigma Shareholders with timely disclosure in accordance with those obligations. Sigma has established a Continuous Disclosure Committee to ensure that all releases of market sensitive information are made in a timely manner, are accurate and not misleading, and are presented in a clear, balanced and objective way.

Information will be communicated to Sigma Shareholders through the lodgement of all relevant financial and other information with ASX, and copies of Sigma's announcements to ASX are available on Sigma's website. Sigma will not release information that is required to be disclosed to ASX to any media, investor, analyst, news service or member of the public until Sigma has received confirmation from ASX that the information has been released to the market.

Upon Implementation, the current Continuous Disclosure and Market Communications Policy will become the policy of the Merged Group (with any necessary administrative changes made to the policy).

(ii) Share Trading Policy

Sigma has adopted a Share Trading Policy to ensure:

- any dealings in Sigma Shares and other securities by certain persons comply with legal and regulatory requirements (including the prohibition against insider trading);
- that specific types of transactions by relevant persons associated with Sigma, which are not in accordance with market expectations or may otherwise involve reputational risk to Sigma, are prohibited;
- Sigma maintains market confidence in the integrity of dealings in Sigma Shares; and
- Sigma protects its reputation in relation to the trading of Sigma Securities by persons associated with it.

The policy explains the types of conduct in relation to dealing in securities that are prohibited by law and establish procedures for the buying and selling of securities. The Share Trading Policy explains the overriding principles governing it, including that there must be no dealing whilst in possession of unpublished price-sensitive inside information, and no unauthorised communication of unpublished price-sensitive information.

In addition to these general restrictions, the Share Trading Policy provides that Sigma Directors, employees and contractors and secondees are prohibited from dealing in Sigma Shares during certain "blackout periods" are set around Sigma's key annual financial reporting and other significant events as follows:

- from the end of Sigma's half-year period until the close of business on the day after Sigma releases its half-year results announcement to the ASX;
- from the end of Sigma's full year period until the close of business on the day after Sigma releases its full year results announcement to the ASX;
- from the period which is 21 days' immediately preceding the annual general meeting; and
- at such other time as the Sigma Board prohibits.

Directors and restricted employees must receive prior approval for any proposed dealing in Sigma's Shares outside of the above blackout periods (including any proposed dealing by one of their associates). Even if a trading clearance has been granted, the person remains prohibited from trading under the Share Trading Policy if the person is in possession of unpublished price-sensitive inside information as at the time of the trade.

Upon Implementation, the current Share Trading Policy will become the policy of the Merged Group (with any necessary administrative changes made to the policy).

(iii) Minimum Shareholding Policy

The Sigma Board encourages the alignment of the interests of the Sigma Directors and senior executives with the long-term interests of Sigma Shareholders. Sigma's Minimum Shareholding Policy sets out the requirements for the minimum shareholding requirements for the Sigma Directors and senior executives. The policy applies to Sigma's key management personnel (including the Chief Executive Officer/Managing Director), including executive and non-executive directors.

The Chief Executive Officer/Managing Director is required to accumulate and maintain for the duration of their position, a minimum shareholding equivalent to 150% of their annual fixed pay (being post-tax base annual salary and any salary sacrificed items, but excluding any superannuation guarantee contributions).

Key management personnel, including the Chief Financial Officer, are required to accumulate and maintain for the duration of their position, a minimum shareholding equivalent to 100% of their fixed pay. This is to be achieved by the 5th anniversary of the date of their appointment (or formally recognised as key management personnel, whichever is the latter).

For the purposes of calculating the minimum shareholding, the following are included:

- only vested Sigma Shares without outstanding loan balances;
- any Sigma Shares or interest in Sigma Shares owned by a Closely Related Party of the Chief Executive Officer/Managing Director or key management personnel; and
- any Sigma Shares or interest in Sigma Shares owned through a trust or in a superannuation fund or are otherwise held for the benefit of the person or entity referred to above.

For the avoidance of doubt, unvested Sigma Shares or rights, vested rights or vested Sigma Shares with loan balances will not be included in the calculation.

Sigma Directors' shareholdings are detailed in Sigma's annual report and are updated to the ASX, as required by the Listing Rules.

The interests of the Sigma Directors as at the Last Practicable Date are set out in section 12.1. The Minimum Shareholding Policy will apply to the Proposed Directors and to Mark Davis as Chief Financial Officer with effect from the Implementation Date.

Upon Implementation, the current Minimum Shareholding Policy will become the policy of the Merged Group (with any necessary administrative changes made to the policy).

8. Information about the Merged Group continued

(iv) Code of Conduct Policy

Sigma is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Sigma Board has adopted a formal Code of Conduct Policy that outlines how it expects its employees and contractors to behave and conduct business in the workplace and includes legal compliance and guidelines on honest and ethical behaviour and respect for people and property.

The Code of Conduct Policy is designed to provide a benchmark for professional behaviour throughout Sigma, support its business reputation and corporate image within the community and make Sigma's employees aware of the consequences if they breach this policy.

Upon Implementation, the current Code of Conduct Policy will become the policy of the Merged Group (with any necessary administrative changes, made to the policy).

(v) Diversity and Inclusion Policy

The Sigma Board has approved a Diversity and Inclusion Policy, which sets out Sigma's commitment to an inclusive and diverse workforce. Sigma includes in its corporate governance statement each year details of the measurable objectives set under the Diversity and Inclusion Policy of the year to which the corporate governance statement relates, and a summary of Sigma's progress towards achieving those measurable objectives.

Upon Implementation, the current Diversity and Inclusion Policy will become the policy of the Merged Group (with any necessary administrative changes made to the policy).

(vi) Whistleblower Policy

Sigma is committed to maintaining the highest standards of conduct and ethical behaviour in all of its business activities and to promoting and supporting a culture of honest and ethical behaviour, corporate compliance and good corporate governance. The Whistleblower Policy has been adopted to provide a safe and confidential environment where concerns can be raised by whistleblowers without fear of intimidation, disadvantage or reprisal.

Sigma's Whistleblower Policy outlines:

- who can be an eligible whistleblower;
- what is reportable conduct;
- who Sigma Group team members can make a report to regarding any issue or behaviour which is considered to be reportable conduct (which includes an independent third party service that team members can contact to make a report);
- the protections available to whistleblowers; and
- how Sigma will investigate allegations of reportable conduct.

Upon Implementation, the current Whistleblower Policy will become the policy of Merged Group (with any necessary administrative changes made to the policy).

(vii) Anti-Bribery and Corruption Policy

Sigma is committed to complying with all laws of the jurisdictions in which it operates, including those relating to bribery and corruption. The Anti-Bribery and Corruption Policy notes that bribery and corruption are legally and morally wrong. The policy sets out the responsibilities of Sigma's Directors, senior executives and other employees, including in their dealings with each other and with third parties – including consultants, suppliers, contractors and any other parties with a corporate relationship with Sigma and other Sigma Group Members. .

The Anti-Bribery and Corruption Policy sets out the reporting and investigation framework that will be followed where actual or suspected breaches are reported, provides examples of improper conduct and explains Sigma's policy with respect to giving political donations, as well as its policy on gifts, entertainment and hospitality.

Upon Implementation, the current Anti-Bribery and Corruption Policy will become the policy of the Merged Group (with any necessary administrative changes made to the policy).

8.12 Equity-based remuneration arrangements

The existing equity based remuneration arrangements for Sigma are set out in section 12.2.

Following Implementation, any future grants of equity-based incentives will be determined by the Merged Group Board.

8.13 Capital structure of the Merged Group

Sigma's capital structure as at the Last Practicable Date and as expected on Implementation is set out below.

| Shareholder(s) | Sigma Shares held as at the Last Practicable Date | | | | Sigma Shares held at Implementation | | | |
|--|---|----------------|-----------------------|----------------|-------------------------------------|-----------------|--------------------------------------|-----------------|
| | Fully diluted | | Sigma Shares on issue | | Fully diluted ¹⁸⁰ | | Sigma Shares on issue ¹⁸¹ | |
| | (%) | (m) | (%) | (m) | (%) | (m) | (%) | (m) |
| Total existing Sigma Shareholders⁽¹⁾ | 100.00% | 1,646.1 | 100.00% | 1,631.9 | 14.25% | 1,646.1 | 14.17% | 1,635.5 |
| Mario Verrocchi ^(2, 3) | – | – | – | – | 22.1% | 2,555.1 | 22.1% | 2,555.1 |
| Jack Gance ⁽²⁾ | – | – | – | – | 13.7% | 1,578.9 | 13.7% | 1,578.9 |
| Sam Gance ⁽²⁾ | – | – | – | – | 12.5% | 1,446.8 | 12.5% | 1,446.8 |
| Other Chemist Warehouse shareholders | – | – | – | – | 37.4% | 4,324.7 | 37.5% | 4,324.7 |
| Total new shareholders | – | – | – | – | 85.75% | 9,905.5 | 85.83% | 9,905.5 |
| Total | 100.00% | 1,641.1 | 100.00% | 1,631.9 | 100.00% | 11,551.6 | 100.00% | 11,541.0 |

Notes:

- Total existing Sigma Shareholders includes Chemist Warehouse, which at the Last Practicable Date has an interest in 7,596,481 Sigma Shares. There are approximately 311 Chemist Warehouse Shareholders, some of which may have an interest in Sigma Shares which are recognised in this row. The Sigma Shares held by Chemist Warehouse may be disposed of prior to Implementation at the discretion of Chemist Warehouse or otherwise disposed of in accordance with the requirements of section 259D of the Corporations Act post-Implementation at the discretion of the Merged Group Board. For further information on the substantial holders of Sigma as at the Prospectus Date, refer to section 6.6.
- As noted above, Chemist Warehouse indirectly owns 7,596,481 Sigma Shares as at the Last Practicable Date. As a result of their interest in Chemist Warehouse, each of Mario Verrocchi, Jack Gance and Sam Gance have a technical relevant interest in these Sigma Shares.
- Goat Properties Pty Ltd has an interest in 2,882,042 Sigma Shares as at the Last Practicable Date. Mario Verrocchi holds 30% of the shares in Goat Properties and as a result has a relevant interest in the Sigma Shares held by Goat Properties.

8.14 Substantial holders of the Merged Group

| Name (and associated entities) | Number of Sigma Shares ¹⁸² | Percentage shareholding ^{183,184} |
|--------------------------------|---------------------------------------|--|
| Mario Verrocchi | 2,555,101,850 | 22.13% ¹⁸⁵ |
| Jack Gance | 1,578,936,930 | 13.68% |
| Sam Gance | 1,446,760,358 | 12.53% |

Approximately 48% of the Merged Group's shares will be held by the Chemist Warehouse Founders.

Sigma Shareholders should note that, should the Chemist Warehouse Founders choose to act in concert or find their interests aligned, their combined voting power may be able to block special resolutions of Sigma Shareholders and pass or block ordinary resolutions of Sigma Shareholders. This may result in a situation where the Chemist Warehouse Founders can exercise effective control over the Merged Group.

180. These figures are an estimate and are dependent on the fully diluted number of Sigma Shares on issue as at the Scheme Record Date. For the purposes of this table, includes 6,120,640 Sigma Performance Rights that will lapse upon Implementation and be replaced with cash bonuses of equivalent value (see "Treatment under the Transaction" in Figure 72 and Figure 76). The actual holdings of Chemist Warehouse Shareholders may be higher on Implementation as the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, for example, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

181. These figures are an estimate and are dependent on the fully diluted number of Sigma Shares on issue as at the Scheme Record Date.

182. These figures are an estimate and are dependent on the fully diluted number of Sigma Shares on issue as at the Scheme Record Date. For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

183. These figures are an estimate and are dependent on the fully diluted number of Sigma Shares on issue as at the Scheme Record Date.

184. Approximately 48% of the Merged Group's shares will be held by the Chemist Warehouse Founders. The Chemist Warehouse Founders are subject to the escrow restrictions outlined in section 12.6.

185. Mario Verrocchi will hold approximately 22.13% of Sigma Shares and have a relevant interest in approximately 22.16% of Sigma Shares post-Implementation on a fully diluted basis (with the additional relevant interest in 2,882,042 Sigma Shares due to his indirect interest in Goat Properties Pty Ltd).

9. Pro Forma Merged Group Financial Information

9.1 Introduction

This section 9 contains the following pro forma Merged Group financial information:

- Merged Group pro forma historical consolidated income statements of the Merged Group for FY22, FY23 and FY24 (**Merged Group Pro Forma Historical Income Statements**);
- Merged Group pro forma historical consolidated cash flow information for FY22, FY23 and FY24 (**Merged Group Pro Forma Historical Statements of Cash Flows**); and
- Merged Group pro forma historical consolidated statement of financial position of the Merged Group as at 30 June 2024 (**Merged Group Pro Forma Historical Statement of Financial Position**),

(together, the **Merged Group Pro Forma Historical Financial Information**).

There is no actual historical financial information in respect of the Merged Group, as the Merged Group does not exist and will only come into existence upon Implementation. For the purpose of this Explanatory Memorandum, pro forma historical information for the Merged Group has been prepared by consolidating the standalone actual financial information of each of Chemist Warehouse and Sigma from 1 July 2021 to 30 June 2024, to provide an illustration as to what the Merged Group's financials may have looked like had it existed during that time. As such, statements regarding the Merged Group Pro Forma Historical Information discuss the Merged Group as a whole and may not necessarily be true of Sigma or Chemist Warehouse on a standalone basis during the relevant historical financial periods.

The Chemist Warehouse Historical Financial Information; the Sigma Historical Financial Information; and the Merged Group Pro Forma Historical Financial Information together form the **Financial Information**.

Also included in this section 9 are:

- the basis of preparation and presentation of the Merged Group Pro Forma Historical Financial Information (see section 9.2);
- information regarding certain non-IFRS financial measures (see section 9.3);
- the pro forma adjustments made to derive the Merged Group Pro Forma Historical Financial Information (see sections 9.5, 9.8 and 9.9);
- a summary of the key pro forma operating and financial measures (see Section 9.6);
- a summary of the Merged Group's pro forma net cash/(debt) as at 30 June 2024 (see section 9.10);
- a summary of the Merged Group's lease commitments as at 30 June 2024 (see section 9.11);
- management discussion and analysis of the Merged Group Pro Forma Historical Financial Information (see section 9.13 and Section 9.14);
- a summary of the Merged Group's proposed dividend policy (see section 9.15); and
- a summary of the Merged Group's financial outlook (see section 9.16).

The information in this section 9 should be read in conjunction with the risk factors set out in section 11, the summary of significant accounting policies described in Appendix 5 and other information contained in this Explanatory Memorandum.

The Financial Information presented in this Explanatory Memorandum has been reviewed by the Investigating Accountant in accordance with the Australian Standard on Assurance Engagements ASAE 3450 'Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information', as stated in the Investigating Accountant's Report. Sigma Shareholders should note the scope and limitations of the Investigating Accountant's Report (contained in Appendix 3).

All amounts disclosed in this section 9 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million. Rounding in the historical financial information may result in some immaterial differences between the components and the total percentage calculations outlined within the figures and commentary.

9.2 Basis of preparation and presentation of the Financial Information

(a) Overview

The Sigma Directors and Merged Group Directors are responsible for the Merged Group Pro Forma Historical Financial Information.

The Merged Group Pro Forma Historical Financial Information does not purport to reflect the actual financial performance, cash flows and financial position of the Merged Group.

The historical financial information has been prepared in accordance with the recognition and measurement principles prescribed in AAS issued by the AASB, which are consistent with the IFRS and interpretations issued by the IASB.

A summary of the Merged Group's proposed accounting policies is included in Appendix 5.

The historical financial information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to financial reports prepared in accordance with the Corporations Act.

Certain non-IFRS financial measures that the Merged Group will use to manage and report on its business that are not defined under or summarised by AAS or IFRS are presented within this Section. An explanation of these non-IFRS financial measures is available in section 9.3.

Sigma Shareholders should note that past results are not a guarantee of future performance.

(b) Accounting treatment of the Transaction

The legal acquisition by Sigma of Chemist Warehouse will be a reverse acquisition under AASB 3 Business Combinations. Consequently, for accounting and financial reporting purposes, Chemist Warehouse is treated as the accounting acquirer and Sigma is treated as the accounting acquiree.

Whilst Sigma is the legal entity and the accounts will be represented as Sigma accounts, they will be prepared on the basis of Chemist Warehouse, representing the continuing accounts.

Accordingly, the Merged Group will present accounts on the following basis:

- Chemist Warehouse continuing accounts at historical cost and is the accounting acquirer; and
- Sigma recognised at fair value on date of acquisition and is the accounting acquiree.

Under AASB 3 *Business Combinations*, the Merged Group will be required to recognise the identifiable net assets of Sigma at fair value on the acquisition date in the Merged Group's financial statements. Any excess between the fair value of the consideration paid and the fair value of the identifiable net assets of Sigma will be recognised as goodwill subject to the completion of a full valuation and purchase price allocation including with regards to any unrecognised identifiable intangibles relating to Sigma.

Under AASB 3 *Business Combinations*, the Merged Group will have 12 months from the date of Chemist Warehouse gaining control over Sigma to undertake a purchase price allocation exercise to determine the fair value of goodwill and identifiable assets (including intangible assets) and liabilities related to the acquisition of Sigma.

For the purposes of preparing the Merged Group Pro Forma Historical Statement of Financial Position, the difference between Sigma's market capitalisation at 8 November 2024 and the estimated fair value of Sigma's net assets at 31 July 2024 (inclusive of the estimated fair value of right-of-use assets and intangible assets) has been reflected as goodwill. Subsequent to Implementation, the actual determination of the fair values of acquired assets and liabilities including identifiable assets and liabilities acquired, and goodwill, may differ to those values presented in the Merged Group Pro Forma Historical Statement of Financial Position.

The Merged Group Pro Forma Historical Income Statement includes an estimate of additional amortisation in relation to the estimated finite life intangible assets that may arise following the completion of the purchase price allocation exercise.

Whilst Chemist Warehouse is the acquirer from an accounting perspective, from a tax perspective Sigma is the acquirer. For the purpose of preparing the Merged Group Pro Forma Historical Statement of Financial Position, it has been assumed that there will be no resetting of Chemist Warehouse's tax cost base following Implementation. However, it is possible that the allocable cost amount calculation will result in a deferred tax position which is different to the position presented in the Merged Group Pro Forma Historical Statement of Financial Position.

9. Pro Forma Merged Group Financial Information continued

(c) Preparation of Merged Group Pro Forma Historical Financial Information

The Merged Group Pro Forma Historical Financial Information has been derived from the Chemist Warehouse Historical Financial Information combined with the Sigma Historical Financial Information and adjusted for the effects of the pro forma adjustments described below. The pro forma adjustments have been prepared solely for the inclusion in this Explanatory Memorandum and reflect the effects of the Transaction as if it had been implemented immediately prior to 1 July 2021 in respect of the Merged Group Pro Forma Historical Income Statements and Merged Group Pro Forma Historical Statements of Cash Flows, and on 30 June 2024 in respect of the Merged Group Pro Forma Historical Statement of Financial Position. These pro forma adjustments include:

- intercompany eliminations of historical transactions between Chemist Warehouse and Sigma;
- accounting policy application;
- removal of Sigma's discontinued operations;
- removal of the non-recurring transaction costs incurred by Chemist Warehouse and Sigma associated with the Transaction;
- the impact of the Transaction on the capital structure of the Merged Group, new Banking Facilities, transaction costs and the payment by Sigma to Chemist Warehouse Shareholders; and
- the assumed income tax effect of the above pro forma adjustments.

The Merged Group Pro Forma Historical Financial Information presented in this Explanatory Memorandum reflects the aggregation of financial information from different periods (to 30 June for Chemist Warehouse and to 31 July for Sigma) as Chemist Warehouse has a financial year end of 30 June and Sigma has a financial year end of 31 January. In respect of the presentation of the Merged Group Pro Forma Historical Financial Information, this timing difference does not have a material impact.

In preparing the Merged Group Pro Forma Historical Financial Information, a review has been undertaken to identify significant accounting policy differences between Chemist Warehouse and Sigma where the impact to the Merged Group Pro Forma Historical Financial Information is potentially material and could be reliably estimated. Other than the pro forma adjustments disclosed in this section 9, no other material accounting policy differences that would have a material impact on the Merged Group Pro Forma Historical Financial Information were identified.

Section 9.5, Figure 42, Figure 43 and Figure 44 set out the reconciliation of the Chemist Warehouse Historical Income Statements and Sigma Historical Income Statements to the Merged Group Pro Forma Historical Income Statements for FY22, FY23 and FY24, including a description of the pro forma adjustments applied.

Section 9.8, Figure 47, Figure 48 and Figure 49 set out the reconciliation of the Chemist Warehouse Historical Statement of Cash Flows and Sigma Historical Statement of Cash Flows to the Merged Group Pro Forma Historical Statement of Cash Flows for FY22, FY23 and FY24, including a description of the pro forma adjustments applied.

Section 9.9 and Figure 50 sets out the reconciliation of the Chemist Warehouse and Sigma Historical Statement of Financial Position to the Merged Group Pro Forma Historical Statement of Financial Position, including a description of the pro forma adjustments applied.

(d) Items not reflected in the Merged Group Pro Forma Historical Financial Information

As detailed above, the Merged Group Pro Forma Historical Financial Information is provided for illustrative purposes only. The Merged Group Pro Forma Historical Financial Information presented in this section 9 does not purport to reflect the likely actual or prospective reported financial performance, financial position or cash flows of the Merged Group.

The Merged Group Pro Forma Historical Financial Information does not reflect the following items:

- the realisation of synergies and business improvements estimated at \$60 million per annum (nor associated one-off costs to achieve these synergies estimated at \$75 million) in connection with the merger of Chemist Warehouse and Sigma (see section 8.6(b)). The estimated costs include any expenses related to employees and executives who may not be retained after the Transaction, noting that agreements with these employees or executives have not been reached at the date of this Explanatory Memorandum; and
- changes to key management personnel remuneration including any new, or revisions to, long term incentive plans. Refer to section 8.10 for details of the remuneration of key management personnel. Any changes in section 8.10 have not been incorporated into the analysis.

(e) Factors that may impact the actual financial performance, financial position or cash flows of the Merged Group

It is likely the future financial performance, financial position and cash flows of the Merged Group in future periods will differ from the Merged Group Pro Forma Historical Financial Information presented in this section 9.

The factors which may impact the future financial performance, financial position or cash flows of the Merged Group include but are not limited to:

- trading of Chemist Warehouse after 30 June 2024, and Sigma after 31 July 2024, which is not reflected in the historical financial information of Chemist Warehouse and Sigma. This includes the Sigma Supply Agreement;
- the risk factors set out in section 11;
- the ultimate timing and success of Implementation;
- any loss of Sigma franchisees that may occur as a result of the Merger Undertaking described in section 12.4;
- changes in the Sigma share price will alter the value of the consideration for the Transaction for accounting purposes, as the consideration will be calculated on the Implementation Date;
- finalisation of the acquisition accounting (in accordance with AASB 3 Business Combinations), including determining appropriate purchase price allocations, such as the identification and fair value of all assets and liabilities acquired and determining the allocation of the goodwill balance to Cash Generating Units (CGUs);
- differences between the estimated amount of transaction costs and the amount ultimately incurred; and
- any future changes to the AAS.

(f) Estimated purchase price allocation

Goodwill represents the excess of the estimated purchase price over the estimated fair value of Sigma's identifiable assets and liabilities and the application of the AAS to the Transaction. Goodwill will not be amortised but will be subject to periodic impairment testing. The goodwill balance shown in the Merged Group Pro Forma Historical Financial Information is preliminary and will change dependent on the final consideration and fair value of identifiable assets and liabilities acquired at the Implementation Date.

The preliminary purchase price has been prepared on the basis of the Sigma share price as at 8 November 2024 and the Sigma balance sheet as at 31 July 2024.

For each increase or decrease in the Sigma share price of \$0.01 between the 8 November 2024 and the Implementation Date, the estimated goodwill balance will increase or decrease by \$16.3 million.

Figure 40: Accounting for acquisition of Sigma and estimated goodwill allocation

| \$m | Note | |
|---|------|----------------|
| Sigma number of ordinary shares on issue at 31 July 2024 | | 1,631,866,135 |
| Sigma share price at 8 November 2024 | | \$2.54 |
| Preliminary purchase price | | 4,144.9 |
| Fair value of Sigma identifiable net assets acquired | | |
| Sigma net assets acquired as at 31 July 2024 | 1 | 871.7 |
| Previously recognised goodwill | 2 | (99.9) |
| Fair value of intangible assets | 3 | 180.1 |
| Uplift in fair value of right-of-use assets | 4 | 53.8 |
| Deferred tax liability on fair value adjustments at 30% | 5 | (70.2) |
| Non-controlling interest | 6 | (1.8) |
| Fair value of Sigma identifiable net assets acquired | | 933.8 |
| Allocation to goodwill | | 3,211.1 |

Notes:

1. Sigma's net asset balance at 31 July 2024.
2. For the purpose of determining the goodwill under AASB3, the existing goodwill balance on the Sigma balance sheet does not have value attributed to it.
3. Estimate of value attributable to identifiable intangible assets consisting of: brand names (\$106.5 million), franchise agreements (\$28.3 million) and customer relationships (\$45.3 million).
4. Existing right-of-use asset is revalued to equal the associated lease liability.
5. Deferred tax liability recognised equal to 30% of the value of right-of-use assets and intangible assets.
6. Non-controlling interest is excluded from the value of net assets acquired.

9. Pro Forma Merged Group Financial Information continued

(g) Segment information

The Merged Group intends to report as a single reporting segment, Healthcare, in accordance with AASB 8 Operating Segments. The segment is based on the assumption that the Chief Operating Decision Makers (**CODM**) will be the Chief Executive Officer and executive directors and that the CODM will review and make decisions on the allocation of resources based on the Healthcare segment as a whole. A decision about this may only be made once Implementation has occurred. As such the segmental reporting will be consistent with the consolidated Merged Group Pro Forma Historical Financial Information and is therefore not shown separately in this section 9.

9.3 Explanation of certain non-IFRS financial and operating measures

The Merged Group will use certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are collectively referred to in this section 9 as non-IFRS financial measures pursuant to Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC.

Management will use these non-IFRS financial measures to evaluate the performance and profitability of the Merged Group business. Non-IFRS financial measures are intended to supplement the measures calculated in accordance with AAS and not as a substitute for those measures. These non-IFRS financial measures do not have a prescribed definition under IFRS and the method that the Merged Group will use to calculate them may be different to methods adopted by other companies to calculate similarly titled measures. Sigma Shareholders are cautioned not to place undue reliance on any non-IFRS financial measures included in this Explanatory Memorandum.

Included in the non-IFRS financial and operating measures are certain measures regarding the performance and number of stores within the Retail Network. The Chemist Warehouse Australian Franchise Network will not be owned by the Merged Group. The stores in New Zealand, Ireland and two Optometrist Warehouse stores in Australia will be partly owned by the Merged Group, while the Merged Group will reflect 100% economic contribution of the China store network. Accordingly, a very small proportion of Chemist Warehouse Retail Network Sales is revenue of the Merged Group. The relevance of Chemist Warehouse Retail Network Sales, Chemist Warehouse Retail Network store numbers and Like-For-Like Chemist Warehouse Retail Network Sales Growth (% increase) is that the inventory sold by the Chemist Warehouse Retail Network is typically purchased from the Merged Group and Chemist Warehouse provides franchisor services to the Retail Network and so the overall health of the Retail Network will continue to be important to the Merged Group. Sigma Franchise Network sales are not included in the non-IFRS financial and operating measures due to limitations in the availability of Sigma Franchise Network store sales data historically.

The principal non-IFRS financial and operating measures included in this Explanatory Memorandum are as follows:

- **Retail Network** refers to the total number of stores at each period end that are either:
 - owned by third parties but operate as franchisees of the Merged Group (including Pipeline Stores). At 30 June 2024 the Retail Network consisted of 882 stores in Australia; or
 - fully or partially owned by the Merged Group. At 30 June 2024 the Retail Network included 72 fully or partially owned stores in New Zealand, Ireland and Australia and operated in China through services agreements with local companies.
- **Chemist Warehouse Retail Network Sales** refers to the aggregate sales (including online sales being those fulfilled by the Chemist Warehouse Retail Network or by Chemist Warehouse) of the Chemist Warehouse Retail Network over a relevant period.
- **Like-For-Like Chemist Warehouse Retail Network Sales Growth (% increase)** represents the percentage change of Chemist Warehouse Retail Network Sales generated by a group of stores in the Chemist Warehouse Retail Network in a relevant period, compared to the same set of stores in the Chemist Warehouse Retail Network in the prior corresponding period. A Chemist Warehouse store is included in this measure once it has been open throughout both the current twelve-month period and the prior corresponding twelve-month period.
- **Revenue Growth (% increase)** reflects the period-on-period percentage change in total Merged Group revenue.
- **EBIT** is calculated as profit or loss before interest income, interest expense and interest on the lease liability and lease receivable recognised under AASB 16 Leases and income tax expense.
- **EBIT Margin (%)** is a profitability measure derived by dividing EBIT by revenue, expressed as a percentage.
- **EBITDA** is calculated as profit or loss before depreciation (including depreciation on the right of use asset recognised under AASB 16 Leases) and amortisation, interest income, interest expense and interest on the lease liability and lease receivable recognised under AASB 16 Leases and income tax expense.
- **EBITDA Margin (%)** is a profitability measure derived by dividing EBITDA by revenue, expressed as a percentage.

9.4 Merged Group Pro Forma Historical Income Statements

Set out below are the Merged Group Pro Forma Historical Income Statements for FY22, FY23 and FY24. Refer to section 9.5 for the Chemist Warehouse and Sigma Historical Income Statement to Merged Group Pro Forma Historical Income Statement reconciliation.

Figure 41: Merged Group Pro Forma Historical Income Statements

| \$m | Note | FY22 | FY23 | FY24 |
|---|------|----------------|----------------|----------------|
| Revenue | 1 | 6,435.8 | 6,486.2 | 6,655.7 |
| Cost of sales | 2 | (5,060.0) | (5,271.1) | (5,343.4) |
| Gross profit | | 1,375.8 | 1,215.1 | 1,312.3 |
| Share of profits of associates and joint ventures accounted for using the equity method | 3 | 8.2 | 13.0 | 23.1 |
| Other income | 4 | 33.4 | 71.2 | 45.2 |
| Operating expenses | | | | |
| Warehousing and distribution expenses | 5 | (341.7) | (342.8) | (302.4) |
| Marketing and sales expenses | 6 | (113.3) | (122.4) | (132.3) |
| Administration and general expenses | 7 | (371.3) | (325.1) | (340.5) |
| Operating expenses | | (826.3) | (790.4) | (775.1) |
| EBIT | | 591.1 | 508.9 | 605.5 |
| Net finance costs | 8 | (64.5) | (83.8) | (58.2) |
| Profit before income tax expense | | 526.6 | 425.1 | 547.3 |
| Income tax expense | 9 | (156.0) | (123.4) | (25.5) |
| Profit after income tax expense | | 370.7 | 301.7 | 521.8 |
| (Profit)/Loss attributable to non-controlling interests | | (0.2) | 0.9 | 0.5 |
| Profit attributable to owners of the Merged Group | | 370.5 | 302.6 | 522.3 |

Notes:

- Revenue represents wholesale sales delivered through distribution centres to the Australian Franchise Network and independent pharmacies, retail sales in the Merged Group's partially owned stores in Australia, Ireland and 100% economic contribution of the China stores, franchise and related fees, fees revenue (earned for wholesale sales directly delivered by suppliers where the Merged Group acts as an agent), marketing and advertising income.
- Costs of sales includes the cost of wholesale inventory sold to both stores in the Australian Franchise Network and independent pharmacies. Also included are direct costs related to delivering marketing, advertising and other revenue such as production and placement expenses and letterbox distribution. Cost of sales also includes certain supplier marketing and support income which under accounting standards is accounted for as a reduction to the cost of wholesale inventory.
- Share of profits of associates and joint ventures accounted for using the equity method primarily represents Chemist Warehouse's share of the New Zealand stores accounted for using the equity method.
- Other income includes membership revenue, sundry income and other non-recurring income including dividends received, revaluation of investments and gain/loss on disposal of investments.
- Warehousing and distribution expenses comprises warehouse, depreciation and amortisation, employee costs, occupancy expenses, freight costs, consumables and other minor related expenses.
- Marketing and sales expenses comprises marketing and sales employee costs, commission and agent fees and all advertising and promotion overhead expenses not captured within costs of sales.
- Administration and general expenses comprises administration, depreciation and amortisation, finance and HR employees costs, consultant and professional fees, occupancy costs, and other general administration costs. It also includes an estimate of the amortisation of estimated fair value of finite life intangible assets recognised in respect of the Transaction.
- Net finance costs represents net interest (paid)/received, net interest accounted for under AASB 16 Leases and other minor finance (cost)/income items.
- Income tax represents the income tax expense in respect of the net income generated in each period.

9. Pro Forma Merged Group Financial Information continued

9.5 Pro forma adjustments to the Historical Income Statements

Set out in Figure 42, Figure 43 and Figure 44 are the pro forma adjustments made to derive the Merged Group Pro Forma Historical Income Statements for FY22, FY23 and FY24.

Figure 42: Pro forma adjustment to Chemist Warehouse and Sigma Historical Income Statements – FY24

| \$m | Chemist Warehouse | Sigma | 1. Inter-company eliminations | 2. Accounting policy application | 3. Discontinued operations | 4. Transaction costs | 5. Impact of the Transaction | 6. Income tax effect | Merged Group Pro Forma |
|---|-------------------|----------------|----------------------------------|-------------------------------------|-------------------------------|-------------------------|---------------------------------|-------------------------|------------------------|
| Revenue | 3,294.4 | 3,496.6 | (23.3) | (112.1) | | – | – | – | 6,655.7 |
| Cost of sales | (2,251.5) | (3,263.0) | 23.3 | 147.8 | | – | – | – | (5,343.4) |
| Gross profit | 1,043.0 | 233.6 | 0.0 | 35.7 | | – | – | – | 1,312.3 |
| Share of profits of associates and joint ventures accounted for using the equity method | 23.1 | – | – | – | | – | – | – | 23.1 |
| Other income | 5.8 | 76.3 | (0.0) | (36.9) | | – | – | – | 45.2 |
| Operating expenses | | | | | | | | | |
| Warehousing and distribution expenses | (148.9) | (153.4) | – | – | | – | – | – | (302.4) |
| Marketing and sales expenses | (88.3) | (44.0) | – | – | | – | – | – | (132.3) |
| Administration and general expenses | (253.1) | (104.8) | – | – | | 24.8 | (7.4) | – | (340.5) |
| Operating expenses | (490.3) | (302.2) | – | – | | 24.8 | (7.4) | – | (775.1) |
| EBIT | 581.5 | 7.7 | 0.0 | (1.2) | | 24.8 | (7.4) | – | 605.5 |
| Net finance costs | (7.4) | (5.0) | – | – | | – | (45.9) | – | (58.2) |
| Profit before income tax expense | 574.1 | 2.7 | 0.0 | (1.2) | | 24.8 | (53.2) | – | 547.3 |
| Income tax expense | (34.5) | (4.9) | – | – | | – | – | 13.9 | (25.5) |
| Profit after income tax expense | 539.7 | (2.1) | 0.0 | (1.2) | | 24.8 | (53.2) | 13.9 | 521.8 |
| (Profit)/Loss attributable to non-controlling interests | 1.4 | (0.9) | – | – | | – | – | – | 0.5 |
| Profit attributable to owners of the Merged Group | 541.0 | (3.0) | 0.0 | (1.2) | – | 24.8 | (53.2) | 13.9 | 522.3 |

Note: Refer to Figure 44 for associated notes.

Figure 43: Pro forma adjustment to Chemist Warehouse and Sigma Historical Income Statements – FY23

| \$m | Chemist Warehouse | Sigma | 1. Inter-company eliminations | 2. Accounting policy application | 3. Discontinued operations | 4. Transaction costs | 5. Impact of the Transaction | 6. Income tax effect | Merged Group Pro Forma |
|---|-------------------|----------------|-------------------------------|----------------------------------|----------------------------|----------------------|------------------------------|----------------------|------------------------|
| Revenue | 3,090.7 | 3,526.2 | (21.3) | (108.9) | (0.5) | – | – | – | 6,486.2 |
| Cost of sales | (2,173.0) | (3,284.5) | 21.3 | 165.9 | (0.8) | – | – | – | (5,271.1) |
| Gross profit | 917.7 | 241.7 | 0.0 | 57.0 | (1.3) | – | – | – | 1,215.1 |
| Share of profits of associates and joint ventures accounted for using the equity method | 13.0 | – | – | – | – | – | – | – | 13.0 |
| Other income | 18.0 | 95.4 | (0.0) | (39.9) | (2.3) | – | – | – | 71.2 |
| Operating expenses | | | | | | | | | |
| Warehousing and distribution expenses | (175.6) | (172.9) | – | – | 5.6 | – | – | – | (342.8) |
| Marketing and sales expenses | (77.3) | (46.2) | – | – | 1.0 | – | – | – | (122.4) |
| Administration and general expenses | (236.1) | (81.7) | – | – | 0.1 | – | (7.4) | – | (325.1) |
| Operating expenses | (489.0) | (300.8) | – | – | 6.7 | – | (7.4) | – | (790.4) |
| EBIT | 459.8 | 36.3 | (0.0) | 17.1 | 3.1 | – | (7.4) | – | 508.9 |
| Net finance costs | (30.4) | (15.8) | – | – | – | – | (37.6) | – | (83.8) |
| Profit before income tax expense | 429.4 | 20.5 | (0.0) | 17.1 | 3.1 | – | (44.9) | – | 425.1 |
| Income tax expense | (126.9) | (4.9) | – | – | 0.1 | – | – | 8.3 | (123.4) |
| Profit after income tax expense | 302.5 | 15.5 | (0.0) | 17.1 | 3.2 | – | (44.9) | 8.3 | 301.7 |
| (Profit)/Loss attributable to non-controlling interests | 1.9 | (1.0) | – | – | – | – | – | – | 0.9 |
| Profit attributable to owners of the Merged Group | 304.3 | 14.5 | (0.0) | 17.1 | 3.2 | – | (44.9) | 8.3 | 302.6 |

Note: Refer to Figure 44 for associated notes.

9. Pro Forma Merged Group Financial Information continued

Figure 44: Pro forma adjustment to Chemist Warehouse and Sigma Historical Income Statements – FY22

| \$m | Chemist Warehouse | Sigma | 1. Inter-company eliminations | 2. Accounting policy application | 3. Discontinued operations | 4. Transaction costs | 5. Impact of the Transaction | 6. Income tax effect | Merged Group Pro Forma |
|---|-------------------|----------------|-------------------------------|----------------------------------|----------------------------|----------------------|------------------------------|----------------------|------------------------|
| Revenue | 2,992.9 | 3,569.9 | (17.3) | (108.6) | (1.1) | – | – | – | 6,435.8 |
| Cost of sales | (1,920.6) | (3,309.1) | 17.3 | 152.6 | (0.3) | – | – | – | (5,060.0) |
| Gross profit | 1,072.4 | 260.8 | 0.0 | 44.0 | (1.4) | – | – | – | 1,375.8 |
| Share of profits of associates and joint ventures accounted for using the equity method | 8.2 | – | – | – | – | – | – | – | 8.2 |
| Other income | 3.2 | 77.6 | (0.0) | (42.6) | (4.7) | – | – | – | 33.4 |
| Operating expenses | | | | | | | | | |
| Warehousing and distribution expenses | (178.3) | (174.8) | – | – | 11.4 | – | – | – | (341.7) |
| Marketing and sales expenses | (63.5) | (52.1) | – | – | 2.3 | – | – | – | (113.3) |
| Administration and general expenses | (255.9) | (108.2) | – | – | 0.2 | (7.4) | – | – | (371.3) |
| Operating expenses | (497.8) | (335.1) | – | – | 13.9 | (7.4) | – | – | (826.3) |
| EBIT | 585.9 | 3.3 | (0.0) | 1.4 | 7.8 | (7.4) | – | – | 591.1 |
| Net finance costs | (35.9) | (11.8) | – | – | – | (16.7) | – | – | (64.5) |
| Profit before income tax expense | 550.0 | (8.5) | (0.0) | 1.4 | 7.8 | (24.1) | – | – | 526.6 |
| Income tax expense | (165.0) | 2.2 | – | – | 0.1 | – | 6.8 | – | (156.0) |
| Profit after income tax expense | 385.0 | (6.4) | (0.0) | 1.4 | 7.9 | (24.1) | 6.8 | – | 370.7 |
| (Profit)/Loss attributable to non-controlling interests | 0.9 | (1.1) | – | – | – | – | – | – | (0.2) |
| Profit attributable to owners of the Merged Group | 385.9 | (7.4) | (0.0) | 1.4 | 7.9 | (24.1) | 6.8 | – | 370.5 |

Notes:

- Intercompany eliminations:** reflects the removal of intercompany transactions between Chemist Warehouse and Sigma, including the elimination of sales revenue, cost of goods sold and other income. Eliminations relate to the sale of goods from Sigma to Chemist Warehouse and the associated rebates, with dividends received by Chemist Warehouse from Sigma related to Chemist Warehouse's existing investment in Sigma also eliminated.
- Accounting policy application:** there is a difference between Chemist Warehouse's accounting policy for certain marketing and supplier income received from suppliers, which are recorded as a reduction in the cost of inventory (and ultimately cost of sales), and Sigma's equivalent policy. The accounting outcomes where Sigma's sales were made directly to the Chemist Warehouse Australian Franchise Network also differs when applying the acquirer's policy to the Merged Group as a whole. This pro forma adjustment reflects Chemist Warehouse's accounting policy applied on a consistent basis across all periods and across the Merged Group as a whole.
- Discontinued operations:** reflects the removal of income and costs associated with Cura and WholeLife Pharmacy businesses which were discontinued by Sigma in December 2022.
- Transaction costs:** represents the removal of non-recurring transaction costs incurred by Chemist Warehouse and Sigma in association with the Transaction in FY24. These costs include financial advisory, legal, regulatory, accounting, tax and other professional fees and do not relate to the ongoing operations of the Merged Group.
- Impact of the Transaction:** reflects the following
 - the incremental interest expense expected to be incurred on the Banking Facilities which Sigma have agreed to in connection to the Transaction. This adjustment has been applied to the historical period as if the Transaction occurred and the Banking Facilities were in place immediately prior to 1 July 2021. The pro forma interest expense is determined by applying the Banking Facility interest rate to the proposed \$780.5 million debt draw down used to fund the \$700.0 million payment to Chemist Warehouse Shareholders and \$80.5 million of transaction costs incurred on Implementation; and
 - the incremental amortisation expected to be incurred on the estimated \$180.1 million of intangible assets recognised in respect of the Transaction.
- Income tax effect:** an effective tax rate of 30% has been assumed for the purposes of determining the income tax effect of the pro forma adjustments reflected in the Merged Group Pro Forma Historical Financial Information. Due to permanent differences that exist, the actual effective tax rate of the Merged Group subsequent to Implementation will likely vary from the 30% tax rate utilised.

9.6 Merged Group Pro Forma Key Financial and Operating Measures

Set out in Figure 45 is a summary of the Merged Group Pro Forma Key Historical Financial and Operating Measures for FY22, FY23 and FY24.

Figure 45: Merged Group Pro Forma Key Financial and Operating Measures

| \$m | FY22 | FY23 | FY24 |
|--|----------------|----------------|----------------|
| Retail Network (stores at period end) | | | |
| Chemist Warehouse | 529 | 549 | 569 |
| Sigma | 325 | 344 | 313 |
| Australia | 854 | 893 | 882 |
| International | 44 | 54 | 70 |
| Total Retail Network (stores at period end) | 898 | 947 | 952 |
| Chemist Warehouse Retail Network Sales | | | |
| Australia | 6,213.1 | 7,068.0 | 7,909.9 |
| International | 612.1 | 819.4 | 1,092.0 |
| Total Chemist Warehouse Retail Network Sales | 6,825.2 | 7,887.4 | 9,001.9 |
| Like-For-Like Chemist Warehouse Retail Network Sales Growth (%) | | | |
| Australia | 12.1% | 11.8% | 9.8% |
| International | (6.5)% | 21.5% | 14.4% |
| Total Like-For-Like Chemist Warehouse Retail Network Sales Growth (%) | 10.9% | 12.5% | 10.2% |
| Financial Measures | | | |
| Revenue growth (%) | | 0.8% | 2.6% |
| EBIT (\$m) | 591.1 | 508.9 | 605.5 |
| EBIT margin (%) | 9.2% | 7.8% | 9.1% |
| EBITDA (\$m) | 764.4 | 641.1 | 675.2 |
| EBITDA margin (%) | 11.9% | 9.9% | 10.1% |

Note: Retail Network (stores at period end) for Sigma excludes Guardian and PharmaSave brands in all periods.

9. Pro Forma Merged Group Financial Information continued

9.7 Merged Group Pro Forma Historical Statements of Cash Flows

Set out in Figure 46 are the Merged Group Pro Forma Historical Statements of Cash Flows for FY22, FY23 and FY24.

Figure 46: Merged Group Pro Forma Historical Statements of Cash Flows

| \$m | Notes | FY22 | FY23 | FY24 |
|---|-------|---------------|----------------|--------------|
| Cash flows from operating activities | | | | |
| EBIT | | 591.1 | 508.9 | 605.5 |
| Net interest and other finance costs paid and received | 1 | (64.5) | (83.8) | (58.2) |
| Income tax paid | | (136.5) | (186.4) | (68.2) |
| Depreciation and amortisation | 2 | 173.3 | 132.2 | 69.7 |
| Other non-cash items | 3 | 1.5 | (31.5) | (9.9) |
| Movement in working capital | 4 | (237.2) | 111.6 | (341.8) |
| Net cash from operating activities | | 327.6 | 451.0 | 197.1 |
| Cash flows from investing activities | | | | |
| Net payment for property, plant, equipment and intangibles | | (37.6) | (27.1) | (38.7) |
| Payment for financial assets at fair value through other comprehensive income | 5 | (1.7) | (21.0) | (2.9) |
| Proceeds from sale of investments | 6 | – | 60.4 | 5.5 |
| Other investing cash flows | 7 | (4.8) | (0.1) | 0.1 |
| Principal elements of lease receipts | 8 | 6.9 | 48.7 | 109.5 |
| Net cash from investing activities | | (37.3) | 60.9 | 73.6 |
| Cash flows from financing activities | | | | |
| Net proceeds/(repayment) of loans | | 47.2 | (55.9) | (12.2) |
| Principal elements of lease payments | 9 | (118.7) | (127.2) | (134.6) |
| Transactions with non-controlling interests | | 0.5 | 0.3 | – |
| Proceeds from issue of shares | | – | – | 394.3 |
| Proceeds from employee shares exercised | | 0.2 | 1.8 | 1.3 |
| Net cash from financing activities | | (70.8) | (181.0) | 248.8 |
| Net cash flow before dividends | | 219.5 | 330.9 | 519.4 |

Notes:

- Net interest and other finance costs paid and received represents the interest paid and received on lease liabilities (as accounted for under AASB 16 Leases), the interest paid on the Banking Facilities and other minor finance costs.
- Depreciation and amortisation represents the non-cash expense captured within EBIT.
- Other non-cash items represents the impact of non-cash items captured within EBIT including the gain or loss on the sale of assets, share based payments expense and the share of profits of associates and joint ventures accounted for using the equity method.
- Movement in working capital reflects the net cash impact of the changes in trade and other receivables, inventory, trade and other payables, employee benefits, contract liabilities and other assets and liabilities.
- Payment for financial assets represents the total amounts paid for equity securities. These securities are not held for trading as they are not considered as strategic investments.
- Proceeds from sale of investments reflects cash received from the disposal of investments held by the Merged Group.
- Other investing cash flows includes proceeds from sale of subsidiaries net of cash disposed, cost of acquisition of subsidiaries net of cash acquired and distributions from associates.
- Principal elements of lease receipts represents the principal lease payments received from Australian Franchise Network stores in association with the sub-license of store lease agreements. Refer to section 9.11 for further detail.
- Principal elements of lease payments represents the principal lease payments associated with the Merged Group's distribution centres, office lease agreements and partially or fully owned stores, and lease payments made on behalf of stores in the Australian Franchise Network.

9.8 Pro forma adjustments to the Historical Statements of Cash Flows

Set out in Figure 47, Figure 48 and Figure 49 are the pro forma adjustments made to derive the Merged Group Pro Forma Historical Income Statement of Cash Flows for FY22, FY23 and FY24.

Figure 47: Pro forma adjustments to Chemist Warehouse and Sigma Historical Statement of Cash Flow – FY24

| \$m | Chemist Warehouse | Sigma | 1. Accounting policy application | 3. Transaction costs | 4. Impact of the Transaction | 5. Income tax effect | Merged Group Pro Forma |
|---|----------------------|---------------|---|----------------------------|---------------------------------------|----------------------------|------------------------------|
| Cash flows from operating activities | | | | | | | |
| EBIT | 581.5 | 7.7 | (1.2) | 24.8 | (7.4) | – | 605.5 |
| Net interest and other finance costs paid and received | (7.4) | (5.0) | – | – | (45.9) | – | (58.2) |
| Income tax paid | (82.3) | 0.3 | – | – | – | 13.9 | (68.2) |
| Depreciation and amortisation | 35.3 | 27.1 | – | – | 7.4 | – | 69.7 |
| Other non-cash items | (10.8) | 0.9 | – | – | – | – | (9.9) |
| Movement in working capital | (243.0) | (91.3) | 1.2 | (8.6) | – | – | (341.8) |
| Net cash from operating activities | 273.2 | (60.3) | – | 16.2 | (45.9) | 13.9 | 197.1 |
| Cash flows from investing activities | | | | | | | |
| Net payment for property, plant, equipment and intangibles | (41.3) | 2.7 | – | – | – | – | (38.7) |
| Payment for financial assets at fair value through other comprehensive income | (2.9) | – | – | – | – | – | (2.9) |
| Proceeds from sale of investments | 4.0 | 1.5 | – | – | – | – | 5.5 |
| Other investing cash flows | 0.1 | – | – | – | – | – | 0.1 |
| Principal elements of lease receipts | 109.5 | – | – | – | – | – | 109.5 |
| Net cash from investing activities | 69.4 | 4.2 | – | – | – | – | 73.6 |
| Cash flows from financing activities | | | | | | | |
| Net proceeds/(repayment) of loans | 67.8 | (80.0) | – | – | – | – | (12.2) |
| Principal elements of lease payments | (125.0) | (9.6) | – | – | – | – | (134.6) |
| Transactions with non-controlling interests | – | – | – | – | – | – | – |
| Proceeds from issue of shares | – | 394.3 | – | – | – | – | 394.3 |
| Proceeds from employee shares exercised | – | 1.3 | – | – | – | – | 1.3 |
| Net cash from financing activities | (57.1) | 306.0 | – | – | – | – | 248.8 |
| Movement in net cash before dividends | 285.4 | 249.9 | – | 16.2 | (45.9) | 13.9 | 519.4 |

Note: Refer to Figure 49 for associated notes.

9. Pro Forma Merged Group Financial Information continued

Figure 48: Pro forma adjustments to Chemist Warehouse and Sigma Historical Statement of Cash Flow – FY23

| \$m | Chemist Warehouse | Sigma | 1. Accounting policy application | 2. Discontinued operations | 4. Impact of the Transaction | 5. Income tax effect | Merged Group Pro Forma |
|---|-------------------|---------------|---|----------------------------------|---------------------------------------|----------------------------|------------------------------|
| Cash flows from operating activities | | | | | | | |
| EBIT | 459.8 | 36.3 | 17.1 | 3.1 | (7.4) | – | 508.9 |
| Net interest and other finance costs paid and received | (30.4) | (15.8) | – | – | (37.6) | – | (83.8) |
| Income tax paid | (189.6) | (5.2) | – | 0.1 | – | 8.3 | (186.4) |
| Depreciation and amortisation | 95.5 | 29.4 | – | (0.1) | 7.4 | – | 132.2 |
| Other non-cash items | (24.7) | (6.5) | – | (0.2) | – | – | (31.5) |
| Movement in working capital | 134.2 | (1.9) | (17.1) | (3.5) | – | – | 111.6 |
| Net cash from operating activities | 444.7 | 36.2 | – | (0.7) | (37.6) | 8.3 | 451.0 |
| Cash flows from investing activities | | | | | | | |
| Net payment for property, plant, equipment and intangibles | (12.3) | (14.8) | – | – | – | – | (27.1) |
| Payment for financial assets at fair value through other comprehensive income | (21.0) | – | – | – | – | – | (21.0) |
| Proceeds from sale of investments | 60.1 | 0.3 | – | – | – | – | 60.4 |
| Other investing cash flows | – | 0.4 | – | (0.5) | – | – | (0.1) |
| Principal elements of lease receipts | 48.7 | – | – | – | – | – | 48.7 |
| Net cash from investing activities | 75.5 | (14.1) | – | (0.5) | – | – | 60.9 |
| Cash flows from financing activities | | | | | | | |
| Net proceeds/(repayment) of loans | (40.9) | (15.0) | – | – | – | – | (55.9) |
| Principal elements of lease payments | (117.5) | (9.7) | – | – | – | – | (127.2) |
| Transactions with non-controlling interests | 0.3 | – | – | – | – | – | 0.3 |
| Proceeds from issue of shares | – | – | – | – | – | – | – |
| Proceeds from employee shares exercised | – | 1.8 | – | – | – | – | 1.8 |
| Net cash from financing activities | (158.1) | (22.9) | – | – | – | – | (181.0) |
| Movement in net cash before dividends | 362.1 | (0.8) | – | (1.2) | (37.6) | 8.3 | 330.9 |

Note: Refer to Figure 49 for associated notes.

Figure 49: Pro forma adjustments to Chemist Warehouse and Sigma Historical Statement of Cash Flow – FY22

| \$m | Chemist Warehouse | Sigma | 1. Accounting policy application | 2. Discontinued operations | 4. Impact of the Transaction | 5. Income tax effect | Merged Group Pro Forma |
|---|-------------------|---------------|----------------------------------|----------------------------|------------------------------|----------------------|------------------------|
| Cash flows from operating activities | | | | | | | |
| EBIT | 585.9 | 3.3 | 1.4 | 7.8 | (7.4) | – | 591.1 |
| Net interest and other finance costs paid and received | (35.9) | (11.8) | – | – | (16.7) | – | (64.5) |
| Income tax paid | (132.6) | (10.8) | – | 0.1 | – | 6.8 | (136.5) |
| Depreciation and amortisation | 136.5 | 29.6 | – | (0.1) | 7.4 | – | 173.3 |
| Other non-cash items | (5.3) | 13.8 | – | (7.0) | – | – | 1.5 |
| Movement in working capital | (264.2) | 30.1 | (1.4) | (1.7) | – | – | (237.2) |
| Net cash from operating activities | 284.3 | 54.2 | – | (1.0) | (16.7) | 6.8 | 327.6 |
| Cash flows from investing activities | | | | | | | |
| Net payment for property, plant, equipment and intangibles | (13.1) | (25.0) | – | 0.4 | – | – | (37.6) |
| Payment for financial assets at fair value through other comprehensive income | – | (1.7) | – | – | – | – | (1.7) |
| Proceeds from sale of investments | – | – | – | – | – | – | – |
| Other investing cash flows | (4.8) | – | – | – | – | – | (4.8) |
| Principal elements of lease receipts | 6.9 | – | – | – | – | – | 6.9 |
| Net cash from investing activities | (11.0) | (26.7) | – | 0.4 | – | – | (37.3) |
| Cash flows from financing activities | | | | | | | |
| Net proceeds/(repayment) of loans | (7.8) | 55.0 | – | – | – | – | 47.2 |
| Principal elements of lease payments | (108.3) | (10.4) | – | – | – | – | (118.7) |
| Transactions with non-controlling interests | 0.5 | – | – | – | – | – | 0.5 |
| Proceeds from issue of shares | – | – | – | – | – | – | – |
| Proceeds from employee shares exercised | – | 0.2 | – | – | – | – | 0.2 |
| Net cash from financing activities | (115.6) | 44.8 | – | – | – | – | (70.8) |
| Movement in net cash before dividends | 157.7 | 72.3 | – | (0.5) | (16.7) | 6.8 | 219.5 |

Notes:

- Accounting policy application:** Reflects the net nil effect of the accounting policy application on cash flows. The application of the accounting policy does not impact the timing of the receipt of cash related to marketing and supplier income. The impact on EBIT is equal to and offset by the increase or reduction in the value of inventory which is reflected within the movement in working capital.
- Discontinued operations:** reflects the removal of cash flow from operations associated with Cura and WholeLife Pharmacy businesses which were discontinued by Sigma in December 2022.
- Transaction costs:** represents the removal of cash paid for non-recurring transaction costs incurred by Chemist Warehouse and Sigma in association with the Transaction in FY24. These costs include financial advisory, legal, regulatory, accounting, tax and other professional fees and do not relate to the ongoing operations of the Merged Group.
- Impact of the Transaction:** Reflects the cash flow impact of the change in capital structure and non-cash amortisation on the intangible assets. See note 5 below Figure 44.
- Income tax effect:** an effective tax rate of 30% has been assumed for the purposes of determining the income tax effect of the pro forma adjustments reflected in the Merged Group Pro Forma Historical Financial Information. Due to permanent differences that exist, the actual effective tax rate of the Merged Group subsequent to Implementation will likely vary from the 30% tax rate utilised.

9.9 Merged Group Pro Forma Historical Statement of Financial Position

Set out in Figure 50 are the pro forma adjustments made to derive the Merged Group Pro Forma Historical Statement of Financial Position as at 30 June 2024.

The Merged Group Pro Forma Historical Statement of Financial Position has been provided for illustrative purposes only and is not represented as being indicative of the Merged Group's view on its future financial position. The pro forma adjustments reflect the effects of the Transaction as if it had occurred on 30 June 2024.

9. Pro Forma Merged Group Financial Information continued

Figure 50: Merged Group Pro Forma Historical Statement of Financial Position as at 30 June 2024

| \$m | Chemist Warehouse 30 June 2024 | Sigma 31 July 2024 | 1. Inter-company eliminations | 2. Accounting policy application | 3. Impact of the Transaction | Merged Group Pro Forma |
|---|-----------------------------------|-----------------------|-------------------------------------|---|------------------------------------|------------------------------|
| 30 June 2024 | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | 273.1 | 234.2 | – | – | (8.6) | 498.6 |
| Trade and other receivables | 695.0 | 589.0 | (89.6) | – | – | 1,194.5 |
| Inventories | 599.9 | 372.7 | – | (12.7) | – | 959.9 |
| Financial assets at amortised cost | 3.8 | – | – | – | – | 3.8 |
| Other current assets | 26.1 | 21.9 | (4.8) | – | – | 43.2 |
| Lease receivables | 118.6 | – | – | – | – | 118.6 |
| Current tax assets | – | 5.6 | – | – | – | 5.6 |
| Total current assets | 1,716.6 | 1,223.4 | (94.4) | (12.7) | (8.6) | 2,824.4 |
| Non current assets | | | | | | |
| Trade and other receivables | – | 10.8 | – | – | – | 10.8 |
| Investments accounted for using the equity method | 45.0 | – | – | – | – | 45.0 |
| Financial assets at amortised cost | 9.7 | – | – | – | – | 9.7 |
| Financial assets at fair value through other comprehensive income | 59.5 | 15.7 | (9.7) | – | – | 65.4 |
| Financial assets at fair value through profit or loss | 2.3 | – | – | – | – | 2.3 |
| Property, plant and equipment | 73.1 | 183.9 | – | – | – | 256.9 |
| Right-of-use assets | 113.0 | 83.9 | – | – | 53.8 | 250.7 |
| Goodwill at acquisition | – | 99.9 | – | – | 3,111.3 | 3,211.1 |
| Intangible assets | 13.3 | 9.6 | – | – | 180.1 | 203.0 |
| Deferred tax assets | 87.3 | 56.9 | – | 3.8 | – | 148.0 |
| Lease receivables | 741.8 | – | – | – | – | 741.8 |
| Other non-current assets | – | 18.8 | (19.2) | – | – | (0.4) |
| Total non-current assets | 1,145.0 | 479.4 | (28.9) | 3.8 | 3,345.1 | 4,944.4 |
| Total assets | 2,861.6 | 1,702.8 | (123.3) | (8.9) | 3,336.5 | 7,768.7 |
| Current liabilities | | | | | | |
| Trade and other payables | 745.8 | 675.4 | (113.6) | – | (8.6) | 1,299.0 |
| Contract liabilities | 29.5 | 0.7 | – | – | – | 30.2 |
| Financial liabilities at amortised cost | 32.8 | – | – | – | – | 32.8 |
| Lease liabilities | 131.3 | 13.3 | – | – | – | 144.7 |
| Current tax liabilities | 2.8 | – | – | – | – | 2.8 |
| Provisions | 25.9 | 10.1 | – | – | – | 36.0 |
| Other current liabilities | – | 2.0 | – | – | – | 2.0 |
| Total current liabilities | 968.1 | 701.5 | (113.6) | – | (8.6) | 1,547.4 |
| Non-current liabilities | | | | | | |
| Other liabilities | 5.3 | – | – | – | – | 5.3 |
| Financial liabilities at amortised cost | 300.0 | – | – | – | 769.0 | 1,069.0 |
| Lease liabilities | 849.6 | 124.3 | – | – | – | 973.9 |
| Deferred tax liabilities | – | – | – | – | 57.1 | 57.1 |
| Provisions | 21.7 | 5.2 | – | – | – | 26.9 |
| Total non-current liabilities | 1,176.6 | 129.5 | – | – | 826.1 | 2,132.2 |
| Total liabilities | 2,144.7 | 831.0 | (113.6) | – | 817.5 | 3,679.6 |
| Net assets | 716.9 | 871.7 | (9.7) | (8.9) | 2,519.1 | 4,089.1 |
| Equity | | | | | | |
| Issued capital | 553.7 | 1,638.4 | (9.7) | – | 1,806.6 | 3,988.9 |
| Reserves | (54.2) | 5.3 | – | – | (5.3) | (54.2) |
| Retained profits/(Accumulated losses) | 222.9 | (773.7) | – | (8.9) | 717.8 | 158.1 |
| Equity attributable to the owners of the Merged Group | 722.4 | 870.0 | (9.7) | (8.9) | 2,519.1 | 4,092.8 |
| Non-controlling interests | (5.5) | 1.8 | – | – | – | (3.8) |
| Total equity | 716.9 | 871.7 | (9.7) | (8.9) | 2,519.1 | 4,089.1 |

Notes:

- Intercompany eliminations:** reflects the elimination of balances owing to or from Chemist Warehouse and Sigma as at 30 June 2024. Additionally includes the elimination of Chemist Warehouse's existing investment in Sigma.
- Accounting policy application:** reflects the accounting policy application on the balance sheet. Following Implementation, all sales currently from Sigma to the Chemist Warehouse Australian Franchise Network will instead become sales from the Merged Group to the Chemist Warehouse Australian Franchise Network. This will have an accounting impact whereby supplier income which is currently recognised as revenue in the Chemist Warehouse Historical Income Statements will instead be recognised as a reduction to the cost of inventory in the Merged Group Pro Forma Historical Statement of Financial Position. This pro forma adjustment reduces the value of inventory.
- Impact of the Transaction:** reflects the net impact of the following adjustments:
 - Acquisition accounting:** reflects the recognition of \$3,211.1 million of goodwill together with estimated incremental fair value attributable to right-of-use assets and intangible assets as a result of Chemist Warehouse acquiring Sigma under reverse acquisition accounting principles. The goodwill balance has been calculated as the difference between Sigma's market capitalisation at 8 November 2024 and the estimated fair value of Sigma's net assets at 31 July 2024. Refer to section 9.2(f) for details regarding the underlying calculation.
 - Capital structure:** Sigma has agreed Banking Facilities in order to fund the acquisition of Chemist Warehouse. On a pro forma basis, a \$780.5 million debt draw down is assumed to fund the \$700 million payment from Sigma to Chemist Warehouse Shareholders and \$80.5 million of transaction costs estimated to be incurred in FY25. The \$8.6 million of transaction costs accrued at 30 June 2024 are not included in the debt draw down and are instead adjusted as a reduction to cash.
 - Transaction costs:** represents the estimated non-recurring transaction costs of \$80.5 million expected to be incurred by the Merged Group in respect of the Transaction and the establishment of the Banking Facilities on Implementation in FY25. The \$11.5 million of costs directly attributable to the establishment of the Banking Facilities have been capitalised against the value of the loan.
 - Deferred tax:** A deferred tax asset adjustment is recognised to reflect the income tax benefit of the future deductibility of transaction costs and a deferred tax liability is recognised in respect of the incremental fair value attributable to right-of-use assets and intangible assets of Sigma.

9.10 Merged Group Net Cash/(Debt)

The Merged Group Pro Forma Historical Statement of Financial Position as at 30 June 2024 has been adjusted to reflect the impact of the Transaction and Banking Facilities as if they took place on that date. As such, the pro forma net cash/(debt) as at 30 June 2024 does not reflect the various anticipated cash requirements of the Merged Group between 30 June 2024 and the Implementation Date.

Merged Group net cash/(debt) as at the Implementation Date is estimated to be in the range of \$(1.0) billion to \$(1.3) billion. This is greater than the pro forma balance as at 30 June 2024 due to:

- the expectation that the working capital requirement of Sigma, including trade receivables, will continue to increase as a result of the Sigma Supply Agreement, in addition to typical seasonal movement in sales and working capital balances of both businesses; and
- the cash flows generated from the operation of the Chemist Warehouse and Sigma businesses between 30 June 2024 and the Implementation Date less any dividends paid by Chemist Warehouse or Sigma (as applicable) during this period.

Figure 51 sets out the net cash/(debt) of the Merged Group as at 30 June 2024.

Figure 51: Merged Group Net Cash/(Debt)

| \$m | as at 30 June 2024 |
|---|-------------------------------|
| Cash and cash equivalents | 498.6 |
| Financial liabilities at amortised cost – current | (32.8) |
| Financial liabilities at amortised cost – non-current | (1,069.0) |
| Net cash/(debt) | (603.1) |

Refer to section 12.6 for further details on the Banking Facilities.

9.11 Merged Group Lease Commitments

The Merged Group enters lease arrangements in relation to its distribution centres, company owned stores and offices (principal leases). For the majority of Chemist Warehouse Australian Franchise Network stores, Chemist Warehouse also holds the head premise lease whereby it sub-licenses the premises to the franchisees by way of an occupancy license (franchisee leases). In accordance with AASB 16 Leases, Chemist Warehouse recognises the lease liabilities related to both the principal and franchisee leases, with right-of-use assets recognised for principal leases and finance lease receivables recognised for franchisee leases.

Figure 52 includes both interest and principal cash flows disclosed as remaining lease commitments and therefore these totals may differ from their carrying amount in the statement of financial position.

9. Pro Forma Merged Group Financial Information continued

Figure 52: Lease Commitments by Duration as at 30 June 2024

| \$m | Between | | | Total |
|-------------------|----------------|---------------|--------------|---------|
| | 1 year or less | 1 and 5 years | Over 5 years | |
| Lease commitments | 141.2 | 678.9 | 483.7 | 1,303.8 |

9.12 Store Equipment and Fit-Out Leases and Loans

Chemist Warehouse is planning to enter into arrangements with a number of existing stores in the Chemist Warehouse Australian Franchise Network to refinance some of their establishment, expansion or relocation costs. The refinancing will result in a combination of loan agreements and equipment & fit-out lease agreements between the Merged Group and the stores in the Chemist Warehouse Australian Franchise Network. Based on the position at 30 June 2024, it is estimated to result in a cash outflow from the Merged Group of up to \$100.0 million during FY25, some of which has already been incurred.

9.13 Management Discussion and Analysis of the Merged Group Pro Forma Historical Income Statement

This section 9.13 includes a discussion of the key factors which affected the Merged Group's pro forma operating and financial performance over FY22, FY23 and FY24. The discussion of these factors is intended to provide a summary only and does not detail all drivers that have affected the Merged Group's pro forma historical operating and financial performance.

The information in this section should be read in conjunction with the risk factors set out in section 11 and other information contained in this Explanatory Memorandum. As this section 9.13 is intended to discuss the pro forma operating and financial performance of the Merged Group, unless expressly indicated, the statements discuss the Merged Group as a whole and may not necessarily be true of Sigma or Chemist Warehouse on a standalone basis in the relevant financial periods discussed.

Figure 53: Merged Group Pro Forma Historical Income Statement Breakdown

| \$m | Chemist Warehouse | | | Sigma | | | Pro forma adjustments | | | Merged Group | | |
|---|-------------------|----------------|------------------|----------------|----------------|------------------|-----------------------|---------------|----------------|----------------|----------------|------------------|
| | FY22 | FY23 | FY24 | FY22 | FY23 | FY24 | FY22 | FY23 | FY24 | FY22 | FY23 | FY24 |
| Revenue | 2,992.9 | 3,090.7 | 3,294.4 | 3,569.9 | 3,526.2 | 3,496.6 | (127.0) | (130.7) | (135.4) | 6,435.8 | 6,486.2 | 6,655.7 |
| Cost of sales | (1,920.6) | (2,173.0) | (2,251.5) | (3,309.1) | (3,284.5) | (3,263.0) | 169.7 | 186.4 | 171.1 | (5,060.0) | (5,271.1) | (5,343.4) |
| Gross profit | 1,072.4 | 917.7 | 1,043.0 | 260.8 | 241.7 | 233.6 | 42.6 | 55.7 | 35.7 | 1,375.8 | 1,215.1 | 1,312.3 |
| Share of profits of associates and joint ventures accounted for using the equity method | 8.2 | 13.0 | 23.1 | – | – | – | – | – | – | 8.2 | 13.0 | 23.1 |
| Other income | 3.2 | 18.0 | 5.8 | 77.6 | 95.4 | 76.3 | (47.4) | (42.2) | (36.9) | 33.4 | 71.2 | 45.2 |
| Operating expenses | | | | | | | | | | | | |
| Warehousing and distribution expenses | (178.3) | (175.6) | (148.9) | (174.8) | (172.9) | (153.4) | 11.4 | 5.6 | – | (341.7) | (342.8) | (302.4) |
| Marketing and sales expenses | (63.5) | (77.3) | (88.3) | (52.1) | (46.2) | (44.0) | 2.3 | 1.0 | – | (113.3) | (122.4) | (132.3) |
| Administration and general expenses | (255.9) | (236.1) | (253.1) | (108.2) | (81.7) | (104.8) | (7.2) | (7.3) | 17.4 | (371.3) | (325.1) | (340.5) |
| Operating expenses | (497.8) | (489.0) | (490.3) | (335.1) | (300.8) | (302.2) | 6.6 | (0.6) | 17.4 | (826.3) | (790.4) | (775.1) |
| EBIT | 585.9 | 459.8 | 581.5 | 3.3 | 36.3 | 7.7 | 1.9 | 12.9 | 16.3 | 591.1 | 508.9 | 605.5 |
| Net finance costs | (35.9) | (30.4) | (7.4) | (11.8) | (15.8) | (5.0) | (16.7) | (37.6) | (45.9) | (64.5) | (83.8) | (58.2) |
| Profit before income tax expense | 550.0 | 429.4 | 574.1 | (8.5) | 20.5 | 2.7 | (14.9) | (24.7) | (29.6) | 526.6 | 425.1 | 547.3 |
| Income tax expense | (165.0) | (126.9) | (34.5) | 2.2 | (4.9) | (4.9) | 6.9 | 8.4 | 13.9 | (156.0) | (123.4) | (25.5) |
| Profit after income tax expense | 385.0 | 302.5 | 539.7 | (6.4) | 15.5 | (2.1) | (8.0) | (16.3) | (15.7) | 370.7 | 301.7 | 521.8 |

(a) Change in Chemist Warehouse commercial arrangements

In February 2023, Chemist Warehouse implemented changes to the structure of its commercial arrangements with its franchisees. In each period, these changes have been recorded in the income statement consistently with the arrangements at that time. These changes are estimated to have had no impact on Chemist Warehouse profit before income tax, however, do impact comparability of individual income statement line items. The Merged Group Pro Forma Historical Financial Information has not been adjusted for this event.

Figure 54: Financial impact of the change in Chemist Warehouse commercial arrangements to FY22 and FY23

| \$m | Note | FY22 (12 months under previous commercial arrangements) | FY23 (7 months under current commercial arrangements and 5 months under current terms) |
|---|----------|---|---|
| Revenue | 1 | (136.1) | (87.5) |
| Cost of sales | | – | – |
| Gross profit | | (136.1) | (87.5) |
| Operating expenses | 2 | 107.8 | 67.0 |
| EBIT | 3 | (28.3) | (20.5) |
| Net finance costs | 4 | 28.3 | 20.5 |
| Profit before income tax expense | 5 | – | – |
| Income tax expense | | – | – |
| Profit after income tax expense | | – | – |

Notes:

- Revenue:** There is a net reduction to revenue under the current commercial arrangements compared to those in place prior to February 2023. This is principally due to lower wholesale pricing which is only partially offset by higher franchise and related fees and other changes to revenue composition. Had the current commercial arrangements been in place throughout FY22 and FY23 then revenue in these years is estimated to have been lower by \$136.1 million and \$87.5 million respectively.
- Operating expenses:** Chemist Warehouse incurred depreciation on the right-of-use asset recognised in respect of the Chemist Warehouse Australian Franchise Network store leases under the previous commercial arrangements of \$107.8 million and \$67.0 million in FY22 and FY23 respectively. No such depreciation expense is incurred following the change in commercial arrangements.
- EBIT:** EBIT is estimated to be lower under the current commercial arrangements when compared to the previous commercial arrangements (as previously the finance expense in relation to AASB 16 Leases was reported below EBIT). Had the current commercial arrangements been in place throughout FY22 and FY23 then EBIT in these years is estimated to have been lower by \$28.3 million and \$20.5 million respectively.
- Net finance costs:** Under the current commercial arrangements, rent costs of stores in the Chemist Warehouse Australian Franchise Network are borne by Chemist Warehouse franchisees. Previously these were incurred by Chemist Warehouse. As such the net finance cost incurred in relation to AASB 16 Leases has reduced.
- Profit before income tax expense:** The change in commercial arrangements are estimated to have had no impact on Chemist Warehouse profit before income tax expense.

(b) Revenue

Merged Group revenue is primarily made up of the wholesale sale of goods to stores in the Australian Franchise Network and independent pharmacies together with retail sales generated by Merged Group wholly and partially owned stores in Australia and Ireland and stores operated in China through services agreements with local companies. Merged Group revenue also includes management fees, franchise and related fees, marketing, advertising and other revenue. A breakdown of Merged Group revenue is included as Figure 55.

9. Pro Forma Merged Group Financial Information continued

(i) Merged Group Revenue

Figure 55: Merged Group Pro Forma Historical Revenue

| \$m | FY22 | FY23 | FY24 | % of total in FY24 |
|-----------------------------|----------------|----------------|----------------|--------------------|
| Revenue | | | | |
| Sale of goods | 5,730.5 | 5,768.6 | 5,955.5 | 89.5% |
| Other revenue | 705.3 | 717.6 | 700.2 | 10.5% |
| Merged Group revenue | 6,435.8 | 6,486.2 | 6,655.7 | 100.0% |

Notes:

- Sale of goods:** Consists of wholesale sales delivered from distribution centres to stores in the Australian Franchise Network and independent pharmacies and retail sales in Merged Group wholly and partially owned stores in Australia and Ireland and stores operated in China through services agreements with local companies.
- Other revenue:** Which includes:
 - Franchise and related fees.
 - Fees revenue: includes agent fees earned for wholesale sales directly delivered by suppliers where the Merged Group acts as an agent.
 - Marketing advertising and other: consists of fees generated from suppliers for the promotion and advertising of their products and other supplier income.

Merged Group revenue increased by \$50.3 million (0.8%) from \$6,435.8 million in FY22 to \$6,486.2 million in FY23 driven by:

- Revenue from the sale of goods increasing by \$38.0 million (0.7%), due to the following factors:
 - a \$1,062.2 million (15.6%) increase in total Chemist Warehouse Retail Network Sales which is a driver of Merged Group revenue as stores in the Chemist Warehouse Australian Franchise Network typically purchase inventory from the Merged Group (refer to section 9.13(b)(i) for further information);
 - wholesale sales to independent pharmacies by Sigma were lower in FY23 compared to FY22. This was due to FY22 including higher sales of COVID-19 related products, including rapid antigen tests, masks and anti-viral medicines;
 - in February 2023, Chemist Warehouse implemented certain changes to its commercial arrangements with its franchisees. Details of these changes and their financial impact are detailed in section 9.13(a). The net impact to the Merged Group was a reduction in revenue (both sale of goods and other revenue) in FY23 relative to FY22 of \$48.6 million. This did not have any impact on Chemist Warehouse Australian Franchise Network sales;
 - Sigma wholesale sales were negatively impacted by the brand consolidation process which began in September 2022, which included the closure of the Guardian Brand. In addition, Sigma has now ceased offering the PharmaSave brand to new members. Between June 2022 and June 2023, there was a reduction of 65 stores operating under the Guardian and PharmaSave brands, which was partially offset by some franchisees switching to the Amcal or Discount Drug Stores franchise brands; and
 - in March 2023, Sigma disposed of certain hospital operations and assets to Clifford Hallam Healthcare Limited. As a result, Sigma ceased wholesale sales into the hospital sector which generated revenue of \$336.6 million and \$301.8 million in FY22 and FY23 respectively. The reduction in revenue in FY23 relative to FY22 of \$34.8 million was due to the impact of the disposal.
- Other revenue increased by \$12.3 million (1.7%) from \$705.3 million in FY22 to \$717.6 million in FY23. This increase was driven by an increase in the number of stores in the Chemist Warehouse Australian Franchise Network partially offset by the impact of the change in Chemist Warehouse's commercial arrangements in February 2023.

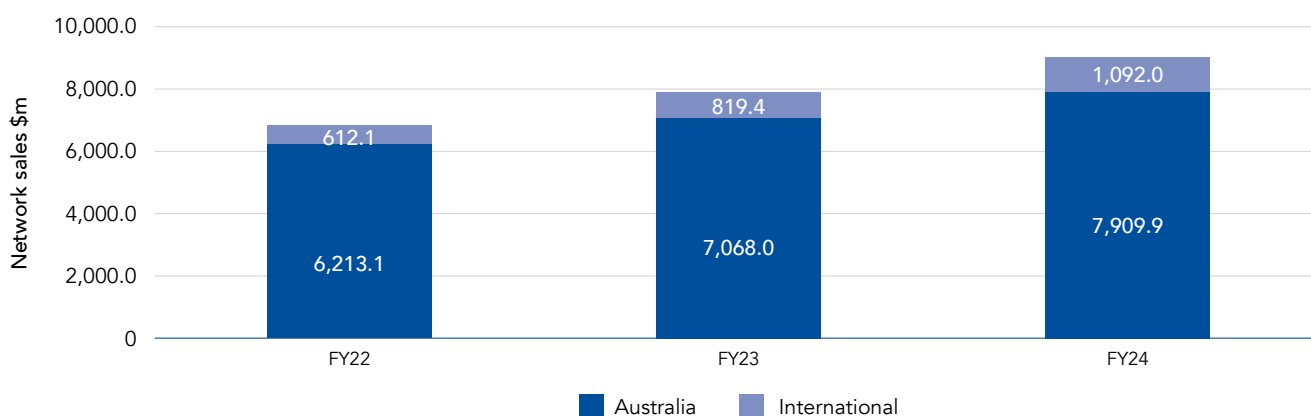
Merged Group revenue increased by \$169.5 million (2.6%) from \$6,486.2 million in FY23 to \$6,655.7 million in FY24 driven by:

- Revenue from the sale of goods increasing by \$186.9 million (3.2%), due to the following factors:
 - a \$1,114.5 million (14.1%) increase in total Chemist Warehouse Retail Network Sales which is a driver of Merged Group revenue as stores in the Chemist Warehouse Australian Franchise Network typically purchase inventory from the Merged Group (refer to section 9.13(b)(i) for further information);
 - the full year impact of the change in Chemist Warehouse commercial arrangements with its franchisees. Details of these changes and their financial impact are detailed in section 9.13(a). The net impact to the Merged Group was a reduction in revenue (both sale of goods and other revenue) in FY24 relative to FY23 of \$87.5 million;
 - Sigma wholesale sales were negatively impacted by the continued impact of the Sigma brand consolidation process. Between June 2023 and June 2024 there was a reduction of 85 stores operating under the Guardian and PharmaSave brands; and
 - the full year impact of the disposal of certain hospital operations and assets to Clifford Hallam Healthcare Limited. Sigma wholesale sales were \$301.8 million in FY23 and nil in FY24.
- Other revenue decreased by \$17.4 million (2.4%) from \$717.6 million in FY23 to \$700.2 million in FY24. This was largely due to the full year impact of the change in Chemist Warehouse's commercial arrangements in February 2023. This change more than offset the underlying growth in franchise and related fees and fees revenue in FY24 attributable to the continuing increases in both the size of the Chemist Warehouse Retail Network and wholesale sales volumes.

(ii) Chemist Warehouse Retail Network Sales

Stores in the Merged Group's Australian Franchise Network are not owned or controlled by the Merged Group and therefore the Merged Group income statement does not include the sales or costs of these stores. However, the underlying performance of stores in the Chemist Warehouse Retail Network is a driver of Merged Group sale of goods revenue as stores in the Chemist Warehouse Australian Franchise Network typically purchase inventory from the Merged Group.

Figure 56: Chemist Warehouse Retail Network Sales



Total Chemist Warehouse Retail Network Sales increased by \$1,062.2 million (15.6%) from \$6,825.2 million in FY22 to \$7,887.4 million in FY23. This was driven by the following factors:

- Australian Like-For-Like Chemist Warehouse Retail Network Sales Growth of 11.8% in FY23 reflecting strong performance of stores in the Chemist Warehouse Australian Franchise Network. This is attributed to a combination of growth in the Australian pharmacy market and the Chemist Warehouse value proposition resonating with more customers;
- positive Australian Like-For-Like Chemist Warehouse Retail Network Sales Growth was achieved despite FY22 Chemist Warehouse Australian Franchise Network sales benefitting from strong sales of COVID-19 related products, including rapid antigen tests, masks and anti-viral medicines. Customer demand for these items decreased significantly in FY23 which provided a headwind for Chemist Warehouse Australian Franchise Network sales during that year;
- a net increase of 19 stores in the Chemist Warehouse Australian Franchise Network;
- international Like-For-Like Chemist Warehouse Retail Network Sales Growth was 21.5% in FY23 with strong growth achieved in each of the New Zealand, China and Ireland networks as the stores and operations matured; and
- the international Chemist Warehouse Retail Network increased in size by 10 stores between June 2022 and June 2023, 7 of which were in New Zealand.

Total Chemist Warehouse Retail Network Sales increased by \$1,114.4 million (14.1%) from \$7,887.4 million in FY23 to \$9,001.9 million in FY24. This was driven by the following factors:

- Australian Like-For-Like Chemist Warehouse Retail Network Sales Growth of 9.8% in FY24 which was achieved despite the initial impact of the 60 day dispensing rollout;
- a net increase of 19 stores in the Chemist Warehouse Australian Franchise Network;
- international Like-For-Like Chemist Warehouse Retail Network Sales Growth of 14.4% in FY23 reflecting continued momentum in international markets as performance continues to improve; and
- the international Chemist Warehouse Retail Network increased in size by 16 stores between June 2023 and June 2024. 8 new stores were opened in New Zealand, 4 in Ireland and 4 in China.

(c) Cost of sales

Figure 57: Cost of sales

| \$m | FY22 | FY23 | FY24 |
|---------------|---------|---------|---------|
| Cost of sales | 5,060.0 | 5,271.1 | 5,343.4 |
| % of revenue | 78.6% | 81.3% | 80.3% |

Cost of sales increased by 4.2% in FY23 and 1.4% in FY24 primarily driven by Merged Group revenue growth during this period. Cost of sales as percentage of revenue increased by 2.7% from FY22 to FY23 before reducing by 1.0% from FY23 to FY24. This was driven by the same factors as described in section 9.13(d) below relating to gross profit.

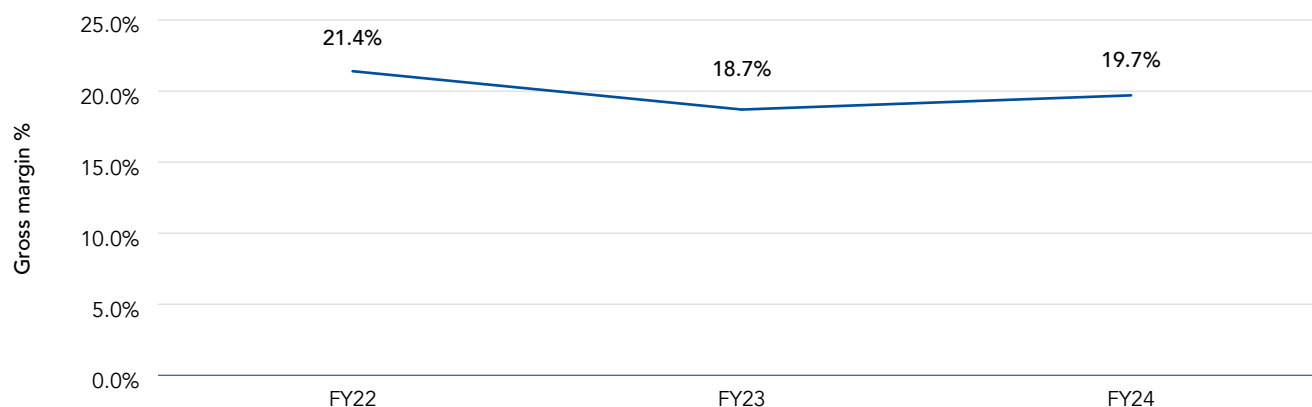
Certain supplier payments made to the Merged Group which are not distinct from the Merged Group's acquisition of goods from those suppliers are recognised as a reduction to the cost of inventory (cost of sales) rather than as revenue. Supplier payments to the Merged Group recognised as a reduction to cost of sales have increased from \$316.6 million in FY22 to \$383.1 million in FY23 and to \$400.0 million in FY24, which is driven by the growth in the Merged Group business during this period.

9. Pro Forma Merged Group Financial Information continued

(d) Gross profit

Merged Group gross profit decreased by \$160.7 million (11.7%) from \$1,375.8 million in FY22 to \$1,215.1 million in FY23. Merged Group gross profit increased by \$97.2 million (8.0%) from \$1,215.1 million in FY23 to \$1,312.3 million in FY24.

Figure 58: Gross profit margin (%)



Gross profit margin (%) reduced to 18.7% in FY23 from 21.4% in FY22. This was the result of the following factors:

- FY22 included a greater volume of COVID-19 related products such as rapid antigen tests, masks, and anti-viral medicines on which the Merged Group generated a higher wholesale gross profit margin (%);
- the change in Chemist Warehouse commercial arrangements from February 2023 as described in section 9.13(a); and
- inflationary pressures on the purchase cost of wholesale inventory.

Gross profit margin (%) increased from 18.7% in FY23 to 19.7% in FY24. This was the result of the following factors:

- discontinuation of wholesale sales into the hospital sector in FY24 on which the Merged Group generated a relatively lower gross profit margin in FY23;
- increase in marketing related supplier income; partially offset by
- the full year impact of the change in Chemist Warehouse commercial arrangements described in section 9.13(a); and
- sales volume growth of PBS medicines which are higher value but generate a lower average wholesale gross profit margin (%).

(e) Other income

Figure 59: Other income

| \$m | FY22 | FY23 | FY24 |
|--------------|------|------|------|
| Other income | 33.4 | 71.2 | 45.2 |

Other income largely relates to Sigma's Medical Packaging Services and NostraData businesses as well as other investment and sundry income.

Other income of \$71.2 million in FY23 is \$25.9 million higher than FY24 partly due to the following:

- a one-off gain of \$10.1 million relating to the change in leasing arrangements under Chemist Warehouse's revised commercial arrangements described in section 9.13(a); and
- a one-off gain of \$8.8 million relating to the sale of certain hospital operations and assets to Clifford Hallam Healthcare Limited.

(f) Share of profits of associates and joint ventures accounted for using the equity method

Figure 60: Share of profits of associates and joint ventures accounted for using the equity method

| \$m | FY22 | FY23 | FY24 |
|---|------|------|------|
| Share of profits of associates and joint ventures accounted for using the equity method | 8.2 | 13.0 | 23.1 |

The Merged Group will have an economic interest in the Chemist Warehouse branded Retail Network stores in New Zealand. Under AAS the results of these New Zealand stores are accounted for using the equity method whereby the Merged Group recognises a share of post-acquisition profits or losses of the investee as 'share of profits of associates and joint ventures accounted for using the equity method'. Whilst predominantly relating to the New Zealand Retail Network, certain other investments of the Merged Group are also recognised under the same accounting approach and are reported within this line item.

The retail sales of the New Zealand Retail Network are not consolidated within Merged Group revenue. However, the Merged Group will separately generate revenue from the wholesale supply of goods to the New Zealand Retail Network and earns other revenue relating to services provided to the New Zealand Retail Network. This income and cost are included in the relevant Merged Group income statement caption and not included within the 'share of profits of associates and joint ventures accounted for using the equity method'.

The share of profit of associates and joint ventures accounted for the using equity method increased by \$4.8 million (59.3%) from \$8.2 million in FY22 to \$13.0 million in FY23. This growth was principally driven by the increase in the size of the New Zealand Retail Network (7 new stores opened in FY23) and Like-For-Like Retail Network Sales Growth of 18.9% in FY23.

The share of profit of associates and joint ventures accounted for using the equity method increased by \$10.1 million (76.9%) from \$13.0 million in FY23 to \$23.1 million in FY24. This growth was principally driven by the increase in the size of the New Zealand Retail Network (8 new stores opened in FY24) and Like-For-Like Retail Network Sales Growth in New Zealand of 17.6% in FY24.

(g) Warehousing and Distribution expenses

Figure 61: Warehousing and Distribution expenses

| \$m | FY22 | FY23 | FY24 |
|---------------------------------------|-------------|-------------|-------------|
| Warehousing and distribution expenses | 341.7 | 342.8 | 302.4 |
| As % of revenue | 5.3% | 5.3% | 4.5% |

Warehousing and distribution expenses include employee costs for distribution centre staff, freight costs related to delivering goods to the Retail Network and online customer orders (net of income received), independent pharmacies and online customers and depreciation and amortisation of warehouse assets. The income from Sigma's third-party logistics operations which principally includes rental income for the utilisation of spare capacity at Sigma distribution centres is net off against the costs within this line.

As a percentage of revenue, Merged Group warehousing and distribution expenses remained stable at 5.3% in FY22 and FY23 before decreasing to 4.5% in FY24.

An increased reliance on contract labour and agency staff to operate distribution centres in FY22 and FY23 resulted in elevated contract labour and agency staff to operate distribution centres in FY22 and FY23, resulting in elevated employee costs in these periods. The lower reliance on these employees in FY24 plus improved operating leverage contributed to the reduction in warehouse and distribution expenses as a percentage of revenue.

The full-year impact of the change in Chemist Warehouse's online strategy from March 2023 to charge customers flat-rate shipping was a key reason for a decrease of approximately \$16.0 million in freight costs relating to the Chemist Warehouse online business in FY24 compared to FY23.

Sigma's distribution centre investment and optimisation program has generated meaningful productivity gains from automation, supporting period-on-period reductions in employee costs reported within warehousing and distribution expenses between FY22 and FY24.

(h) Marketing and sales expenses

Figure 62: Marketing and sales expenses

| \$m | FY22 | FY23 | FY24 |
|------------------------------|-------------|-------------|-------------|
| Marketing and sales expenses | 113.3 | 122.4 | 132.3 |
| As % of revenue | 1.8% | 1.9% | 2.0% |

Marketing and sales expenses principally includes employee costs and advertising and promotion costs.

As a percentage of revenue, Merged Group marketing and sales expenses increased slightly over the historical period being 1.8% of revenue in FY22, 1.9% of revenue in FY23 and 2.0% of revenue in FY24.

The small increase in each period largely reflects additional employee costs related to the continuing expansion of the Chemist Warehouse Retail Network domestically and in international markets, plus general wage and headcount growth across the Merged Group.

9. Pro Forma Merged Group Financial Information continued

(i) Administration and general expenses

Figure 63: Administration and general expenses

| \$m | FY22 | FY23 | FY24 |
|-------------------------------------|-------------|-------------|--------------|
| Administration and general expenses | 371.3 | 325.1 | 340.5 |
| As % of revenue | 5.8% | 5.0% | 5.1% |

Administration and general expenses primarily include head office employee costs, administrative costs, consultant fees for key operating projects and depreciation and amortisation.

In FY23 administration and general expenses decreased by \$46.1 million compared to FY22 reflecting a 0.8% reduction as a percentage of revenue from 5.8% in FY22 to 5.0% in FY23. The decrease was principally driven by:

- the change in Chemist Warehouse's commercial arrangements in February 2023 with right-of-use asset depreciation expense decreasing by \$40.9 million in FY23 mostly due to the associated change in leasing arrangements. Refer to section 9.13(a) for further details;
- elevated FY22 administration and general expenses due to \$18.1 million of software development costs expensed related to the implementation of Sigma's new ERP system which were not repeated in FY23; partially offset by
- an increase in employee costs due to general headcount growth and consultant and professional fees for various operational projects.

In FY24, administration and general expenses increased by \$15.3 million compared to FY23, reflecting a 0.1% increase as a percentage of revenue from 5.0% in FY23 to 5.1% in FY24. The increase was principally driven by:

- the increase in employee costs due to general headcount and salary growth in Chemist Warehouse as well as higher consultant and professional fees for various ongoing IT projects, in addition to the increase of multiple small other costs;
- Chemist Warehouse incurring \$12.0 million in one-off share-based-payments expense within administration and general expenses in FY24. The total share-based payments expense in FY24 for Chemist Warehouse was \$15.5 million including amounts reported within marketing and sales expenses and administration and general expenses. \$14.7 million of this share-based payments expense was one off and was not similarly incurred in FY23; and
- these increases were partially offset by the \$66.6 million decrease in Chemist Warehouse right-of-use asset depreciation expense within administration and general expense from FY23 to FY24 mostly due to the full 12-month impact of the change in Chemist Warehouse commercial **arrangements described in section 9.13(a)**.

(j) Depreciation and amortisation

Figure 64: Depreciation and amortisation

| \$m | FY22 | FY23 | FY24 |
|--|--------------|--------------|-------------|
| Depreciation – right of use assets | 136.2 | 95.5 | 29.4 |
| Depreciation – property, plant and equipment | 26.0 | 25.4 | 29.4 |
| Amortisation | 11.1 | 11.3 | 10.9 |
| Depreciation and amortisation | 173.3 | 132.2 | 69.7 |

Depreciation and amortisation set out above is presented separately for information purposes. These amounts are reported within operating expenses in the Merged Group Pro Forma Historical Income Statements and not shown separately.

Depreciation – right of use assets decreased by \$40.7 million in FY23 and by \$66.1 million in FY24. The reduction in depreciation – right of use assets in FY23 and FY24 is largely due to the change in Chemist Warehouse commercial arrangements in February 2023 described in section 9.13(a). Under the change, Chemist Warehouse derecognised the right-of-use assets related to Chemist Warehouse Australian Franchise Network store leases and recognised a lease receivable (as Chemist Warehouse remains the head lessor of the Australian Franchise Network).

(k) EBIT

Figure 65: EBIT and EBIT margin (%)

| | FY22 | FY23 | FY24 |
|-----------------|-------|-------|-------|
| EBIT (\$m) | 591.1 | 508.9 | 605.5 |
| EBIT margin (%) | 9.2% | 7.8% | 9.1% |

Merged Group EBIT declined from \$591.1 million in FY22 to \$508.9 million in FY23 due to a reduction in gross profit partially offset by higher other income and reduced administration and general expenses for the reasons explained above.

Merged Group EBIT Margin (%) fell from 9.2% in FY22 to 7.8% in FY23 primarily due to a higher gross profit margin (%) earned on sales of COVID-19 products in FY22.

Merged Group EBIT increased from \$508.9 million in FY23 to \$605.5 million in FY24 due to an increase in gross profit and reduced warehouse and distribution expenses partially offset by lower other income.

Merged Group EBIT Margin (%) increased from 7.8% in FY23 to 9.1% in FY24 due to a higher gross profit margin (%) and a reduction in warehouse and distribution expenses as a percentage of revenue.

(l) Finance income and costs

Figure 66: Net finance costs

| \$m | FY22 | FY23 | FY24 |
|--|---------------|----------------|----------------|
| Finance income | | | |
| Other finance income | 0.2 | 5.9 | 20.1 |
| Finance income from leases under AASB16 Leases | 3.9 | 18.4 | 44.9 |
| Total finance income | 4.1 | 24.3 | 65.0 |
| Finance costs | | | |
| Finance costs from borrowings | (26.2) | (57.7) | (66.7) |
| Finance costs from leases under AASB16 Leases | (41.8) | (50.4) | (56.6) |
| Other finance costs | (0.5) | – | – |
| Total finance costs | (68.6) | (108.1) | (123.3) |
| Net finance costs | (64.5) | (83.8) | (58.2) |

Finance income increased from \$4.1 million in FY22 to \$24.3 million in FY23 to \$65.0 million in FY24. This is the result of the following factors:

- in January 2024, Sigma completed its pro-rata accelerated non-renounceable entitlement offer and raised \$394.3 million (net of offer costs). This increased the cash balance with higher interest income earned in FY24 as a result; and
- finance income from leases under AASB 16 Leases has increased over the historical period principally due to the change in leasing arrangements under the current Chemist Warehouse commercial arrangements. While Chemist Warehouse has historically been and remains the head lessor on the majority of stores in the Chemist Warehouse Australian Franchise Network and is responsible for the payments to landlords on behalf of franchisees, the lease payments under the current commercial arrangements are paid by the franchisees, which Chemist Warehouse passes onto the landlord. As a result, in FY23 Chemist Warehouse recognised a lease receivable on the balance sheet reflecting the present value of the lease payments to be received for the term of the lease by Chemist Warehouse from franchisees to be paid to landlords. Finance income associated with the lease receivable had the overall impact of reducing the net finance cost of Chemist Warehouse as explained in section 9.13(a).

Finance costs increased from \$(68.6) million in FY22 to \$(108.1) million in FY23 to \$(123.3) million in FY24. This is the result of the following factors:

- finance costs from borrowings has increased historically due to the increase in the Australian cash rate from 0.85% at 30 June 2022 to 4.35% at 30 June 2024; and
- finance costs from leases under AASB 16 Leases has increased over the historical period largely due to growth in the Chemist Warehouse Australian Franchise Network for which Chemist Warehouse is the head lessor and recognises a lease liability which represents the present value of lease payments to be made over the term of the leases.

9. Pro Forma Merged Group Financial Information continued

(m) Income tax expense

Figure 67: Income tax expense

| \$m | FY22 | FY23 | FY24 |
|----------------------|---------|---------|--------|
| Income tax expense | (156.0) | (123.4) | (25.5) |
| Effective tax rate % | 29.6% | 29.0% | 4.7% |

The Australian entities within the Merged Group are subject to tax at the Australian corporate tax rate. Foreign entities are taxed individually within their respective tax jurisdictions.

During FY24, Chemist Warehouse reached an agreement with the ATO that an expense of \$445.3 million recognised in FY21, is deductible over five years. Accordingly, Chemist Warehouse has revised the tax treatment and recognised a total tax benefit of \$133.6 million in FY24.

(n) Leases

The Merged Group Pro Forma Historical Financial Information includes the impact of AASB 16 Leases. Under AASB 16 Leases, the Merged Group Pro Forma Historical Income Statement presents the lease expense as a combination of depreciation in relation to the right-of-use assets, and interest cost relating to the net finance cost embedded within the lease. AASB 16 Leases impacts the presentation of lease expenses within the Merged Group Pro Forma Historical Income Statement, however, it does not impact the net cash flows of the Merged Group.

Figure 68: AASB 16 Leases Historical Income Statement Impact

| \$m | FY22 | FY23 | FY24 |
|--|---------------|---------------|--------------|
| Principal and interest elements of lease payments and receipts | 149.8 | 110.5 | 36.8 |
| Depreciation – right of use assets | (136.2) | (95.5) | (29.4) |
| Net impact of lease interest under AASB16 Leases | (38.0) | (32.0) | (11.7) |
| AASB 16 Leases Historical Income Statement impact | (24.4) | (17.0) | (4.3) |

9.14 Management Discussion and Analysis of the Merged Group Pro Forma Historical Statements of Cash Flows

This section 9.14 includes a discussion of the key factors which affected the Merged Group's cash flows over FY22, FY23 and FY24. The discussion of these factors is intended to provide a summary only and does not detail all drivers that have affected the Merged Group's historical cash flows

The information in this section should be read in conjunction with the risk factors set out in section 11 and other information contained in this Explanatory Memorandum.



Figure 69: Merged Group Pro Forma Historical Statements of Cash Flows Breakdown

| \$m | Chemist Warehouse | | | Sigma | | | Pro forma adjustments | | | Merged Group | | |
|---|-------------------|----------------|---------------|---------------|---------------|---------------|-----------------------|---------------|---------------|---------------|----------------|--------------|
| | FY22 | FY23 | FY24 | FY22 | FY23 | FY24 | FY22 | FY23 | FY24 | FY22 | FY23 | FY24 |
| Cash flows from operating activities | | | | | | | | | | | | |
| EBIT | 585.9 | 459.8 | 581.5 | 3.3 | 36.3 | 7.7 | 1.9 | 12.9 | 16.3 | 591.1 | 508.9 | 605.5 |
| Net interest and other finance costs paid and received | (35.9) | (30.4) | (7.4) | (11.8) | (15.8) | (5.0) | (16.7) | (37.6) | (45.9) | (64.5) | (83.8) | (58.2) |
| Income tax paid | (132.6) | (189.6) | (82.3) | (10.8) | (5.2) | 0.3 | 6.9 | 8.4 | 13.9 | (136.5) | (186.4) | (68.2) |
| Depreciation and amortisation | 136.5 | 95.5 | 35.3 | 29.6 | 29.4 | 27.1 | 7.2 | 7.3 | 7.4 | 173.3 | 132.2 | 69.7 |
| Other non-cash items | (5.3) | (24.7) | (10.8) | 13.8 | (6.5) | 0.9 | (7.0) | (0.2) | - | 1.5 | (31.5) | (9.9) |
| Movement in working capital | (264.2) | 134.2 | (243.0) | 30.1 | (1.9) | (91.3) | (3.1) | (20.6) | (7.5) | (237.2) | 111.6 | (341.8) |
| Net cash from operating activities | 284.3 | 444.7 | 273.2 | 54.2 | 36.2 | (60.3) | (10.9) | (29.9) | (15.8) | 327.6 | 451.0 | 197.1 |
| Cash flows from investing activities | | | | | | | | | | | | |
| Net payment for property, plant, equipment and intangibles | (13.1) | (12.3) | (41.3) | (25.0) | (14.8) | 2.7 | 0.4 | - | - | (37.6) | (27.1) | (38.7) |
| Payment for financial assets at fair value through other comprehensive income | - | (21.0) | (2.9) | (1.7) | - | - | - | - | - | (1.7) | (21.0) | (2.9) |
| Proceeds from sale of investments | - | 60.1 | 4.0 | - | 0.3 | 1.5 | - | - | - | - | 60.4 | 5.5 |
| Other investing cash flows | (4.8) | - | 0.1 | - | 0.4 | - | - | (0.5) | - | (4.8) | (0.1) | 0.1 |
| Principal elements of lease receipts | 6.9 | 48.7 | 109.5 | - | - | - | - | - | - | 6.9 | 48.7 | 109.5 |
| Net cash from investing activities | (11.0) | 75.5 | 69.4 | (26.7) | (14.1) | 4.2 | 0.4 | (0.5) | - | (37.3) | 60.9 | 73.6 |
| Cash flows from financing activities | | | | | | | | | | | | |
| Net proceeds/(repayment) of loans | (7.8) | (40.9) | 67.8 | 55.0 | (15.0) | (80.0) | - | - | - | 47.2 | (55.9) | (12.2) |
| Principal elements of lease payments | (108.3) | (117.5) | (125.0) | (10.4) | (9.7) | (9.6) | - | - | - | (118.7) | (127.2) | (134.6) |
| Transactions with non-controlling interests | 0.5 | 0.3 | - | - | - | - | - | - | - | 0.5 | 0.3 | - |
| Proceeds from issue of shares | - | - | - | - | - | 394.3 | - | - | - | - | - | 394.3 |
| Proceeds from employee shares exercised | - | - | - | 0.2 | 1.8 | 1.3 | - | - | - | 0.2 | 1.8 | 1.3 |
| Net cash from financing activities | (115.6) | (158.1) | (57.1) | 44.8 | (22.9) | 306.0 | - | - | - | (70.8) | (181.0) | 248.8 |
| Movement in net cash before dividends | 157.7 | 362.1 | 285.4 | 72.3 | (0.8) | 249.9 | (10.5) | (30.4) | (15.8) | 219.5 | 330.9 | 519.4 |

(a) Movement in net working capital

Figure 70: Movement in net working capital

| \$m | FY22 | FY23 | FY24 |
|---------------------------------|---------|-------|---------|
| Movement in Net Working Capital | (237.2) | 111.6 | (341.8) |

Movement in working capital reflects the net changes in trade and other receivables, inventories, trade and other payables, employee benefits, contract liabilities and other assets and liabilities.

9. Pro Forma Merged Group Financial Information continued

The Merged Group's working capital balance has some inter-period and period to period volatility driven by seasonality and stock purchasing decisions. Net working capital is generally positive as inventory levels and trade and other receivables typically exceed trade and other payables.

Working capital decreased by \$111.6 million in FY23 which was primarily due to the timing of settlement of trade receivables at 30 June 2023.

Working capital increased by \$341.8 million in FY24 which was primarily due to the reversal of the timing difference of the settlement of trade receivables during the year.

(b) Capital expenditure

The Merged Group's capital expenditure primarily relates to distribution centre assets which are included within property, plant and equipment.

The Merged Group's capital expenditure includes:

- expenditure relating to the expansion of the Merged Group's network of distribution centres;
- expenditure relating to assets utilised within Merged Group distribution centres;
- expenditure relating to the establishment of new and maintenance, refurbishment and upgrade of established, partially and wholly owned stores in international markets; and
- expenditure relating to the acquisition of intangible assets.

Capital expenditure in FY22 (\$37.6 million) and FY23 (\$27.7 million) largely related to the distribution centre optimisation strategy implemented by Sigma to generate efficiencies from automation. Capital expenditure in FY24 (\$47.0 million) primarily related to purchases for assets leased or assets that are planned to be leased to the Australian Franchise Network and costs related to the opening of new stores in Ireland. Also included in FY24 capital expenditure is \$8.5 million paid for the acquisition of trademarks.

9.15 Dividend Policy

The payment of a dividend by the Merged Group, if any, is at the discretion of the Merged Group Board. The ability to pay a dividend will be a function of several factors, many of which are beyond the control of the Merged Group, and includes the general business environment, operating results, cash flows and financial condition of the Merged Group, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Merged Group and any other factors the Merged Group Board deems relevant. The Merged Group will pay dividends in Australian dollars.

No assurances can be given by any person, including the Merged Group Directors, about the payment of any dividend or the level of franking credits attaching to such dividend.

The Merged Group Board will determine the target dividend payout ratio post Implementation, which is when the Merged Group will be able to consider decisions regarding capital allocation. However, subject to economic conditions, business performance and capital requirements, and approval by the Merged Group Board, the Merged Group will intend to target a dividend payout ratio of 50-70% of statutory profit after income tax expense post Implementation.

9.16 Current performance and outlook

In the four month period from 1 July 2024 to 31 October 2024, the Chemist Warehouse and Sigma businesses have been trading positively with:

- Sigma benefiting from the material additional volumes under the Sigma Supply Agreement; and
- Chemist Warehouse benefiting from:
 - improved supply terms with Sigma;
 - Chemist Warehouse Retail Network Sales growth of 12.7% compared to the prior comparative period of 1 July 2023 to 31 October 2023;
 - Like-For-Like Chemist Warehouse Australian Retail Network Sales Growth of 11.2%; and
 - ongoing growth in the Chemist Warehouse Retail Network both in Australia and internationally, with a net increase of 11 stores since 1 July 2024.

Post Implementation, the Merged Group will seek to achieve sustained long-term growth in revenue and EBIT through the growth opportunities referred to in section 8.8.

10. Resolutions

10.1 Resolution 1 – Significant Change Approval

(a) The proposed resolution

Resolution 1 seeks Sigma Shareholder approval to change the nature and scale of Sigma's activities as required under and for the purposes of Listing Rule 11.1.2. This change will occur as a result of the Transaction.

Resolution 1 is an ordinary resolution and, if passed, will take effect on and from Implementation occurring.

(b) Background

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

- provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and
- if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the entity were applying for admission to the official list of ASX.

Sigma has consulted with ASX in relation to the Transaction.

ASX has confirmed that Listing Rule 11.1.2 applies to the Transaction such that Sigma must obtain the approval of Sigma Shareholders to the Transaction. Accordingly, Sigma seeks Sigma Shareholder approval to change the nature and scale of Sigma's activities under and for the purposes of Listing Rule 11.1.2.

ASX has also confirmed that Listing Rule 11.1.3 does not apply to the Transaction, meaning Sigma is not required to re-comply with ASX's admission and quotation requirements under Chapters 1 and 2 of the Listing Rules. This is subject to the following conditions:

- ASX being satisfied that Sigma's structure and operations following Implementation of the Transaction will be appropriate for a listed entity;¹⁸⁶
- Sigma providing disclosure to the market of the Transaction and of Chemist Warehouse Group that is satisfactory to ASX at the time of announcing the Transaction;
- Sigma having appropriate arrangements in place for Chemist Warehouse Group to provide to Sigma:
 - all the information that Sigma requires to comply with Listing Rule 3.1 and Sigma will give that information to ASX for release to the market if necessary for Sigma to comply with its obligations under the Listing Rules; and
 - all financial statements that Chemist Warehouse Group lodges with ASIC and all documents that Chemist Warehouse Group lodges with ASIC which become public in connection with the Transaction at the same time as they are lodged with ASIC and that these documents will be immediately given to ASX for release to the market,

including by requiring Chemist Warehouse Group to adopt a continuous disclosure and market communications policy on substantially the same terms as the one currently in place in relation to Sigma in accordance with the Merger Implementation Agreement;

- Sigma providing all documents that Sigma lodges with ASIC which become public in connection with the Transaction to ASX for release to the market at the same time as those documents are lodged with ASIC; and
- Sigma issuing the Prospectus, which complies with the detailed content requirements in section 710 of the Corporations Act, before or concurrently with Implementation of the Transaction.

Please refer to section 12.7 of this Explanatory Memorandum for further information.

¹⁸⁶ Sigma confirms that ASX has provided this confirmation.

10. Resolutions continued

(c) Information requirements – Guidance Note 12

As noted above, ASX requires Sigma to seek Sigma Shareholder approval to change the nature and scale of Sigma's activities under Listing Rule 11.1.2.

Sigma provides the following additional information as required under ASX Guidance Note 12:

| Information | Detail |
|--|----------------------------|
| The parties to, and material terms of, the Transaction. | See sections 3.1 and 12.3. |
| An assessment of the financial effect of the Transaction on Sigma and the interests of Sigma Shareholders, including information about the likely effect of the Transaction on Sigma's consolidated total assets, total equity interests, annual revenue, annual expenditure and annual profit before tax. | See section 9. |
| Details of any changes Sigma will be making to its business model in light of the Transaction. | See section 8. |
| Details of how Sigma intends to pay for the acquisition of Chemist Warehouse. | See sections 6.4 and 12.6. |
| Any changes proposed to Sigma's Board or senior management in connection with, or as a consequence of, the Transaction. | See section 8.9. |
| The timetable for implementing the Transaction. | See 'Key dates'. |
| A statement that ASX takes no responsibility for the contents of the Notice. | See 'Important Notices'. |

(d) Information requirements – Listing Rule 14.1A

If Resolution 1 is passed (subject to the other Transaction Resolutions required to undertake the Transaction also being passed and the remaining conditions of the Transaction under the Merger Implementation Agreement being satisfied or (if applicable) waived¹⁸⁷), Sigma will be able to proceed with the Transaction.

If Resolution 1 is not passed, Sigma will not be able to proceed with the Transaction.

(e) Sigma Directors' unanimous recommendation

The Sigma Directors unanimously recommend that the Sigma Shareholders vote in favour of Resolution 1 in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.¹⁸⁸

(f) Voting

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice.

10.2 Resolution 2 – Placement Capacity Approval

(a) The proposed resolution

Resolution 2 seeks the required Sigma Shareholder approval for the proposed issue of the New Sigma Shares under and for the purposes of Listing Rule 7.1.

Resolution 2 is an ordinary resolution and, if passed, will take effect on and from Implementation occurring.

187. Resolutions 4, 10 and 11 may be waived by agreement between Sigma and Chemist Warehouse.

188. Michael Sammells has an interest in 258,448 Sigma Shares, Chris Roberts has an interest in 12,014 Sigma Shares, Annette Carey has an interest in 21,212 Sigma Shares, Neville Mitchell has an interest in 30,295 Sigma Shares, Kate Spargo has an interest in 719,679 Sigma Shares and Vikesh Ramsunder has an interest in 11,662,028 Sigma Shares and 6,088,884 Performance Rights and up to an additional \$267,159 of Performance Rights. The non-executive directors who remain on the board of the Merged Group following Implementation of the Transaction will be entitled to increased remuneration as a result of Implementation of the Transaction and Vikesh Ramsunder will receive an enhanced remuneration package and his incentives will be subject to the treatment outlined in section 12.2 if the Transaction is implemented. Further details on the interests of the Sigma Directors, are disclosed in sections 8.10, 12.1 and 12.2.

(b) Background

Pursuant to the terms of the Transaction, in consideration for the transfer to Sigma of all Chemist Warehouse Shares, Sigma will (in addition to the payment of the Scheme Cash Consideration) issue such number of Sigma Shares that results in Chemist Warehouse Shareholders in aggregate owning approximately 85.75% of Sigma on Implementation of the Transaction,¹⁸⁹ being approximately 9,905,471,064¹⁹⁰ Sigma Shares) (**New Sigma Shares**).

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a company can issue or agree to issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Issues of shares under, or to fund, a takeover bid or merger by scheme of arrangement are currently excluded from the restrictions in Listing Rule 7.1 where the terms of the issue are disclosed in the takeover or scheme documents. However, a "reverse takeover" is not covered by the exception. Chapter 19 of the Listing Rules defines a "reverse takeover" as being a merger by way of scheme of arrangement under Part 5.1 of the Corporations Act where the number of Equity Securities to be issued by a company (the acquirer) to the shareholders of the other company (the target) is equal to or greater than the number of fully paid ordinary securities in the acquirer at the date of announcement of the scheme. This will be the case in connection with the Transaction. Sigma had on issue 1,631,866,135 Sigma Shares at the Last Practicable Date and will be required to issue approximately 9,905,471,064¹⁹¹ New Sigma Shares to Chemist Warehouse Shareholders.

The proposed issue of the New Sigma Shares requires the approval of Sigma Shareholders under Listing Rule 7.1 as it exceeds the 15% limit in Listing Rule 7.1 and does not fall within any of the exceptions set out in Listing Rule 7.2.

Mario Verrocchi will hold approximately 22.13% of Sigma Shares and have a relevant interest in approximately 22.16% of Sigma Shares post-Implementation (with the additional relevant interest in 2,882,042 Sigma Shares due to his indirect interest in Goat Properties Pty Ltd).

(c) Information requirements – Listing Rule 7.3 and Guidance Note 21

The following additional information is provided to Sigma Shareholders for the purposes of Listing Rule 7.3:

- the New Sigma Shares will be issued to Chemist Warehouse Shareholders so that Chemist Warehouse Shareholders in aggregate own approximately 85.75% of Sigma Shares on Implementation of the Transaction;¹⁹²
- Sigma will issue approximately 9,905,471,064¹⁹³ Sigma Shares;
- the New Sigma Shares will be fully paid ordinary shares in the capital of Sigma and rank equally in all respects with the existing fully paid ordinary shares on issue;
- the New Sigma Shares will be issued no later than 6 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);

189. On a fully diluted basis (including cash-settled and share-based rights, grants or other incentive arrangements which have either been exercised, exchanged or converted for cash since 11 December 2023 or remain outstanding upon Implementation). For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

190. The final number will be calculated pursuant to the formula set out in the definition of Scheme Share Consideration, as multiplied by the total number of Scheme Shares. The number set out above is an estimate only, and will be increased in respect of entitlements under Sigma's 2024/25 Short Term Incentive Deferral Rights Plan which are cash settled, which will be equal to the cash settlement payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, to be determined following the end of the FY25 performance period and prior to the Scheme Record Date. This number also assumes the number of Sigma securities on issue between the date of this Explanatory Memorandum and the date of Implementation of the Transaction does not change.

191. The final number will be calculated pursuant to the formula set out in the definition of Scheme Share Consideration, as multiplied by the total number of Scheme Shares. The number set out above is an estimate only, and will be increased in respect of entitlements under Sigma's 2024/25 Short Term Incentive Deferral Rights Plan which are cash settled, which will be equal to the cash settlement payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, to be determined following the end of the FY25 performance period and prior to the Scheme Record Date. This number also assumes the number of Sigma securities on issue between the date of this Explanatory Memorandum and the date of Implementation of the Transaction does not change.

192. On a fully diluted basis (including cash-settled and share-based rights, grants or other incentive arrangements which have either been exercised, exchanged or converted for cash since 11 December 2023 or remain outstanding upon Implementation). For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

193. The final number will be calculated pursuant to the formula set out in the definition of Scheme Share Consideration, as multiplied by the total number of Scheme Shares. The number set out above is an estimate only, and will be increased in respect of entitlements under Sigma's 2024/25 Short Term Incentive Deferral Rights Plan which are cash settled, which will be equal to the cash settlement payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, to be determined following the end of the FY25 performance period and prior to the Scheme Record Date. This number also assumes the number of Sigma securities on issue between the date of this Explanatory Memorandum and the date of Implementation of the Transaction does not change.

10. Resolutions continued

- the New Sigma Shares will not be issued for cash and, accordingly, no funds will be raised. The New Sigma Shares are being issued in connection with the Transaction and under the terms of the Merger Implementation Agreement;
- the material terms of the Merger Implementation Agreement are set out in section 12.3 of this Explanatory Memorandum;
- an overview of the Transaction is set out in section 3.1 of this Explanatory Memorandum; and
- a voting exclusion applies in respect of this Resolution 2 as set out in the Notice.

Sigma provides the following additional information as required under ASX Guidance Note 21:

| Information | Detail |
|--|---|
| The identity of the target | Chemist Warehouse |
| A summary of the Chemist Warehouse's principal activities and the jurisdictions in which it operates | See section 7.3, 8.2(b) and 8.3 |
| A description of Chemist Warehouse's business model, including any key dependencies and key risks | See section 7 and 11 |
| A copy of Chemist Warehouse's most recent audited accounts or a link to where they can be viewed or downloaded | See section 7.8 |
| The consideration payable by Sigma to the Chemist Warehouse Shareholders | See sections 3.1 and 6.4 |
| Details of regulatory approvals or waivers required or other material conditions that must be satisfied for the reverse takeover to proceed | See section 12.7 |
| Information about the likely effect of the proposed issue and the Transaction on Sigma, including its consolidated total assets, total equity interests, annual revenue, annual expenditure and annual profit before tax | See section 9 |
| A capital table showing the issued capital of Sigma before and after the Transaction | See sections 6.5 and 8.13 |
| If Sigma is proposing to issue securities to raise funds in connection with the Transaction, the following about the issue: <ul style="list-style-type: none"> • the nature of the issue; • the amount proposed to be raised by the issue; • any minimum subscription proposed; and • whether the issue will be underwritten and if so: <ul style="list-style-type: none"> – the name of the underwriter(s); – the extent of the underwriting; – the fee, commission or other consideration payable to the underwriter(s); and – a summary of the significant events that could lead to the underwriting being terminated | Sigma is making a concurrent nominal offer of up to 10 ordinary shares. The offer is being made under the Prospectus to meet a condition imposed by ASX when it determined that, among other things, Sigma is not required to re-comply with ASX's admission and quotation requirements in connection with the Transaction. Any proceeds from the offer will be used for general corporate purposes. |
| Details of any person who will acquire control of, or voting power of 20% or more in, Sigma as a result of the Transaction | See section 8.14 |
| The timetable for implementing the Transaction | See 'Key dates' |

(d) Information requirements – Listing Rule 14.1A

If Resolution 2 is passed (subject to the other Transaction Resolutions required to undertake the Transaction also being passed and the remaining conditions of the Transaction under the Merger Implementation Agreement being satisfied or (if applicable) waived¹⁹⁴):

- Sigma will be able to proceed with the issue of approximately 9,905,471,064¹⁹⁵ Sigma Shares and proceed with the Transaction; and
- The total number of Sigma Shares on issue will increase from 1,631,866,135 to 11,541,009,584 and the existing Sigma Shareholders' holdings will be diluted by 85.83% on an undiluted basis and 85.75% on a fully diluted basis (including cash-settled and share-based rights, grants or other incentive arrangements which have either been exercised, exchanged or converted for cash since 11 December 2023 or remain outstanding upon Implementation).¹⁹⁶

In addition, the Sigma Shares issued pursuant to the Transaction will be excluded from the calculation of the number of Equity Securities that Sigma can issue without Sigma Shareholder approval under Listing Rule 7.1.

194. Resolutions 4, 10 and 11 may be waived by agreement between Sigma and Chemist Warehouse.

195. The final number will be calculated pursuant to the formula set out in the definition of Scheme Share Consideration, as multiplied by the total number of Scheme Shares. The number set out above is an estimate only, and will be increased in respect of entitlements under Sigma's 2024/25 Short Term Incentive Deferral Rights Plan which are cash settled, which will be equal to the cash settlement payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, to be determined following the end of the FY25 performance period and prior to the Scheme Record Date. This number also assumes the number of Sigma securities on issue between the date of this Explanatory Memorandum and the date of Implementation of the Transaction does not change.

196. These figures are an estimate and the Scheme Share Consideration is dependent on the fully diluted number of Sigma Shares on issue as at the Scheme Record Date. For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

If Resolution 2 is not passed, Sigma will not be able to proceed with the issue of approximately 9,905,471,064¹⁹⁷ Sigma Shares and will not be able to proceed with the Transaction.

(e) Sigma Directors' unanimous recommendation

The Sigma Directors unanimously recommend that the Sigma Shareholders vote in favour of Resolution 2 in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.¹⁹⁸

(f) Voting

Note that a voting exclusion applies to Resolution 2 in the terms set out in the Notice.

10.3 Resolution 3 – Approval of the Existing Related Party Arrangements and Future Related Party Dealings

Following Implementation of the Transaction, there will be a number of:

- existing related party arrangements in place which require; and
- new related party arrangements that may be entered into which would require,

Sigma Shareholder approval under Chapter 10 of the ASX Listing Rules ("Transactions with persons in a position of influence – Approvals required for certain acquisitions or disposals"). The related party arrangements in respect of which approval is being sought at the Sigma Shareholder Meeting are described below. The policy underpinning the requirement for shareholder approval pursuant to Listing Rule 10.1 is to protect against a Listing Rule 10.1 party exercising their position of influence to favour themselves at the expense of the listed entity.

Given Resolution 3 seeks shareholder approval under Listing Rule 10.1, in this Notice of Meeting, **Related Parties** are all persons identified in Listing Rule 10.1, including directors of Sigma and those persons who hold more than 10% of Sigma Shares.

The following persons will, following Implementation of the Transaction, be Related Parties of Sigma under Listing Rule 10.1:

- Mario Verrocchi, because he will be a Sigma Director and because he will be a substantial (10%+) holder in Sigma;
- Jack Gance, because he will be a Sigma Director and because he will be a substantial (10%+) holder in Sigma;
- Damien Gance, because he will be a Sigma Director;
- Danielle Di Pilla, because she will be a Sigma Director;
- Sam Gance, because he will be a substantial (10%+) holder in Sigma; and
- Sasha Robertson, because she is the spouse of Damien Gance who will be a director of Sigma,

together, the **Existing Related Persons**.

There are currently a number of commercial arrangements between the Existing Related Persons and the Chemist Warehouse Group. Following Implementation of the Transaction, these commercial arrangements, and any renewals or amendments of those arrangements, will become related party arrangements of the Merged Group. There are also arrangements in place between the Existing Related Persons and Sigma.

Related party transactions involving a listed entity or any of its child entities may be subject to Chapter 2E of the Corporations Act and Listing Rule 10.1. Chapter 2E prohibits a public company from giving a financial benefit to a related party without approval from disinterested shareholders unless a relevant exception (eg the 'arms-length terms' exception) applies. Chemist Warehouse has been subject to the related party provisions in Chapter 2E of the Corporations Act given it is a public company. Those provisions also apply to Sigma and will continue to apply to the Merged Group. Chemist Warehouse has not, however, been subject to Listing Rule 10.1 because it has not been a listed entity or a child entity of a listed entity. That will change upon the Transaction being implemented. See below for an overview of Listing Rule 10.1.

197. The final number will be calculated pursuant to the formula set out in the definition of Scheme Share Consideration, as multiplied by the total number of Scheme Shares. The number set out above is an estimate only, and will be increased in respect of entitlements under Sigma's 2024/25 Short Term Incentive Deferral Rights Plan which are cash settled, which will be equal to the cash settlement payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, to be determined following the end of the FY25 performance period and prior to the Scheme Record Date. This number also assumes the number of Sigma securities on issue between the date of this Explanatory Memorandum and the date of Implementation of the Transaction does not change.

198. Michael Sammells has an interest in 258,448 Sigma Shares, Chris Roberts has an interest in 12,014 Sigma Shares, Annette Carey has an interest in 21,212 Sigma Shares, Neville Mitchell has an interest in 30,295 Sigma Shares, Kate Spargo has an interest in 719,679 Sigma Shares and Vikesh Ramsunder has an interest in 11,662,028 Sigma Shares and 6,088,884 Performance Rights and up to an additional \$267,159 of Performance Rights. The non-executive directors who remain on the board of the Merged Group following Implementation of the Transaction will be entitled to increased remuneration as a result of Implementation of the Transaction and Vikesh Ramsunder will receive an enhanced remuneration package and his incentives will be subject to the treatment outlined in section 12.2 if the Transaction is implemented. Further details on the interests of the Sigma Directors, are disclosed in sections 8.10, 12.1 and 12.2.

10. Resolutions continued

Under Chapter 2E, there is an exception for related party arrangements which are on terms reasonable in the circumstances if the parties were dealing at arms-length, or on terms less favourable to the related party. Sigma has been informed by Chemist Warehouse that transactions between the Chemist Warehouse Group and its related parties have been and will continue to be on the same, or better, terms to the Chemist Warehouse Group (and to Sigma following Implementation of the Transaction) when compared to similar transactions with non-related parties. On that basis Chemist Warehouse has determined that the Chemist Warehouse Group related party arrangements have fallen within the arms-length exception to requiring shareholder approval under Chapter 2E. In connection with the Transaction and the preparation of this document and in light of the ongoing nature of the Related Party Arrangements, the Sigma Board has received independent advice and reports in relation to the Chemist Warehouse Group's related party arrangements, and it has also reviewed and evaluated the Sigma Independent Expert's Report. Nothing has caused Sigma to conclude that it requires shareholder approval under Chapter 2E in respect of the Chemist Warehouse Group's related party arrangements in connection with the Transaction, including because the Sigma Board is satisfied that the arms-length term exception in section 210 is available in respect of future benefits given under the Chemist Warehouse Group's related party arrangements on and from implementation of the Transaction.

Unlike Chapter 2E, Listing Rule 10.1 does not contain an exception for related party arrangements which are on 'arms-length terms'. Accordingly, Resolution 3 only seeks approval under Listing Rule 10.1.

As and when related party transactions are proposed to be entered into after Implementation to which Chapter 2E applies, the Merged Group will either need to obtain Sigma shareholder approval or satisfy itself that an exception is available, for instance the arms-length terms exception.

The structure of this section 10.3 is as follows:

| Topic | Reference |
|---|-----------------|
| Part A – Introduction | |
| The Listing Rule 10.1 regime | Section 10.3(a) |
| The form of the Resolution 3 | Section 10.3(b) |
| Overview of the Existing Related Party Arrangements and Future Related Party Dealings | Section 10.3(c) |
| The Sigma Independent Expert's Report | Section 10.3(d) |
| Part B – Existing Related Party Arrangements | |
| Overview of Existing Related Party Arrangements | Section 10.3(e) |
| Arrangements in respect of pharmacies in States other than New South Wales | Section 10.3(f) |
| Arrangements in respect of pharmacies in New South Wales | Section 10.3(g) |
| Total revenue and fees from pharmacies involving Existing Related Persons | Section 10.3(h) |
| Arrangements in respect of My Beauty Spot | Section 10.3(i) |
| Existing Related Person Leases and Existing Related Person Licences | Section 10.3(j) |
| Information required by Listing Rule 10.5 | Section 10.3(k) |
| Other Related Party Arrangements that do not require Sigma Shareholder approval | Section 10.3(l) |
| Part C – Future Related Party Dealings | |
| Overview of Future Related Party Dealings | Section 10.3(m) |
| Related Party Governance Framework | Section 10.3(n) |
| Approval Conditions for Future Related Party Dealings | Section 10.3(o) |
| Annual reporting on Future Related Party Dealings | Section 10.3(p) |
| Related Party IBC and Related Party Working Group | Section 10.3(q) |
| Related Party Manual | Section 10.3(r) |

PART A – Introduction

(a) Listing Rule 10.1

Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires (or agrees to acquire) a 'substantial asset' from, or disposes of (or agrees to dispose of) a substantial asset to, any of the following persons without the approval of holders of the entity's ordinary securities:

- (i) a related party of the entity;
- (ii) a child entity of the entity;
- (iii) a person who is, or was at any time in the 6 months before the transaction or agreement, a substantial (10%+) holder in the entity;
- (iv) an associate of a person referred to in 10.3(a)(i) to 10.3(a)(iii) above; or

- (v) a person whose relationship to the entity or a person referred to in 10.3(a)(i) to 10.3(a)(iv) above is such that, in ASX's opinion, the transaction should be approved by security holders.

Listing Rule 10.2 defines a 'substantial asset' as:

An asset is substantial if its value, or the value of the consideration being paid or received by the entity for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity, as set out in the latest accounts given to ASX under the listing rules.

For the purposes of the above, the relevant threshold will be based on the equity interests set out in the Merged Group Pro Forma Historical Statement of Financial Position as at 30 June 2024 (for further information see section 9.9) and as a result will be approximately \$204.6 million (**Substantial Asset Threshold**).

Listing Rule 10.1 only requires approval of transactions involving a substantial asset. There will therefore be other related party arrangements of Sigma falling below this threshold that are not required to be approved by Sigma Shareholders (details of some of these other related party arrangements that do not require Listing Rule 10.1 approval are set out in section 10.3(m)). Listing Rule 10.2.1 also provides that, among other things, ASX may consider multiple acquisitions or disposals should be aggregated if, in ASX's opinion, they form part of the same transaction.

10. Resolutions continued

ASX considers that the related party arrangements of each Existing Related Person, which are related to their status as Chemist Warehouse Franchisees (including any Existing Related Person Leases and Existing Related Person Licences), should be aggregated for the purposes of determining whether Listing Rule 10.1 applies to the arrangements with that Existing Related Person. For example, the related party arrangements of Mario Verrocchi which relate to his status as a Chemist Warehouse Franchisee (including any Existing Related Person Leases and Existing Related Person Licences) will all be aggregated in considering whether Listing Rule 10.1 applies to those arrangements with Mario Verrocchi. However, arrangements with Mario Verrocchi will not be aggregated with the arrangements with Jack Gance relating to his status with a Chemist Warehouse Franchisee (unless those arrangements are joint arrangements, for example a jointly owned pharmacy).

(b) Form of Resolution 3

Resolution 3 is a single resolution which covers all the Existing Related Party Arrangements and Future Related Party Dealings of all the Related Parties. The Existing Related Party Arrangements and Future Related Party Dealings each include different categories of related party arrangements each comprising a number of arrangements. As a consequence, if Resolution 3 is passed, it will constitute shareholder approval for the purposes of Listing Rule 10.1 in respect of all the Existing Related Party Arrangements and Future Related Party Dealings of all the Related Parties. In other words:

- the Existing Related Party Arrangements and Future Related Party Dealings of one Related Party cannot be approved without such arrangements of all the other Related Parties being approved; and
- a particular related party arrangement, or particular category of related party arrangement, cannot be approved without all the Existing Related Party Arrangements and Future Related Party Dealings of all Related Parties being approved.

Sigma Shareholders approving Resolution 3 is a condition precedent to implementation of the Transaction. If Sigma Shareholders do not approve Resolution 3, the Transaction will not proceed and the status quo will prevail (that is, Sigma will continue to operate its existing business as a listed company).

It is noted that Resolution 3 does not seek approval of the Existing Related Party Arrangements and Future Related Party Dealings under Chapter 2E such that, if Chapter 2E applied to a related party arrangement and an exception was not available (for instance, because the arm's length terms exception was not available), Sigma would be required to obtain Sigma Shareholder approval before entering into such related party arrangement.

(c) Overview of Existing Related Party Arrangements and Future Related Party Dealings

Under Resolution 3, Sigma Shareholder approval is sought in respect of the Existing Related Party Arrangements and Future Related Party Dealings under Listing Rule 10.1.

The **Existing Related Party Arrangements** are the:

- Existing Related Person Franchise Agreements (as defined in section 10.3(f)(i));
- Existing Related Person Supply Arrangements (as defined in section 10.3(f)(ii));
- Existing Related Person Leases (as defined in section 10.3(j)); and
- Existing Related Person Licences (as defined in section 10.3(j)); and
- the NSW Model Documents (as defined in section 10.3(g)) expected to be implemented in January 2025 for the majority of Chemist Warehouse Franchisees (including for each Existing Related Person).

The Existing Related Party Arrangements are the related party arrangements with an Existing Related Person which have been assessed to require Sigma Shareholder approval under Listing Rule 10.1, are in place at the Last Practicable Date and have been opined on by the Independent Expert in the Independent Expert Report.

The **Future Related Party Dealings** are the related party arrangements identified in column "A" in the table in section 10.3(o) which:

- are entered into in accordance with the Related Party Governance Framework (as defined in section 10.3(n));
- comply with the **Approval Conditions**, being the applicable conditions set out in column "B" in table in section 10.3(o) in respect of the relevant arrangement; and
- are entered into during the **Future Related Party Dealings Framework Period**, being the period before the close of the 6th AGM of Sigma Shareholders following the Sigma Shareholder Meeting (ie the Sigma AGM expected to occur in or around September 2030).

These Future Related Party Dealings are the related party arrangements with a Related Party which may be entered into without obtaining further Sigma Shareholder approval (in addition to the approval under Resolution 3, should it be passed) under Listing Rule 10.1.

The rationale for seeking Sigma Shareholder approval now for the Future Related Party Dealings is, as further addressed in section 10.3(m), to enable the business to operate without having to frequently seek the approval of Sigma Shareholders, given the number of the related party arrangements which are part of the Chemist Warehouse business.

The Future Related Party Dealings will predominantly relate to related party arrangements entered into following Implementation but during the Future Related Party Dealings Framework Period.

However, Chemist Warehouse may be required to enter into certain related party arrangements with Existing Related Persons in the period between the Last Practicable Date and Implementation which, if in place on Implementation, require Sigma Shareholder approval under Listing Rule 10.1. If such an interim related party arrangement is entered into and within 10 business days following Implementation, the arrangement:

- satisfies the relevant Approval Conditions required to be a Future Related Party Dealing, the arrangement will not require further Sigma Shareholder approval under Listing Rule 10.1 as the approval under Resolution 3 will apply; and
- does not satisfy the relevant criteria to be a Future Related Party Dealing, the arrangement must not continue unless and until Sigma Shareholder approval is obtained under Listing Rule 10.1 as Resolution 3 will not apply.

Chemist Warehouse has informed Sigma that any such interim related party arrangement will only be entered into: a) in the ordinary course of the Chemist Warehouse business; b) if the arrangement relates to existing arrangements with Chemist Warehouse Franchisees; and c) if the arrangement will automatically terminate in accordance with its terms to the extent it does not satisfy the criteria to be a Future Related Party Dealing within 10 business days of Implementation.

(d) Sigma Independent Expert Report

The Listing Rules require the Sigma Independent Expert Report to accompany the notice of meeting seeking Sigma Shareholder approval for the Existing Related Party Arrangements and Future Related Party Dealings under Listing Rule 10.1. The Sigma Independent Expert Report must state whether, in the Sigma Independent Expert's opinion, the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable to Sigma Shareholders whose votes on the relevant resolution are not to be disregarded. The Sigma Independent Expert is required to be independent from Sigma in accordance with Regulatory Guide 112 issued by ASIC.

Sigma has engaged Grant Thornton as the Sigma Independent Expert.

The Sigma Independent Expert has examined the Existing Related Party Arrangements and Future Related Party Dealings and concluded that:

- the Existing Related Party Arrangements (as a whole) are both fair and reasonable; and
- the Future Related Party Dealings are, given the conditions they must satisfy and framework they must be entered into in accordance with, both fair and reasonable,

and, accordingly, the Existing Related Party Arrangements and Future Related Party Dealings are both fair and reasonable to Sigma Shareholders whose votes on the relevant resolution are not to be disregarded. The Sigma Independent Expert Report is set out in Appendix 2 to this Notice of Meeting.

The Sigma Independent Expert Report states that:

"Grant Thornton Corporate Finance has concluded that the Related Party Arrangements and the Future Related Party Dealings are FAIR AND REASONABLE to the Non-Associated Sigma Shareholders."

Part B – Existing Related Party Arrangements

(e) Overview of Existing Related Party Arrangements

This Part B sets out the categories of Existing Related Party Arrangements which will require Sigma Shareholder approval. The majority of the Existing Related Party Arrangements occur because the Existing Related Persons are also Chemist Warehouse Franchisees with whom the Chemist Warehouse Group enters into a package of documents related to each pharmacy in which the Existing Related Person has an interest (each, an **Existing Related Person Franchisee**).

In FY24, the Existing Related Party Arrangements constituted approximately 25% of the revenue of Chemist Warehouse.

As at the Last Practicable Date, as set out in the table below, 180 pharmacies (of the 573 pharmacies in the Chemist Warehouse Australian Franchise Network as at the Last Practicable Date) are either wholly or partly owned by an Existing Related Person.

10. Resolutions continued

| Existing Related Person | Number of Australian pharmacies |
|--|---------------------------------|
| Mario Verrocchi | 36 |
| Jack Gance | 24 |
| Damien Gance | 20 |
| Samuel Gance | 37 |
| Danielle Di Pilla | 17 |
| Mario Verrocchi and Jack Gance via EYFS ¹⁹⁹ | 43 |
| Sasha Robertson | 19 |
| Eliminations ²⁰⁰ | -16 |
| Total Existing Related Person pharmacies | 180 |

This Part B summarises the contractual arrangements between the Existing Related Persons and Chemist Warehouse in respect of the pharmacies that Existing Related Persons have an interest in, the revenue derived from those arrangements and the information required by the Listing Rules in respect of those arrangements.

It also summarises other Existing Related Party Arrangements, including My Beauty Spot and property arrangements with Existing Related Persons.

(f) Pharmacies in States other than New South Wales

Where an Existing Related Person is also a Chemist Warehouse Franchisee, that Existing Related Person enters into the following arrangements with Chemist Warehouse:

- a franchise agreement based on the Pro Forma Franchise Agreement in respect of all their franchises (**Franchise Agreement**);
- a supply agreement, under which Chemist Warehouse supplies goods at cost plus margin and arranges for the supply of goods from third party suppliers, for which it charges a management fee (**Supply Arrangement**); and
- occupancy licences, under which Chemist Warehouse, which is the tenant for premises from which the Chemist Warehouse Australian Franchise stores are conducted, licenses the relevant premises to the Existing Related Person to use the property to operate their Chemist Warehouse Australian Franchise stores (**Occupancy Licence**).

In addition to these key agreements, some franchisees (in all states, including NSW) also obtain further support from Chemist Warehouse in the form of a loan agreement or a fit-out lease for the relevant premises – see further section 10.3(l)(iii).

Certain Existing Related Persons also own commercial property which is leased to Chemist Warehouse and from which Chemist Warehouse Australian Franchise Network stores and New Zealand Retail Network stores are conducted. In some cases, the Existing Related Person is both the licensee of the property (under the Occupancy Licence) and lessor (under the lease) including in New South Wales.²⁰¹

(i) Franchise arrangements

Each Franchise Agreement entered into with an Existing Related Person before the Last Practicable Date is a related party arrangement requiring approval under Listing Rule 10.1 (each, an **Existing Related Person Franchise Agreement**).

An Existing Related Person Franchise Agreement is in place for each pharmacy that is either wholly or partly owned by an Existing Related Person. The term of each Existing Related Person Franchise Agreement (as is generally the case with Chemist Warehouse's franchise agreements) aligns with the term of the underlying lease.

The Existing Related Person Franchise Agreements are based on the Pro Forma Franchise Agreement. Sigma has been informed by Chemist Warehouse that the Existing Related Person Franchise Agreements are consistent with the Pro Forma Franchise Agreement in all material respects, other than in respect of pricing and fees, which are negotiated individually with each Chemist Warehouse Franchisee.

The Sigma Independent Expert considers that the terms in place for all Existing Related Person Franchise Agreements are fair and reasonable.

¹⁹⁹. Mario Verrocchi and Jack Gance each own 50% of EYFS.

²⁰⁰. These 16 eliminations are included as 14 pharmacies are jointly owned by Mario Verrocchi and Sam Gance, one pharmacy is jointly owned by Mario Verrocchi and EYFS and one pharmacy is jointly owned by Jack Gance and EYFS, and have been removed to avoid double counting as they are included in the pharmacies owned by the relevant Existing Related Persons above.

²⁰¹. The occupancy licence in NSW (referred to below as the NSW Occupancy Licence) is a version of the Occupancy Licence tailored for NSW.

The material terms of the Pro Forma Franchise Agreement are summarised below.

| Term | Summary |
|--|--|
| Subject matter | The franchise agreement is the overarching agreement which governs Chemist Warehouse granting a franchisee the right to carry on a franchised pharmacy business under 'Chemist Warehouse' or 'My Chemist' branding. It sets out the parties' various rights, entitlements and obligations in relation to the conduct of that franchise pharmacy business. |
| Term and Options | <p>The term of the franchise agreement aligns with the term of the Head Lease for the property from which the franchise business is conducted.</p> <p>Some franchise agreements contain an option to extend the agreement, exercisable by the franchisee, subject to satisfaction of certain conditions (such as ongoing compliance with the terms of the franchise agreement).</p> |
| Termination rights | <p>Chemist Warehouse may terminate the franchise agreement in circumstances including if there is a change of control of the franchisee, the franchisee is carrying on the pharmacy business in a way that adversely affects the Chemist Warehouse business, if the franchisee cannot meet certain fit and proper person tests (eg. they are bankrupt, or commit fraud or dangerous acts) or they abandon the pharmacy business.</p> <p>If a franchisee has multiple franchise agreements with Chemist Warehouse, and one is terminated by Chemist Warehouse, Chemist Warehouse also has an option to terminate each other franchise agreement in certain circumstances.</p> <p>A franchisee may terminate the franchise agreement within an initial 14 day cooling off period, or otherwise for a breach of the franchise agreement by Chemist Warehouse that is not remedied.</p> <p>Either party may terminate in the event of an extended force majeure event.</p> |
| Fees | There is a participation fee payable which is a fixed annual amount and is generally indexed at a fixed percentage. |
| Exclusivity, non-competition and restraints | <p>There are certain limitations on Franchisees establishing or having an interest in competing pharmacies during the term of or following termination of their franchise agreement.</p> <p>In certain circumstances, there are restrictions on Franchisees targeting employees of Chemist Warehouse or other Chemist Warehouse pharmacies for employment, during the term of the franchise agreement or following termination.</p> |
| Assignment | Chemist Warehouse has a right to assign, transfer or otherwise deal with its rights and obligations under the franchise agreement without the consent of the franchisee. |
| Intellectual Property | Franchisees are entitled to use certain intellectual property of Chemist Warehouse during the term in the manner prescribed by Chemist Warehouse. Various obligations and limits are imposed on the franchisee in respect of using the Group's intellectual property under the agreement. |

In the future, pricing under new, certain amended or renewed franchise agreements with Related Parties will be charged consistently with Chemist Warehouse's standard and Board-approved pricing for all franchisee pharmacies,²⁰² which will apply for all new Chemist Warehouse branded pharmacies and will be implemented following Implementation of the Transaction (**Standard Pricing**), irrespective of whether the pharmacy business is owned by a Related Party or a non-related party.

The total fees payable under the Existing Related Party Franchise Agreements for FY24 and Q1FY25 are disclosed in section 10.3(h).

(ii) Supply arrangements

As noted above in section 10.3(f)(i), Chemist Warehouse and each Existing Related Person Franchisee is party to a Supply Arrangement under which Chemist Warehouse supplies the franchisee goods at cost plus margin and arranges for the supply of goods from third party suppliers, for which Chemist Warehouse may charge a management fee (Existing Related Person Supply Agreement).

²⁰².With Related Party directors who have an interest in a franchisee abstaining.

10. Resolutions continued

The terms of each Supply Arrangement, are based on a pro forma document as summarised below which applies to all Chemist Warehouse Franchisees (including Existing Related Persons), with some individually negotiated variations.

| Term | Summary |
|---------------------|---|
| Subject matter | Chemist Warehouse is engaged to supply products and certain services ordered by franchisees during the term. The services include agreeing terms of separate supply agreements with certain third party suppliers which are made available to the franchisees. |
| Condition Precedent | It is a condition precedent in the Supply Arrangement that the franchisee enter into a Franchise Agreement with Chemist Warehouse for the relevant pharmacy. |
| Term | The term of each Supply Arrangement is aligned with the term of the underlying Franchise Agreement for each Chemist Warehouse Franchisee. |
| Termination rights | Chemist Warehouse may terminate the agreement if the franchisee breaches the agreement, if the franchisee causes the agreements with third party suppliers to be terminated or if the Franchise Agreement is terminated. Franchisees may terminate the agreement for a breach of its terms by Chemist Warehouse. |
| Exclusivity | There are no exclusive dealing, preferred supplier or most favoured nation clauses benefiting or restricting either party in this agreement, other than the loyalty rebate arrangements discussed below. |
| Consideration | The franchisee pays for the goods supplied under the agreement at cost plus margin and for any services. Where applicable, wholesale loyalty rebate arrangements apply where loyalty thresholds are met based on agreed parameters. |

As noted above Chemist Warehouse has arranged for Sigma to supply goods to Chemist Warehouse's franchisees. This is pursuant to the Sigma Supply Agreement. This agreement covers the supply by Sigma of both PBS medicines, non-PBS prescription medicines, OTC product and FOS products to Chemist Warehouse franchisees.

The Sigma Supply Agreement governs the supply of goods from:

- in respect of PBS medicines, non-PBS prescriptions and OTC products, Sigma direct to Chemist Warehouse Franchisees (including Existing Related Person Franchisees), under standard form trading terms entered into between Sigma and Chemist Warehouse Franchisees (**Trading Terms**); and
- in respect of FOS products, Sigma to Chemist Warehouse (which will become an intragroup arrangement from Implementation of the Transaction), with those FOS products then being on-sold by Chemist Warehouse to Chemist Warehouse Franchisees (including Existing Related Person Franchisees) under the Supply Arrangements (summarised above).

The Trading Terms are based on a pro forma document as summarised below which applies to all Chemist Warehouse Franchisees (including Existing Related Persons).

| Term | Summary |
|--------------------|---|
| Subject matter | Sigma and Chemist Warehouse Franchisees agree the terms (which include Sigma's standard terms and conditions of supply) under which Chemist Warehouse Franchisees can submit purchase orders for the supply of products from Sigma. The standard terms outline the process for delivery, how title passes from Sigma Group to the customer, as well as payment terms. |
| Termination rights | Either party may terminate the agreement if the other party is in material unremedied breach or insolvent. |
| Consideration | As specified in Sigma's price list or the Sigma Supply Agreement, as adjusted for discounts, rebate and fees. |

The Supply Arrangements and Trading Terms entered into with each Existing Related Person Franchisee as at the Last Practicable Date are together the **Existing Related Person Supply Arrangements**.

Sigma Shareholder approval under Listing Rule 10.1 is required in respect of the Existing Related Person Supply Arrangements.

The total amounts paid under the Existing Related Person Supply Arrangements from 1 July 2024 – 30 September 2024 are disclosed in section 10.3(h).

(g) Pharmacies in New South Wales

Effective from January 2025 (**NSW Implementation Date**), Chemist Warehouse expects to enter into a different suite of documentation with the majority of its franchisees in New South Wales, for both the Existing Related Persons and non-related parties.

The following table identifies the number of Existing Related Person Franchisees wholly or partly owned by each Existing Related Person in New South Wales. These pharmacies are included (and are not in addition to) the table setting out the total number of pharmacies for each Existing Related Person, contained above in section 10.3(e).

| Existing Related Person | Number of pharmacies in New South Wales |
|--|--|
| Mario Verrocchi | 5 |
| Jack Gance | 5 |
| Damien Gance | 5 |
| Samuel Gance | 5 |
| Danielle Di Pilla | 5 |
| Mario Verrocchi and Jack Gance via EYFS ²⁰³ | 0 |
| Sasha Robertson | 5 |
| Total Existing Related Person pharmacies | 30 |

Following the expected changes to the Chemist Warehouse arrangements in New South Wales from the NSW Implementation Date, the agreements for NSW franchises who agree to the revised arrangements will be replaced by (together, **NSW Documents**):

- a services agreement, under which Chemist Warehouse in exchange for an administration charge provides administrative services to pharmacies in NSW (**NSW Services Agreement**);
- a supply arrangement, under which pharmacies in NSW are supplied goods from Chemist Warehouse at cost plus a margin (**NSW Supply Agreement**);
- a trade mark licence agreement, in respect of the use of Chemist Warehouse's branding and trade marks by the pharmacies in NSW in exchange for a fee, if any (**NSW Trade Mark Licence**); and
- a version of the Occupancy Licence tailored for NSW (**NSW Occupancy Licence**).

The Existing Related Persons will, on or around the NSW Implementation Date, enter into a NSW Services Agreement, NSW Supply Agreement, NSW Trade Mark Licence and NSW Occupancy Licence in respect of each of the pharmacies owned by Existing Related Persons in NSW as at the NSW Implementation Date.²⁰⁴ These agreements are each based on a pro forma document that will be used for both Existing Related Persons and non-Related Party pharmacy businesses.

Sigma Shareholders are asked to approve these arrangements at the Sigma Shareholder Meeting as they will constitute Existing Related Party Arrangements at the date of Implementation.

The material terms of the pro forma NSW Services Agreement are summarised below.

| Term | Summary |
|---------------------------|---|
| Subject matter | Chemist Warehouse is engaged to supply a suite of services for the NSW franchisee during the term. |
| Term | The Services Agreement remains on foot until either party terminates the Services Agreement or the Services Agreement expires. |
| Termination rights | Chemist Warehouse may terminate the agreement if the NSW franchisee breaches the agreement, is insolvent or undergoes a change of control. The NSW franchisee may terminate the agreement for a breach of its terms by Chemist Warehouse or if Chemist Warehouse is insolvent. The NSW franchisee may also terminate the agreement on 30 days' notice. |
| Exclusivity | There are no exclusive dealing, preferred supplier or most favoured nation clauses benefiting or restricting either party in the agreement. |
| Fees | NSW franchisees pay a recurring administration fee to Chemist Warehouse. |

203. Mario Verrocchi and Jack Gance each own 50% of EYFS.

204. Two NSW pharmacies owned by Existing Related Persons in NSW have already entered into documents in a similar form to the NSW Services Agreement, the NSW Trade Mark Licence and the NSW Occupancy Licence.

10. Resolutions continued

The material terms of the pro forma NSW Supply Agreement are summarised below.

| Term | Summary |
|---------------------------|---|
| Subject matter | These supply terms operate as and when the NSW franchisee chooses to buy wholesale goods from Chemist Warehouse |
| Term | The agreement continues until the expiry of the term or earlier expiry or termination of the agreement |
| Termination rights | Chemist Warehouse may terminate the agreement if the NSW franchisee breaches the agreement (including specific processes for failure to pay amounts owing or for change of control), if the relevant NSW Services Agreement is terminated or if an insolvency event occurs to the NSW franchisee. |
| Exclusivity | The NSW franchisee may terminate the agreement for breach by Chemist Warehouse or if an insolvency event occurs in relation to Chemist Warehouse. |
| Consideration | There are no exclusive dealing, preferred supplier or most favoured nation clauses benefiting or restricting either party in the agreement. |
| | Consideration is the cost of goods sold plus a margin for any goods supplied under the agreement. |

The key terms of the pro forma NSW TML are summarised below.

| Term | Summary |
|---------------------------|--|
| Subject matter | Chemist Warehouse grants a non-exclusive, royalty-free licence to the pharmacy to use the relevant trade marks (being either the 'Chemist Warehouse' or the 'MyChemist' trade marks), and to sell goods via the Chemist Warehouse website, in connection with the operation of the NSW franchisee. |
| Term | Agreed term (often 3 years) unless terminated earlier. |
| Termination rights | Chemist Warehouse may terminate the agreement if the NSW franchisee breaches the agreement, is insolvent or undergoes a change of control. Either party may terminate the agreement on 30 days' notice. |
| Consideration | Pharmacies in NSW pay a licence fee to Chemist Warehouse in accordance with the terms of the agreement. |

(h) Total revenue and fees from pharmacies involving Existing Related Persons (in all states and territories)

The following table identifies the aggregate revenue derived from the Existing Related Persons in respect of Existing Related Person Franchise Agreements and Existing Related Person Supply Agreements in all states and territories for FY24 and Q1FY25.

The changed arrangements in NSW are not expected to have a material impact on the earnings of the Merged Group.

| | FY24 | | | 1 July 2024 to 30 September 2024 | | | |
|--|---|--|--------------------|---|--|--|--------------------|
| | Sales of goods (,000) ²⁰⁵ | Other revenue (,000) ²⁰⁶ | Total (,000) | Sales of goods (,000) ²⁰⁷ | Trading Terms (,000) ²⁰⁸ | Other revenue (,000) ²⁰⁹ | Total (,000) |
| Existing Related Person | | | | | | | |
| Mario Verrocchi | \$274,693 | \$41,731 | \$316,424 | \$66,126 | \$81,548 | \$14,693 | \$162,367 |
| Jack Gance | \$217,009 | \$31,855 | \$248,864 | \$52,134 | \$65,442 | \$10,264 | \$127,840 |
| Damien Gance | \$85,190 | \$15,040 | \$100,230 | \$20,313 | \$27,082 | \$5,030 | \$52,425 |
| Danielle Di Pilla | \$53,744 | \$10,792 | \$64,536 | \$14,724 | \$20,823 | \$3,924 | \$39,471 |
| Sam Gance | \$153,038 | \$26,336 | \$179,374 | \$38,939 | \$40,815 | \$9,857 | \$89,611 |
| Sasha Robertson | \$70,581 | \$12,611 | \$83,192 | \$16,824 | \$22,284 | \$4,960 | \$44,068 |
| Eliminations ²¹⁰ | (\$175,107) | (\$22,169) | (\$197,276) | (\$41,974) | (\$55,130) | (\$7,462) | (\$104,566) |
| Total Existing Related Person revenue | \$679,148 | \$116,196 | \$795,344 | \$167,086 | \$202,864 | \$41,266 | \$411,216 |
| Total revenue | \$2,424,772 | \$869,631 | \$3,294,403 | \$618,996 | \$622,116 | \$261,717 | \$1,502,829 |

205. This column includes all sales revenue (being revenue associated with the sale of goods) from the Existing Related Persons, which is predominantly payments under the Supply Arrangements.

206. Includes services revenue and fees revenue.

207. This column includes all sales revenue (being revenue associated with the sale of goods) from the Existing Related Persons, which is predominantly payments under the Supply Arrangements.

208. This column includes all sales made under the Trading Terms.

209. Includes services revenue and fees revenue.

210. Eliminations reflect that some Australian Franchise Network stores are partially owned by more than one Existing Related Person and prevent double counting. For example, EYFS pharmacies are owned 50/50 by Mario Verrocchi and Jack Gance.

Full figures for supply of goods under the Supply Arrangements are provided above for FY24. While figures for FY24 are provided, the Sigma Supply Agreement which came into effect on 1 July 2024 introduced several pricing changes relevant for Supply Arrangements, meaning these figures are not necessarily representative of the total fees expected to be paid by Existing Related Persons going forward. Figures for the supply of goods under the Trading Terms also cannot be provided for FY24, because these were only introduced following the introduction of the Sigma Supply Agreement, meaning these terms were not in use in FY24 for Chemist Warehouse Franchisees. Additionally, the supply to Existing Related Person Franchisees under the Trading Terms is not currently a transaction captured by Listing Rule 10.1, but will become a Related Party Arrangement from Implementation of the Transaction.

For the reasons stated above, while figures for FY24 are provided, the period from 1 July 2024 to the 30 September 2024 is the most representative indication of the quantum of the fees to be paid by the Existing Related Persons under the Existing Related Person Supply Arrangements moving forward. In accordance with accounting standard requirements, in situations where Chemist Warehouse wholesale sales are directly delivered by Sigma to stores, Chemist Warehouse recognises revenue as the consideration received from the customer, net of amounts payable to Sigma (these are recognised in "Other revenue"). Following Implementation, under such scenarios the revenue will be recognised as the consideration received from the customer, without netting the amounts payable to Sigma (these will be recognised in "Sale of goods").

Forward-looking figures are not provided in the table above because it is not possible to disclose the expected payments over FY25 to be made by each Existing Related Person under the Existing Related Person Supply Arrangements. This is because those payments will depend on the volume of goods purchased by the relevant Existing Related Person Franchisee – this volume is variable and depends on a variety of factors including seasonality and customer demand and is therefore unable to be forecast on a reasonable basis.

(i) Arrangements with My Beauty Spot

My Beauty Spot Pty Ltd (**My Beauty Spot**), which is owned by EYFS (an entity controlled by Mario Verrocchi and Jack Gance) operates small fragrance kiosks in shopping centres. The My Beauty Spot business is currently in run-down, with the majority of kiosks having been closed down and underlying leases being terminated. However, six My Beauty Spot stores will still operate briefly following Implementation until their leases expire. The final My Beauty Spot store is expected to be closed permanently on 27 April 2026.

Between 1 January 2025 and the expected final closure in April 2026, the My Beauty Spot stores owned by EYFS are expected to pay approximately \$4.88 million in payments to the Merged Group consisting of fees for administration services provided by the Merged Group and purchases for the supply of stock by the Merged Group.

Three of the leases for the remaining My Beauty Spot stores are supported by a group bank guarantee under a Chemist Warehouse bank guarantee facility. These bank guarantee will be released progressively as the 3 My Beauty Spot stores are closed.

ASX considers that the arrangements with My Beauty Spot are to be aggregate with other franchise arrangements for the purposes of Listing Rule 10.1.

(j) Existing Related Person Leases and Existing Related Person Licences

Properties from which Chemist Warehouse Franchisees operate their pharmacies are either on the terms 'inherited' from the third party prior owner of the property or leased by the Chemist Warehouse Group from a commercial landlord under a lease (**Head Lease**).

The properties leased under the Head Lease for each pharmacy are then licensed to the Chemist Warehouse Franchisee for the purpose of operating their pharmacy under the Occupancy Licence or NSW Occupancy Licence (as applicable), which are based on a pro forma occupancy licences in use for Chemist Warehouse Franchisees. Chemist Warehouse receives payments through licence fees (**Licence Fee**) paid under the Occupancy Licences and NSW Occupancy Licences. This Licence Fee is a pass through of the rent payable under the Head Lease.

In Australia and New Zealand in some, but not all cases, an Existing Related Person is both the owner of the property and landlord (meaning they rent the property to the Chemist Warehouse Group under a Head Lease). In a subset of these cases, the Existing Related Person is both the landlord and has an interest in the Chemist Warehouse pharmacy business (meaning the Existing Related Person's pharmacy business pays a Licence Fee to the Chemist Warehouse Group for licencing the same property that the Existing Related Person has leased to the Chemist Warehouse Group under the Head Lease). As the Licence Fee is a pass through of the rent under the Head Lease, where the Existing Related Person is both the landlord and licensee, these two payments net off against one another, albeit that the Existing Related Person may not have a 100% interest in either the Chemist Warehouse pharmacy business or the underlying property.

Where the Head Lease is with an Existing Related Person as at the Last Practicable Date, it is an **Existing Related Person Lease**. Where the Occupancy Licence or NSW Occupancy Licence is with an Existing Related Person as at the Last Practicable Date, it is an **Existing Related Person Licence**.

10. Resolutions continued

The table below sets out the number of Existing Related Person Leases and Existing Related Person Licences for each Existing Related Person as at the Last Practicable Date. The number of leases below are predominantly for store premises, but also include several leases in Victoria including a warehouse operated by the Chemist Warehouse group in Preston and two immaterial office sites (in Moonee Ponds and Oakleigh).

| Existing Related Person | Number of Existing Related Person Leases²¹¹ | Number of Existing Related Person Licences |
|--------------------------------|---|---|
| Mario Verrocchi | 127 | 83 |
| Jack Gance | 131 | 71 |
| Damien Gance | 102 | 22 |
| Samuel Gance | 131 | 38 |
| Danielle Di Pilla | 0 | 18 |
| Sasha Robertson | 0 | 21 |
| Eliminations ²¹² | -358 | -61 |
| Total | 133 | 192 |

With the exception of the Preston distribution centre lease (which is discussed further below) and the immaterial office sites, the terms of each Existing Related Person Lease in Australia are either:

- ‘inherited’ from the third party prior owner of the property from which the Existing Related Person acquired the property, in which case they have been negotiated on an arms’ length basis by parties that are not related; or
- set by reference to terms of a pro forma lease used by Chemist Warehouse (**Pro Forma Lease**) with an independent valuation sought to determine the market rent.

The terms of each Existing Related Person Lease in New Zealand are:

- ‘inherited’ from the third party prior owner of the property from which the Existing Related Person acquired the property, in which case they have been negotiated on an arms’ length basis by parties that are not related; or
- set by reference to terms of a pro forma lease used by Chemist Warehouse in New Zealand (**NZ Pro Forma Lease**). In relation to the rent, Chemist Warehouse will obtain independent rental valuations for the relevant New Zealand properties prior to Implementation of the Transaction, and if the valuations reveal that the rent is too high the relevant Existing Related Persons have committed to reduce the rent to match the valuation.

The terms of the Pro Forma Lease for Australia is summarised below.

| Term | Summary |
|------------------------------|---|
| Term and Options | Individually negotiated for each property, however the leases generally provide for a term of 6 years, with two options to extend the term for a further 5 years each, exercisable by the Tenant. |
| Rent and rent reviews | Rent is set based on an independent third party valuation. Leases in Australia generally provide for annual fixed increases to rent of 3% with a market rent review at the end of each term. |
| Licensee | Each lease allows the Tenant (in its absolute discretion) to enter into a licence agreement with an appointed licensee (Licensee) who will trade under or by reference to the name “Chemist Warehouse” or such other name determined by the Tenant. |
| Other terms | The lease otherwise contains standard terms for a commercial lease. The lease may be subject to any applicable retail tenancies legislation in the relevant jurisdiction. ²¹³ |

211. At the date of this Explanatory Memorandum, one of the Existing Related Persons also leases some office premises in Preston to Chemist Warehouse. It is intended that that lease is terminated prior to Implementation and it has not been included in the figures in this table.

212. Eliminations made to ensure there is no double counting of the same Lease and Licenses where they relate to multiple Existing Related Persons.

213. The Transaction will result in Chemist Warehouse and Sigma becoming the Merged Group, which will be listed on ASX. This means that protections in state and territory retail leasing legislation which currently apply to the Head Leases will cease to apply, including in South Australia (under the *Retail and Commercial Leases Act 1995 (SA)* and its associated regulations), Western Australia (under the *Commercial Tenancy (Retail Shops) Agreements Act 1985 (WA)* and its associated regulations) and the Northern Territory (under the *Business Tenancies (Fair Dealings) Act 2003 (NT)* and its associated regulations).

The terms of the NZ Pro Forma lease used by Chemist Warehouse in New Zealand are summarised below.

| Term | Summary |
|------------------------------|--|
| Term and Options | Individually negotiated for each property, however the leases generally provide for a term that ranges from 5 years to 8 years, with options varying from 1 x 6 years to 3 x 5 years. |
| Rent and rent reviews | <p>On a market rent review date, either party may give written notice to the other party specifying the annual rent to be paid as based on the current market rent. If the other party disputes the notice specifying the annual rent, the rent may be determined through arbitration or, if both parties agree, by expert determination set by.</p> <p>The leases in New Zealand generally provide for fixed increases to rent of 3% on each of the fixed rent increase dates with a market rent review on each renewal date.</p> |
| Sub-leasing | Each lease allows the Tenant (in its absolute discretion) to (sub)lease or licence the premises to a Chemist Warehouse licensee, without the prior approval of the Landlord, provided that the Tenant remains responsible for the payment of rent to the Landlord and other obligations on the Tenant under the Lease. |
| Other terms | <p>The lease otherwise contains standard terms for a commercial lease in New Zealand.</p> <p>The lease may be subject to any applicable retail tenancies legislation in the relevant jurisdiction.</p> |

The terms of the Preston warehouse / distribution centre lease are summarised below.

| Term | Summary |
|------------------------------|---|
| Term and Options | The lease provides for a term of 3 years, with two options to extend the term for a further 3 years each, exercisable by the Tenant. |
| Rent and rent reviews | <p>The rent is consistent with an independent valuation obtained in relation to the premises.</p> <p>Rent will increase by 3% each year on 1 October, except on a market review date.</p> <p>A market rent review may be initiated by either the Landlord or the Tenant by giving the other party written notice stating the current market rent which it proposes to pay. If the Landlord and Tenant do not agree, they must appoint a third party valuer to determine the market rent. The valuer's determination is binding.</p> |
| Licensee | The Tenant may only transfer the Lease or sublet, licence or otherwise part with possession of the Premises with the Landlord's approval. |
| Other terms | The lease otherwise contains standard terms for a commercial lease. |

The terms of the two office leases are summarised below.

| Term | Summary |
|------------------------------|--|
| Term and Options | The lease commenced on 1 June 2020 and provides for a term of 6 years, with two options to extend the term for a further 5 years each, exercisable by the Tenant. |
| Rent and rent reviews | <p>Rent will increase by 3% each year on 1 June until the end of the initial 6 year term. For any further term, a market rent review will be carried out in accordance with the lease terms.</p> <p>A market rent review may be initiated by either the Landlord or the Tenant by giving the other party written notice stating the current market rent which it proposes to pay. If the Landlord and Tenant do not agree, they must appoint a third party valuer to determine the market rent. The valuer's determination is binding.</p> |
| Term | Summary |
| Term and Options | The lease commenced on 1 September 2016 for a term of 6 years, with two options to extend the term for a further 5 years each, exercisable by the Tenant. The first of the two options has been exercised. |
| Rent and rent reviews | <p>Rent will increase by 3% on each anniversary of the commencement date, except on the commencement of any further term. For any further term, a market rent review will be carried out in accordance with the lease terms.</p> <p>A market rent review may be initiated by either the Landlord or the Tenant by giving the other party written notice stating the current market rent which it proposes to pay. If the Landlord and Tenant do not agree, they must appoint a third party valuer to determine the market rent. The valuer's determination is binding.</p> |

10. Resolutions continued

The terms of each Existing Related Person Licence are based on the pro forma Occupancy Licence used by Chemist Warehouse (or, in NSW from January 2025, a NSW Occupancy Licence), which are summarised below.

| Term | Summary |
|-------------------------|---|
| Term and Options | The term will end on the earlier of the day before the expiration of the head lease for the property, or (other than in NSW) the day of the termination or expiration of the franchise agreement between the licensee and Chemist Warehouse associated with the premises. |
| Permitted Use | The permitted use is the pharmacy business. Other than in NSW, the permitted use also refers to the pharmacy business being a franchise. |
| Licence Fee | The Licence Fee is calculated as a pass through of the rent (and other outgoings and charges) payable under the applicable Head Lease for the property. |

The table below sets out the amounts received or paid to each Existing Related Person under the property arrangements discussed above in FY24 (to the extent such property arrangements were in place during FY24).

| Existing Related Person | Lease payments by Chemist Warehouse under the Existing Related Person Leases in FY24 (\$m) | Licence fees paid by the Existing Related Person to Chemist Warehouse under the Existing Related Person Licences in FY24 (\$m) |
|-----------------------------|--|--|
| Mario Verrocchi | 41.9 | 24.9 |
| Jack Gance | 42.2 | 21.7 |
| Damien Gance | 36.7 | 6.1 |
| Samuel Gance | 42.2 | 10.3 |
| Danielle Di Pilla | – | 4.8 |
| Sasha Robertson | – | 6.2 |
| Eliminations ²¹⁴ | -121.0 | -17.8 |
| Total | 41.9 | 56.2 |

(k) Information required by Listing Rule 10.5

ASX Listing Rule 10.5 sets out the information to be provided in the notice of meeting for the purpose of obtaining member approval in connection with ASX Listing Rule 10.1.

As this information is identical for each Existing Related Party Arrangement identified above in this Explanatory Memorandum it is not repeated for each category of Existing Related Party Arrangement referred to above.

Listing Rule 10.5.1 – the name of the person from whom Sigma is acquiring or disposing of the substantial asset

Each of Mario Verrocchi, Jack Gance, Damien Gance, Samuel Gance, Danielle Di Pilla, EYFS (Mario Verrocchi and Jack Gance) and Sasha Robertson.

Listing Rule 10.5.2 – the category in Listing Rules 10.1.1 – 10.1.5 that the Existing Related Persons fall into and why

Each Existing Related Person is captured by:

- In respect of Mario Verrocchi, Jack Gance, Damien Gance and Danielle Di Pilla, Listing Rule 10.1.1 as they will be directors of Sigma following implementation of the Transaction.
- In respect of EYFS, Listing Rule 10.1.1 as it is an entity jointly controlled by Mario Verrocchi and Jack Gance.
- In respect of Sasha Robertson, Listing Rule 10.1.1 as she is the spouse of Damien Gance.
- In respect of Sam Gance, Listing Rule 10.1.3, as he will own more than 10% of Sigma's issued shares following implementation of the Transaction. This also applies to Mario Verrocchi and Jack Gance.

Listing Rule 10.5.3 – Details of the asset being acquired or disposed of

In respect of:

- the Existing Related Person Franchise Agreements, see section 10.3(f)(i);
- the Existing Related Person Supply Arrangements, see section 10.3(f)(ii);
- the proposed Related Person NSW Services Agreement, proposed Related Person NSW Supply Agreement and proposed NSW Trade Mark Licence, see section 10.3(g).

214. Eliminations made to ensure there is no double counting of the same lease payments or lease receipts where multiple Existing Related Persons have an interest in the one premises or store.

- the My Beauty Spot arrangements, see section 10.3(i); and
- the Existing Related Person Leases and the Existing Related Person Licences, see section 10.3(j).

Listing Rule 10.5.4 – the consideration for the acquisition or disposal

The consideration payable in respect of the acquisitions and disposals under:

- the Existing Related Party Franchise Agreements, Existing Related Person Supply Arrangements and arrangements with NSW pharmacies under the NSW Documents is set out in section 10.3(h);
- the My Beauty Spot arrangements, set out in section 10.3(i); and
- the Existing Related Person Leases and Existing Related Person Licences is set out in section 10.3(j).

The changed arrangements in NSW are not expected to have any material impact on the earnings of the Merged Group.

Listing Rule 10.5.5 and 10.5.6 – the intended source of, or use for, funds for the acquisition or from the disposal

In the case of either an acquisition or disposal, the working capital account of Sigma.

Listing Rule 10.5.7 – the timetable for the acquisition or disposal

The Existing Related Party Arrangements are ongoing.

Listing Rule 10.5.8 – the material terms of the agreement under which the acquisition or disposal is occurring

The material terms of the following documents are summarised in:

- in respect of the Existing Related Person Franchise Agreements, section 10.3(f)(i);
- in respect of the Existing Related Person Supply Arrangements, section 10.3(f)(ii);
- in respect of the NSW Documents, section 10.3(g).
- the My Beauty Spot arrangements, section 10.3(i); and
- in respect of the Existing Related Person Leases and Existing Related Person Licences, section 10.3(j).

Listing Rule 10.5.9 – a voting exclusion statement

A voting exclusion statement is included in the Notice under Resolution 3.

The voting exclusion statement excludes voting by Mario Verrocchi, Jack Gance, Damien Gance, Samuel Gance, Danielle Di Pilla and Sasha Robertson and any other person who will obtain a material benefit as a result of the transactions listed in this section 10.3, along with their associates. The associates specifically listed are CW Retail Holdings Pty Ltd (which is a wholly owned entity in the Chemist Warehouse group), Goat Properties Pty Ltd (which is 40% indirectly owned by Danielle Di Pilla and 30% indirectly owned by Mario Verrocchi) and Di Pilla Superannuation Pty Ltd as trustee for Di Pilla Superannuation Fund (which is the superannuation fund of Danielle Di Pilla). These entities are specified as they hold shares in Sigma and may be associated with one or more of the individuals listed above, however none of these entities will receive any of the benefits which require Sigma shareholder approval and which are referred to in this section 10.3.

(l) Other Related Party Arrangements that do not require Sigma Shareholder approval

The following arrangements are not material and do not require Sigma Shareholder approval.

(i) AMS Constructions

AMS Constructions Pty Ltd (**AMS Constructions**) is 49% owned by Compounding Investment Management Pty Ltd (**CIM**), an entity in which Damien Gance, Jack Gance, Mario Verrocchi and Samuel Gance each hold shares equivalent to 14.3% of CIM (individually) and 57% (collectively).

AMS Constructions is a construction business focused on commercial building projects. AMS Constructions project manages many fit outs of Chemist Warehouse Australian Franchise Network stores, often arranging the relevant building-related permits as a registered builder. AMS Constructions engages subcontractors on behalf of store owners to carry out works and supply materials, with payments made directly by each Chemist Warehouse Australian Franchise Network store. The Chemist Warehouse Group also contracts AMS Constructions to project manage construction projects directly for the Chemist Warehouse Group from time to time.

In FY24, the aggregate amount purchased from AMS Constructions by entities in the Chemist Warehouse Group was \$1,342,718 (excluding GST). The transactions with AMS Construction are not captured by Listing Rule 10.1 because, amongst other things:

- It will not be a 'related party' of Sigma within the meaning in the Listing Rules (for the purposes of Listing Rule 10.1.1); and
- It will not be an 'associate' of a 'related party' of Sigma post-Implementation such that Listing Rule 10.1.4 applies,

because CIM and the Existing Related Persons named above do not control AMS.

10. Resolutions continued

(ii) Tilley Soaps

Tilley Soaps Australia Pty Ltd is a manufacturer of soap, fragrance and skincare products and supplies goods to Chemist Warehouse Group. Shares in Tilley Soaps are currently held by Goat Consortium Pty Ltd (39%) and unrelated third parties. Goat Consortium is indirectly owned by Mario Verrocchi (30%) and Danielle Di Pilla (40%). It is proposed that prior to or after Implementation, the 39% interest in Tilley Soaps held by Goat Consortium will be purchased by the Chemist Warehouse Group for approximately \$3.9 million. Chemist Warehouse Group is also in discussions with one of the unrelated party shareholders regarding the purchase of an additional 11% in Tilley Soaps. If both of these acquisitions occur, Tilley Soaps would be owned 50% by the Merged Group and 50% by unrelated third parties.

In FY24, Chemist Warehouse, and entities that are now associated with it paid approximately \$10.4 million dollars to Tilley Soaps in relation to the purchase of goods.

Whether or not the acquisitions referred to above occur, the transactions with Tilley Soaps are not captured by Listing Rule 10.1 because, amongst other things:

- it will not be a 'related party' of Sigma within the meaning in the Listing Rules (for the purposes of Listing Rule 10.1.1);
- it will not be an 'associate' of a 'related party' of Sigma post-Implementation such that Listing Rule 10.1.4 applies;
- because Goat Consortium and the Existing Related Persons named above do not control Tilley Soaps; and
- the transactions do not meet the Substantial Asset Threshold (see further section 10.3(a)).

The acquisition of the 39% of Tilley Soaps held by Goat Consortium, if it occurs after Implementation, will not require Sigma shareholder approval given the consideration payable is significantly below the Substantial Asset Threshold (see further section 10.3(a) above). Furthermore, given the possibility of the acquisition of Tilley Soaps has been disclosed in this notice of meeting and the framework for Future Related Party Dealings discussed further in section 10.3(m) to 10.3(o) below is not readily applicable to the acquisition, the Sigma Board has determined that that regime will not apply to the acquisition of shares in Tilley Soaps.

(iii) Related Party Loans and Fit-Out Leases

The Merged Group may provide loans to Chemist Warehouse Franchisees for the establishment of their pharmacy business (**Seed Loans**) and fit-out leases to support Chemist Warehouse Franchisees (**Fit-out Leases**). In some cases, Existing Related Persons are the borrower or lessee under these Seed Loans and Fit-out Leases, meaning the Merged Group provides a loan or lease to a pharmacy business in which a Related Party has an economic interest (each, a **Related Party Loan**).

It is currently expected that, immediately following Implementation of the Transaction, there will be approximately \$23,435,132 outstanding under Related Party Loans or leases, either in the form of a Seed Loan or Fit-out Lease.

In each case, the Seed Loans and Fit-out Leases have identical terms for the Existing Related Persons and non-Related Parties and are based on the relevant pro forma loan agreement (**Pro Forma Loan Agreement**), or pro forma fit-out lease (**Pro Forma Fit Out Lease**).

The Related Party Loans are not captured by Listing Rule 10.1 as that Listing Rule does not apply to loans. However, notwithstanding that Listing Rule 10.1 does not apply to the Related Party Loans, the Related Party Loans have been considered by the Sigma Independent Expert and will in the future be governed by the Related Party Governance Framework (discussed in section (n) below).

The terms of the Pro Forma Loan Agreement are summarised below.

| Term | Summary |
|---------------------|--|
| Subject matter | CW Treasury Services (Lender) provides a loan to the Franchisee under the loan agreement (Loan Agreement) to provide funding toward the purchase and/or establishment of the business. |
| Condition Precedent | The Loan Agreement is subject to a number of conditions precedent, including with respect to the grant of security and entry into a Franchise Agreement. |
| Term | 3 years. |
| Termination Rights | Each party has a right terminate for convenience on 180 days' written notice to the other party. The agreement also provides a party with rights to terminate with immediate effect for the other party's material breach, insolvency, failure to hold any required licence or similar circumstances. The Lender has additional termination rights, for example where the Franchisee undergoes a change in control or if the Franchise Agreement is terminated. Any outstanding loan amount under the Loan Agreement becomes immediately due and payable upon termination of the Loan Agreement. |
| Consideration | Interest accrues on the loan amount at an amount equal to a baseline published business lending rate plus a margin at market rates which may be varied by the Lender from time to time by 30 days' notice. |

The terms of the Pro Forma Fit Out Lease are summarised below.

| Term | Summary |
|--------------------|---|
| Subject matter | CW Leasing (Lessor) grants the relevant Chemist Warehouse Franchisee a lease of certain equipment and fit-out works used at the Lessee's premises. |
| Term | 5 years. |
| Termination rights | The Lessor may terminate the Fit-out Lease, with notice to the Lessor for material breach. |
| Consideration | The Lessor receives a Lease Fee during the term. |

Part C – Future Related Party Dealings

(m) Overview of Future Related Party Dealings

Given the number of the related party arrangements which are part of the Chemist Warehouse business, and the need to operate the Chemist Warehouse business without having to frequently seek the approval of Sigma Shareholders, Sigma and Chemist Warehouse have developed the Related Party Governance Framework.

The Related Party Governance Framework governs the process and terms on which Sigma and the Related Parties may, subject to Resolution 3 being passed at the Sigma Shareholder Meeting, undertake **Future Related Party Dealings**, without further Sigma Shareholder approval for ASX Listing Rule 10.1 purposes (in addition to the approval under Resolution 3, should it be passed) during the Future Related Party Dealings Framework Period. The passage of Resolution 3 does not remove the requirement for Sigma Shareholder approval for the purposes of Chapter 2E of the Corporations Act for Future Related Party Dealings, if Chapter 2E were to require shareholder approval as a result of the unavailability of one of the exceptions it provides to the need for shareholder approval.

The Future Related Party Dealings are not intended to confer any preferential treatment on the Related Persons. The definition of Future Related Party Dealings contains the criteria that must be satisfied for a future related party arrangement to be entered into without obtaining further Sigma Shareholder approval under Listing Rule 10.1 (in addition to the approval under Resolution 3, should it be passed), namely that the future related party arrangement must be a related party arrangement identified in column "A" in the table in section 10.3(o) which:

- is entered into in accordance with the Related Party Governance Framework (as defined in section 10.3(n));
- complies with any Approval Conditions; and
- is entered into in the Future Related Party Dealings Framework Period.

The Future Related Party Dealings relate to the:

- entry into certain new future related party arrangements; and
- renewal and amendment of certain Existing Related Party Arrangements and certain future related party arrangements.

The ability to engage in Future Related Party Dealings without obtaining further Sigma Shareholder approval under Listing Rule 10.1 (in addition to the approval under Resolution 3, should it be passed) will expire at the close of the Future Related Party Dealings Framework Period. At or prior to that 6th AGM of Sigma Shareholders, it is expected that Sigma Shareholders will be asked to re-approve the Related Party Governance Framework (or another framework under which related party arrangements may be entered into, renewed or amended without requiring Sigma Shareholder approval) and future related party dealings under it, and another independent expert report will be provided to Sigma Shareholders. Related party arrangements which are on foot at the end of the Future Related Party Dealings Framework Period will continue regardless of the results of voting at the relevant AGM.

As an Approval Condition, certain Future Related Party Dealings must be approved by either the Related Party IBC or Related Party Working Group (under delegated authority by the Related Party IBC, which may be withdrawn at any time, in relation to certain types of Future Related Party Dealings).

(n) Related Party Governance Framework

To manage the Related Party Arrangements on an ongoing basis and to ensure they remain on arm's length terms as well as be able to undertake Future Related Party Dealings pursuant to the Related Party Arrangements Approval (should Resolution 3 be passed), the Sigma Board will:

- establish an independent committee of directors to oversee the ongoing related party arrangements (**Related Party IBC**);
- establish a working group of independent senior management of Sigma to manage the ongoing related party arrangements on a day to day basis (**Related Party Working Group**);
- approve protocols to govern the operation of the Related Party IBC and Related Party Working Group (**Working Group Protocols**); and
- approve a manual to be consulted by the Related Party IBC and Related Party Working Group in their administration of the ongoing related party arrangements (**Related Party Manual**).

These are together, the "**Related Party Governance Framework**".

10. Resolutions continued

(o) Approval Conditions for Future Related Party Dealings

The table below lists the different types of future related party arrangements (which may be Future Related Party Dealings) and the Approval Conditions which must be satisfied in order for each type of arrangement to be a Future Related Party Dealing – if also entered into in accordance with the Related Party Governance Framework during the Future Related Party Dealings Framework Period – such that further Sigma Shareholder approval under Listing Rule 10.1 is not required (given approval will have been provided already subject to the passage of Resolution 3). The Approval Conditions are also set out in the Related Party Manual.

The types of future related party arrangements that are capable of being Future Related Party Dealings (ie column “A”) are those that are likely to be required to entered into in the ordinary course of business.

The Approval Conditions are intended to operate as safeguards in circumstances where the transactions will not be approved by Sigma Shareholders.

| Item | “A” Type of future related party arrangement | “B” Approval Conditions | Section |
|-------------------------------|--|--|------------------------|
| Franchise arrangements | | | |
| 1 | Exercise of an option to extend a franchise agreement that is approved as an Existing Related Party Arrangement or Future Related Party Dealing | None. | 10.3(f)(i) and 10.3(g) |
| 2 | Renegotiation of commercial and non-commercial terms of Existing Related Person Franchise Agreements (in states other than NSW) or Existing Related Party Arrangements under the NSW Documents; and ²¹⁵ Changing or entering into new franchise agreements (in states other than NSW) or new NSW Documents with a Related Party. | In the case of all states and territories other than NSW: <ul style="list-style-type: none"> In respect of a change to a commercial term of an Existing Related Person Franchise Agreement, the change: <ul style="list-style-type: none"> – conforms to the then-current Sigma Board²¹⁶ approved Standard Pricing²¹⁷ for franchisees or is more favourable to Sigma; – is consistent with the Principles; and – is approved by the Related Party IBC. In respect of a change to a non-commercial term of an Existing Related Person Franchise Agreement, the change: <ul style="list-style-type: none"> – substantively conforms to the form of the then Pro Forma Franchise Agreement; – is consistent with the Principles; and – is approved by the Related Party IBC. In respect of the entry into a new franchise agreement with a Related Party, the new franchise agreement: <ul style="list-style-type: none"> – conforms to the then-current Sigma Board²¹⁸ approved Standard Pricing for franchisees or is more favourable to Sigma; – substantively conforms to the form of the then Pro Forma Franchise Agreement; – is consistent with the Principles; and – is approved by the Related Party IBC. | |

215. The framework for renegotiation of commercial and non-commercial terms of franchise agreements, and entry into new franchise agreements, needs to be approved in respect of each Future Related Party Dealings Framework Period. Any renegotiated commercial or non-commercial terms of franchise agreements, or entry into new franchise agreements, including the exercise of any options under such arrangements, in accordance with such approved Future Related Party Framework applicable during the relevant Future Related Party Dealings Framework Period does not need to be approved again by Sigma Shareholders and those arrangements will continue to operate on their terms.

216. With Related Party directors who have are or have an interest in a franchisee abstaining.

217. From time to time, the Sigma Board may amend the Standard Pricing with Related Party directors who have are or have an interest in a franchisee abstaining.

218. With Related Party directors who have are or have an interest in a franchisee abstaining.

| Item | "A" Type of future related party arrangement | "B" Approval Conditions | Section |
|-----------------------|---|--|------------------------|
| 2 <i>continued</i> | | <p>In the case of the NSW Documents:</p> <ul style="list-style-type: none"> • In respect of a change to a commercial term of a NSW Document, the change: <ul style="list-style-type: none"> – Conforms to the then-current Sigma Board²¹⁹ approved Standard Pricing or is more favourable to Sigma;²²⁰ – is consistent with the Principles; and – is approved by the Related Party IBC. • In respect of a change to a non-commercial term of a NSW Document, the change: <ul style="list-style-type: none"> – substantively conforms to the form of the relevant pro forma document in use for the NSW Documents from time to time; – is consistent with the Principles; and – is approved by the Related Party IBC. • In respect of the entry into a new NSW Document with a Related Party, that new NSW Document: <ul style="list-style-type: none"> – conforms to the then-current Sigma Board²²¹ approved Standard Pricing for franchisees or is more favourable to Sigma;²²² – substantively conforms to the form of the relevant pro forma for the NSW Document; – is consistent with the Principles; and – is approved by the Related Party IBC. – It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters outlined in this row (which delegation may be withdrawn by the Related Party IBC). | 10.3(f)(i) and 10.3(g) |
| 3 | Acquisition of a new franchise pharmacy or a part interest in a franchise pharmacy from either a Related Party or a non-related party (without renegotiation) | There are no new commercial terms agreed or amended between Chemist Warehouse and the franchise in connection with the acquisition. | 10.3(f)(i) and 10.3(g) |
| 4 | Changes to commercial or non-commercial term of franchise arrangements in either NSW or other states and territories initiated by Sigma (other than regulatory changes discussed in item 5) | The change is substantively consistent across all franchise arrangements in the relevant State or Territory and is approved by the Related Party IBC. | 10.3(f)(i) and 10.3(g) |

219. With Related Party directors who have are or have an interest in a franchisee abstaining.

220. From time to time, the Sigma Board may amend the Standard Pricing with Related Party directors who have are or have an interest in a franchisee abstaining.

221. With Related Part directors who have are or have an interest in a franchisee abstaining.

222. From time to time, the Sigma Board may amend the Standard Pricing with Related Party directors who have are or have an interest in a franchisee abstaining.

10. Resolutions continued

| Item | "A" Type of future related party arrangement | "B" Approval Conditions | Section |
|--|---|---|------------------------|
| 5 | Changes to overall or particular franchise arrangements in either NSW or other states and territories in response to regulatory changes | <p>If the change:</p> <ul style="list-style-type: none"> is a regulatory change imposed on the operations of Sigma (whether that regulatory change applies across the Australian Franchise Network of pharmacies, a particular State or Territory, a particular type of franchise (eg. a franchise owned through a partnership or via a company) or any other category of franchise arrangement) which does not only affect Existing Related Persons; and the regulatory change is made consistently across all franchisees to which the relevant regulatory change applies. <p>To the extent the regulatory change affects only a Related Party or the Existing Related Persons, it must be approved by the Related Party IBC.</p> | 10.3(f)(i) and 10.3(g) |
| Existing Related Person Supply Agreements | | | |
| 6 | Renewing, amending, or entering into new Supply Arrangements | <p>The change is approved by the Related Party IBC, and is consistent with the pro forma supply agreement and Standard Pricing (or is more favourable to Sigma).</p> <p>It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters under this item 6.</p> | 10.3(f)(ii) |
| Existing Related Person Leases and Existing Related Person Licences | | | |
| 7 | Exercise of an option to extend a lease that is approved as an Existing Related Party Arrangement | None. | 10.3(j) |
| 8 | Entering into future leases, renewals and amendments to Existing Related Person Leases ²²³ | <ul style="list-style-type: none"> the applicable rent is determined by an independent property advisory firm, with no more than 40% (by number) of these valuations performed by the same property advisory firm over the Future Related Party Dealings Framework Period; and the lease terms are: <ul style="list-style-type: none"> substantively consistent with the terms of the relevant then Pro Forma Lease; consistent with the Principles; and approved by the Related Party IBC. | 10.3(j) |
| 9 | Acquisition by a Related Party of a property leased to the Chemist Warehouse Group | <ul style="list-style-type: none"> the pre-existing lease relating to the property, which was negotiated by a third-party commercial landlord on arm's length terms, remains in place with no changes to the commercial terms of that lease; or if a new lease is negotiated, it is based on the Pro Forma Lease and the rent payable under the relevant lease is determined by an independent property advisory firm, and it is approved by the Related Party IBC. <p>It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters under this item 9.</p> | 10.3(j) |

223. The framework for entering into new leases, renewals of existing leases and amendments to existing leases needs to be re-approved at the 6th AGM following the Sigma Shareholder Meeting. The entry into of any new leases, renewals of existing leases and amendments to existing leases in accordance with the Related Party Governance Framework does not need to be approved again by Sigma Shareholders and those arrangements will continue to operate on their terms.

| Item | "A" Type of future related party arrangement | "B" Approval Conditions | Section |
|-------------------------------|--|---|--------------|
| 10 | Entering into future licences, renewals and amendments to Existing Related Person Licences | <ul style="list-style-type: none"> the licence has terms substantively consistent with the terms of the then pro forma licence; the licence fee is equal to the rent under the Head Lease; and is approved by the Related Party IBC. <p>It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters under this item 10.</p> | 10.3(j) |
| Financing arrangements | | | |
| 11 | Entering into financing arrangements with franchisees, including renewals and amendments to the financing arrangements approved as Existing Related Party Arrangements | <p>The loan agreement has terms substantively consistent with the terms of the then Pro Forma Loan Agreement or the then Pro Forma Fit Out Lease and is approved by the Related Party IBC.</p> <p>It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters under this item 11.</p> | 10.3(l)(iii) |

(p) Annual reporting on Future Related Party Dealings

In addition to the ordinary requirements for related party transaction annual report disclosure required by the Corporations Act and Corporations Regulations, as a condition of the final listing approval granted to Sigma, ASX requires Sigma to include the following additional information on the Future Related Party Dealings in the annual report of the Merged Group:

- the number of Future Related Party Dealings approved pursuant to the above conditions in each financial year;
- the value of such arrangements and the identity of the Related Party involved; and
- report on any actions taken by the Related Party IBC in each financial year.

(q) Related Party IBC and Related Party Working Group

The Related Party IBC will be delegated authority by the Sigma Board to, where it is an Approval Condition:

- negotiate and enter into Future Related Party Dealings; and
- renew and amend Existing Related Party Arrangements and Future Related Party Dealings,

The Related Party IBC will be governed by a set of Sigma Board-approved protocols.

The Related Party Working Group will be established to manage the ongoing related party arrangements on an everyday basis, to ensure the related party arrangements are within the scope of the Related Party Arrangements Approval and to administer the Related Party Manual on a day to day basis at a management level. The Related Party Working Group will be governed by a set of Sigma Board-approved protocols.

The Related Party IBC and Related Party Working Group have been established to oversee that:

- any Future Related Party Dealings;
- amendments to the Existing Related Party Arrangements and Future Related Party Dealings; and
- renewal of any Existing Related Party Arrangements and Future Related Party Dealings,

are, in each case:

- within the scope of the Related Party Arrangements Approval; and
- compliant with Listing Rule 10.1 and Chapter 2E (including the requirement to obtain Sigma Shareholder approval where necessary).

The membership of the Related Party IBC and Related Party Working Group is determined by the respective Protocols. Existing Related Persons and their associates are excluded from membership of the Related Party IBC and Related Party Working Group.

10. Resolutions continued

(r) Related Party Manual

The purpose of the Related Party Manual is to:

- provide a framework for administration of the ongoing related party arrangements by the Sigma Board, the Related Party IBC and the Related Party Working Group;
- provide guidance to the Related Party IBC and Related Party Working Group in their management of the ongoing related party arrangements;
- give effect to the underlying policy of Listing Rule Chapter 10 and Chapter 2E; and
- ensure that the ongoing related party arrangements comply with the Related Party Arrangements Approval, Listing Rule Chapter 10 and Chapter 2E.

In administering the related party arrangements, interpreting the Related Party Manual and making any decision in relation to a related party arrangement, the Sigma Board, the Related Party IBC and the Related Party Working Group are bound to consider these principles set out in the Related Party Manual:

- Principle 1 – a Future Related Party Dealing must be in the best interests of Sigma Shareholders as a whole.
- Principle 2 – a Future Related Party Dealing must be on terms that would be reasonable in the circumstances if Sigma and the Related Party were dealing at terms which are arm's length or less favourable to the Related Party.
- Principle 3 – without limiting Principle 2, a Future Related Party Dealing must be substantively on the same terms as an equivalent arrangement with a third party who is not a Related Party, or on terms more favourable overall to Sigma,

together, the **Principles**.

(s) Sigma Directors' recommendation

The Sigma Directors unanimously recommend that the Sigma Shareholders vote in favour of Resolution 3 in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.²²⁴

The Sigma Directors are not aware of any other information not provided that would reasonably be required by the Sigma Shareholders to allow them to make a decision whether it is in the best interests of Sigma to pass Resolution 3.

10.4 Resolution 4 – Financial Assistance Approval

(a) The proposed resolution

Resolution 4 seeks approval of the Sigma Shareholders, pursuant to section 260B(2) of the Corporations Act, for financial assistance which is to be provided by some or all of the Chemist Warehouse Group Members to support the financing of the Transaction under or in connection with the Debt Finance Documents, and all elements of the Debt Finance Documents, guarantees or security or other related transactions or documents that may constitute financial assistance by those Chemist Warehouse Group Members for the purposes of section 260A of the Corporations Act in connection with the Transaction or otherwise.

Approval is sought by special resolution, which requires at least 75% of the votes that are cast on the resolution to be in favour of the resolution. If passed, the proposed resolution will take effect on and from Implementation occurring.

(b) Background

The financing incurred to fund part of the purchase price for the Transaction and other funding requirements of Sigma and its subsidiaries is described in sections 6.4 and 12.6 of this Explanatory Memorandum.

Under the Debt Facility Agreement, the Lenders agree to provide the Banking Facilities to Sigma from time to time.

In order to comply with its undertakings under the terms of the Debt Finance Documents, Sigma is required to cause some or all of the Chemist Warehouse Group Members to, among other things:

- accede to the Debt Finance Documents as a guarantor; and
- grant security over all of its present and future assets in favour of the Lenders (or to a Security Trustee) to secure amounts owing thereunder,

(the **Debt Finance Accession Documents**), in each case, within 120 days of the Implementation Date.

224. Michael Sammells has an interest in 258,448 Sigma Shares, Chris Roberts has an interest in 12,014 Sigma Shares, Annette Carey has an interest in 21,212 Sigma Shares, Neville Mitchell has an interest in 30,295 Sigma Shares, Kate Spargo has an interest in 719,679 Sigma Shares and Vikesh Ramsunder has an interest in 11,662,028 Sigma Shares and 6,088,884 Performance Rights and up to an additional \$267,159 of Performance Rights. The non-executive directors who remain on the board of the Merged Group following Implementation of the Transaction will be entitled to increased remuneration as a result of Implementation of the Transaction and Vikesh Ramsunder will receive an enhanced remuneration package and his incentives will be subject to the treatment outlined in section 12.2 if the Transaction is implemented. Further details on the interests of the Sigma Directors, are disclosed in sections 8.10, 12.1 and 12.2.

Execution by the applicable Chemist Warehouse Group Members of the Debt Finance Accession Documents, the performance by the applicable Chemist Warehouse Group Members of their rights and obligations under the Debt Finance Documents, and the security and the participation of the relevant Chemist Warehouse Group Members in the funding arrangements and other related transactions, all as described above or in section 8.4.4 below, may constitute the giving of financial assistance by each applicable Chemist Warehouse Group Member in connection with the Transaction, within the meaning of section 260A(1) of the Corporations Act (the **Financial Assistance**). Please see further information in section 12.6 of this Explanatory Memorandum.

(c) Why Shareholder approval is required

Under section 260A(1) of the Corporations Act, a company may financially assist a person to acquire shares in it or its holding company only in certain limited circumstances, including where the assistance is approved by shareholders under section 260B of the Corporations Act.

Under section 260B(1) of the Corporations Act, shareholder approval must be given by the shareholders of the company at a general meeting by either:

- a special resolution, with no votes being cast in favour of the resolution by the person acquiring the shares (or units of shares) or by their associates; or
- a resolution agreed to, at a general meeting, by all ordinary shareholders.

The giving of the Financial Assistance has been, or will be, approved by a unanimous resolution of each applicable Chemist Warehouse Group Member in accordance with section 260B(1) of the Corporations Act.

In addition to the above approval, because the applicable Chemist Warehouse Group Members will become subsidiaries of Sigma (a listed holding corporation) on Implementation, section 260B(2) of the Corporations Act requires the Financial Assistance to also be approved by a special resolution passed at a general meeting of Sigma. Accordingly, it is proposed that the Financial Assistance now be approved in accordance with section 260B(2) of the Corporations Act by special resolution of the shareholders of Sigma.

(d) Effect of giving financial assistance

Following execution of the Debt Finance Accession Documents, the applicable Chemist Warehouse Group Members will become bound by the relevant Debt Finance Documents, the terms of which provide, without limitation, as follows:

- **Joint and several liability:** each applicable Chemist Warehouse Group Member will assume joint and several liability with Sigma (as borrower) and/or each other guarantor under the Debt Finance Documents for amounts owing under the Debt Finance Documents;
- **Guarantee and indemnities:** the Lenders and/or a Security Trustee may be entitled to claim by way of guarantee and indemnities provided by each applicable Chemist Warehouse Group Member, in whole or in part, any amounts owed under the Debt Facility Agreement or other Debt Finance Documents;
- **Enforcement of security:** the Lenders and/or a Security Trustee may be entitled to enforce the security granted by each applicable Chemist Warehouse Group Member and apply the proceeds of enforcement towards repayment of the amounts owed under the Debt Facility Agreement or other Debt Finance Documents;
- **Representations, warranties and undertakings:** each applicable Chemist Warehouse Group Member will provide certain representations, warranties and undertakings which include restrictions on, amongst other things, granting security interests, making disposals, incurring debt and making distributions to shareholders and be subject to certain events of default under the Debt Finance Documents; and
- **Operations:** the operations of the applicable Chemist Warehouse Group Members will be restricted by the representations and obligations under the Debt Finance Documents.

In addition, each applicable Chemist Warehouse Group Member may, or may be required to:

- make available directly or indirectly cash flows (whether through dividends, capital distributions, intercompany loans or otherwise) or other resources in order to enable Sigma and/or other guarantors to comply with their payment and other obligations under the Debt Facility Agreement and other Debt Finance Documents;
- subordinate claims that may arise between members of the Chemist Warehouse Group;
- consent or agree to amendments under, or any amendment and restatement of, the Debt Finance Documents, including amendments that make its obligations more onerous;
- provide additional support under or in connection with the Debt Finance Documents or the Transaction, which may include incurring additional obligations and/or providing additional guarantees, mortgages and/or charges; and
- provide other financial assistance in connection with the Debt Finance Documents or the Transaction including, without limitation, in connection with any refinancing.

(e) Reasons for giving financial assistance

The principal advantage to Sigma (and, indirectly, the Chemist Warehouse Group) in providing the Financial Assistance is to ensure that Sigma and its subsidiaries continue to have the benefit of the Banking Facilities and comply with their obligations under the Debt Finance Documents.

10. Resolutions continued

Other reasons for the applicable Chemist Warehouse Group Members giving the Financial Assistance include, but are not limited to:

- the applicable Chemist Warehouse Group Members may benefit from the working capital facilities provided under the Debt Facility Agreement;
- it benefits each applicable Chemist Warehouse Group Member to assist Sigma to raise money in order to later provide its subsidiaries with finance on better terms than would be available to the applicable Chemist Warehouse Group Members on a stand-alone basis;
- Sigma will be able to maintain its ownership of the Chemist Warehouse Group, which enables each Chemist Warehouse Group Member to:
 - benefit from the synergies and cost savings through its integration with the Sigma Group; and
 - draw on the capital resources and management expertise of Sigma, while retaining existing expertise and knowledge in the industry in which they operate; and
- it is a reasonable, customary and necessary part of obtaining finance on the most favourable terms. Obtaining a facility of a similar nature to the Banking Facilities without the Financial Assistance would be difficult and would likely result in funding being obtained on more restrictive and expensive terms.

Accordingly, the Sigma Directors have considered the giving of the Financial Assistance and are of the opinion that it is in the best interests and for the commercial benefit of Sigma and each applicable Chemist Warehouse Group Member.

(f) Notice to ASIC

A copy of this Explanatory Memorandum (with the accompanying Notice) was lodged with ASIC before being sent to Sigma Shareholders, as required by section 260B(5) of the Corporations Act.

(g) Disclosure

The Sigma Directors consider that the explanatory notes in this section 10.4 of this Explanatory Memorandum contain all information known to Sigma that would be material to the decision of Sigma's Shareholders on how to vote on the financial assistance resolution set out in Resolution 4, other than information which would be unreasonable to include because it had previously been disclosed to Sigma Shareholders or is included elsewhere in this Explanatory Memorandum.

(h) Sigma Directors' unanimous recommendation

The Sigma Directors unanimously recommend that the Sigma Shareholders vote in favour of Resolution 4 in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.²²⁵

10.5 Resolution 5 – Election of Mr Jack Gance as a Sigma Director

(a) The proposed resolution

Resolution 5 seeks approval for the election of Mr Jack Gance as a Sigma Director with effect from Implementation of the Transaction.

Resolution 5 is an ordinary resolution and, if passed, will take effect on and from Implementation occurring.

(b) Background

Rule 3.4 of the Sigma Constitution provides that Sigma may at any time appoint a person to be a Sigma Director by ordinary resolution. The total number of Sigma Directors must not at any time exceed the maximum number specified by the Sigma Constitution.

Clause 12 of the Merger Implementation Agreement provides that, subject to and with effect from the Implementation Date, Sigma and Chemist Warehouse agree that the Sigma Board shall be comprised of 5 Sigma nominees and 4 Chemist Warehouse nominees, one of whom is Mr Jack Gance.

The 5 Sigma nominees are existing members of the Sigma Board.

If Resolution 5 is passed (subject to the other Transaction Resolutions required to undertake the Transaction also being passed and the remaining Conditions Precedent of the Transaction under the Merger Implementation Agreement being satisfied or (if applicable) waived²²⁶), Sigma will be able to proceed with the Transaction.

If Resolution 5 is not passed, Sigma may not be able to proceed with the Transaction.

225. Michael Sammells has an interest in 258,448 Sigma Shares, Chris Roberts has an interest in 12,014 Sigma Shares, Annette Carey has an interest in 21,212 Sigma Shares, Neville Mitchell has an interest in 30,295 Sigma Shares, Kate Spargo has an interest in 719,679 Sigma Shares and Vikesh Ramsunder has an interest in 11,662,028 Sigma Shares and 6,088,884 Performance Rights and up to an additional \$267,159 of Performance Rights. The non-executive directors who remain on the board of the Merged Group following Implementation of the Transaction will be entitled to increased remuneration as a result of Implementation of the Transaction and Vikesh Ramsunder will receive an enhanced remuneration package and his incentives will be subject to the treatment outlined in section 12.2 if the Transaction is implemented. Further details on the interests of the Sigma Directors, are disclosed in sections 8.10, 12.1 and 12.2.

226. Resolutions 4, 10 and 11 may be waived by agreement between Sigma and Chemist Warehouse.

(c) Qualifications

The qualifications of Mr Jack Gance are set out in section 8.9(a) of this Explanatory Memorandum.

(d) Other material directorships

Mr Jack Gance does not hold any other material directorships.

(e) Independence

If elected, Mr Jack Gance will be a non-executive Sigma Director. The Sigma Board considers that Mr Jack Gance, if elected, will not be classified as an independent Sigma Director.

(f) Sigma Directors' unanimous recommendation

Sigma confirms that it has conducted appropriate checks into Mr Jack Gance's background and experience and those checks have not revealed any information of concern.

The Sigma Directors unanimously recommend that the Sigma Shareholders vote in favour of Resolution 5 in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.²²⁷

10.6 Resolution 6 – Election of Mr Mario Verrocchi as a Sigma Director

(a) The proposed resolution

Resolution 6 seeks approval for the election of Mr Mario Verrocchi as a Sigma Director with effect from Implementation of the Transaction.

Resolution 6 is an ordinary resolution and, if passed, will take effect on and from Implementation occurring.

(b) Background

Rule 3.4 of the Sigma Constitution provides that Sigma may at any time appoint a person to be a Sigma Director by ordinary resolution. The total number of Sigma Directors must not at any time exceed the maximum number specified by the Sigma Constitution.

Clause 12 of the Merger Implementation Agreement provides that, subject to and with effect from the Implementation Date, Sigma and Chemist Warehouse agree that the Sigma Board shall be comprised of 5 Sigma nominees and 4 Chemist Warehouse nominees, one of whom is Mr Mario Verrocchi.

The 5 Sigma nominees are existing members of the Sigma Board.

If Resolution 6 is passed (subject to the other Transaction Resolutions required to undertake the Transaction also being passed and the remaining Conditions Precedent of the Transaction under the Merger Implementation Agreement being satisfied or (if applicable) waived²²⁸), Sigma will be able to proceed with the Transaction.

If Resolution 6 is not passed, Sigma may not be able to proceed with the Transaction.

(c) Qualifications

The qualifications of Mr Mario Verrocchi are set out in section 8.9(a) of this Explanatory Memorandum.

(d) Other material directorships

Mr Verrocchi does not hold any other material directorships.

(e) Independence

If elected, Mr Mario Verrocchi will be an executive Sigma Director. The Sigma Board considers that Mr Mario Verrocchi, if elected, will not be classified as an independent Sigma Director.

227. Michael Sammells has an interest in 258,448 Sigma Shares, Chris Roberts has an interest in 12,014 Sigma Shares, Annette Carey has an interest in 21,212 Sigma Shares, Neville Mitchell has an interest in 30,295 Sigma Shares, Kate Spargo has an interest in 719,679 Sigma Shares and Vikesh Ramsunder has an interest in 11,662,028 Sigma Shares and 6,088,884 Performance Rights and up to an additional \$267,159 of Performance Rights. The non-executive directors who remain on the board of the Merged Group following Implementation of the Transaction will be entitled to increased remuneration as a result of Implementation of the Transaction and Vikesh Ramsunder will receive an enhanced remuneration package and his incentives will be subject to the treatment outlined in section 12.2 if the Transaction is implemented. Further details on the interests of the Sigma Directors, are disclosed in sections 8.10, 12.1 and 12.2.

228. Resolutions 4, 10 and 11 may be waived by agreement between Sigma and Chemist Warehouse.

10. Resolutions continued

(f) Sigma Directors' unanimous recommendation

Sigma confirms that it has conducted appropriate checks into Mr Mario Verrocchi's background and experience and those checks have not revealed any information of concern.

The Sigma Directors unanimously recommend that the Sigma Shareholders vote in favour of Resolution 6 in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.²²⁹

10.7 Resolution 7 – Election of Mr Damien Gance as a Sigma Director

(a) The proposed resolution

Resolution 7 seeks approval for the election of Mr Damien Gance as a Director with effect from Implementation of the Transaction.

Resolution 7 is an ordinary resolution and, if passed, will take effect on and from Implementation occurring.

(b) Background

Rule 3.4 of the Sigma Constitution provides that Sigma may at any time appoint a person to be a Sigma Director by ordinary resolution. The total number of Sigma Directors must not at any time exceed the maximum number specified by the Sigma Constitution.

Clause 12 of the Merger Implementation Agreement provides that, subject to and with effect from the Implementation Date, Sigma and Chemist Warehouse agree that the Sigma Board shall be comprised of 5 Sigma nominees and 4 Chemist Warehouse nominees, one of which is Mr Damien Gance.

The 5 Sigma nominees are existing members of the Sigma Board.

If Resolution 7 is passed (subject to the other Transaction Resolutions required to undertake the Transaction also being passed and the remaining Conditions Precedent of the Transaction under the Merger Implementation Agreement being satisfied or (if applicable) waived²³⁰), Sigma will be able to proceed with the Transaction.

If Resolution 7 is not passed, Sigma may not be able to proceed with the Transaction.

(c) Qualifications

The qualifications of Mr Damien Gance are set out in section 8.9(a) of this Explanatory Memorandum.

(d) Other material directorships

Mr Damien Gance does not hold any other material directorships.

(e) Independence

If elected, Mr Damien Gance will be an executive Sigma Director. The Sigma Board considers that Mr Damien Gance, if elected, will not be classified as an independent Sigma Director.

(f) Sigma Directors' unanimous recommendation

Sigma confirms that it has conducted appropriate checks into Mr Damien Gance's background and experience and those checks have not revealed any information of concern.

The Sigma Directors unanimously recommend that the Sigma Shareholders vote in favour of Resolution 7 in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.²³¹

229. Michael Sammells has an interest in 258,448 Sigma Shares, Chris Roberts has an interest in 12,014 Sigma Shares, Annette Carey has an interest in 21,212 Sigma Shares, Neville Mitchell has an interest in 30,295 Sigma Shares, Kate Spargo has an interest in 719,679 Sigma Shares and Vikesh Ramsunder has an interest in 11,662,028 Sigma Shares and 6,088,884 Performance Rights and up to an additional \$267,159 of Performance Rights. The non-executive directors who remain on the board of the Merged Group following Implementation of the Transaction will be entitled to increased remuneration as a result of Implementation of the Transaction and Vikesh Ramsunder will receive an enhanced remuneration package and his incentives will be subject to the treatment outlined in section 12.2 if the Transaction is implemented. Further details on the interests of the Sigma Directors, are disclosed in sections 8.10, 12.1 and 12.2.

230. Resolutions 4, 10 and 11 may be waived by agreement between Sigma and Chemist Warehouse.

231. Michael Sammells has an interest in 258,448 Sigma Shares, Chris Roberts has an interest in 12,014 Sigma Shares, Annette Carey has an interest in 21,212 Sigma Shares, Neville Mitchell has an interest in 30,295 Sigma Shares, Kate Spargo has an interest in 719,679 Sigma Shares and Vikesh Ramsunder has an interest in 11,662,028 Sigma Shares and 6,088,884 Performance Rights and up to an additional \$267,159 of Performance Rights. The non-executive directors who remain on the board of the Merged Group following Implementation of the Transaction will be entitled to increased remuneration as a result of Implementation of the Transaction and Vikesh Ramsunder will receive an enhanced remuneration package and his incentives will be subject to the treatment outlined in section 12.2 if the Transaction is implemented. Further details on the interests of the Sigma Directors, are disclosed in sections 8.10, 12.1 and 12.2.

10.8 Resolution 8 – Election of Ms Danielle Di Pilla as a Sigma Director

(a) The proposed resolution

Resolution 8 seeks approval for the election of Ms Danielle Di Pilla as a Sigma Director with effect from Implementation of the Transaction.

Resolution 8 is an ordinary resolution and, if passed, will take effect on and from Implementation occurring.

(b) Background

Rule 3.4 of the Sigma Constitution provides that Sigma may at any time appoint a person to be a Sigma Director by ordinary resolution. The total number of Sigma Directors must not at any time exceed the maximum number specified by the Sigma Constitution.

Clause 12 of the Merger Implementation Agreement provides that, subject to and with effect from the Implementation Date, Sigma and Chemist Warehouse agree that the Sigma Board shall be comprised of 5 Sigma nominees and 4 Chemist Warehouse nominees, one of which is Ms Danielle Di Pilla.

The 5 Sigma nominees are existing members of the Sigma Board.

If Resolution 8 is passed (subject to the other Transaction Resolutions required to undertake the Transaction also being passed and the remaining Conditions Precedent of the Transaction under the Merger Implementation Agreement being satisfied or (if applicable) waived²³²), Sigma will be able to proceed with the Transaction.

If Resolution 8 is not passed, Sigma may not be able to proceed with the Transaction.

(c) Qualifications

The qualifications of Ms Danielle Di Pilla are set out in section 8.9(a) of this Explanatory Memorandum.

(d) Other material directorships

Ms Di Pilla does not hold any other material directorships.

(e) Independence

If elected, Ms Danielle Di Pilla will be an executive Sigma Director. The Sigma Board considers that Ms Danielle Di Pilla, if elected, will not be classified as an independent Sigma Director.

(f) Sigma Directors' unanimous recommendation

Sigma confirms that it has conducted appropriate checks into Ms Danielle Di Pilla's background and experience and those checks have not revealed any information of concern.

The Sigma Directors unanimously recommend that the Sigma Shareholders vote in favour of Resolution 8 in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.²³³

10.9 Resolution 9 – Increase in the non-executive Sigma Director fee pool

(a) The proposed resolution

This Resolution 9 seeks Sigma Shareholder approval for the purposes of Listing Rule 10.17 and rule 10.2 of the Sigma Constitution and for all other purposes, for Sigma to be authorised to increase the maximum total aggregate amount of fees payable to its non-executive Sigma Directors from \$1,500,000 per annum to an aggregate amount of \$2,500,000 per annum.

Resolution 9 is an ordinary resolution.

232. Resolutions 4, 10 and 11 may be waived by agreement between Sigma and Chemist Warehouse.

233. Michael Sammells has an interest in 258,448 Sigma Shares, Chris Roberts has an interest in 12,014 Sigma Shares, Annette Carey has an interest in 21,212 Sigma Shares, Neville Mitchell has an interest in 30,295 Sigma Shares, Kate Spargo has an interest in 719,679 Sigma Shares and Vikesh Ramsunder has an interest in 11,662,028 Sigma Shares and 6,088,884 Performance Rights and up to an additional \$267,159 of Performance Rights. The non-executive directors who remain on the board of the Merged Group following Implementation of the Transaction will be entitled to increased remuneration as a result of Implementation of the Transaction and Vikesh Ramsunder will receive an enhanced remuneration package and his incentives will be subject to the treatment outlined in section 12.2 if the Transaction is implemented. Further details on the interests of the Sigma Directors, are disclosed in sections 8.10, 12.1 and 12.2.

10. Resolutions continued

(b) Background

Listing Rule 10.17 provides that a listed company must not, without ordinary shareholder approval, increase the total amount of non-executive directors' fees. Rule 10.2 of the Sigma Constitution governs non-executive Sigma Directors' remuneration and contemplates that the amount of remuneration the non-executive Sigma Directors are entitled to be paid must not exceed in aggregate the amount last fixed by ordinary resolution.

Following an independent external review of the remuneration paid to the non-executive Sigma Directors, and consideration of its findings by the Remuneration and Nomination Committee and the Sigma Board, it is proposed that the maximum aggregate sum per annum available for payment as remuneration (inclusive of superannuation and exclusive of other on-costs) be increased from \$1,500,000 to \$2,500,000.

The Sigma Board considers that it is reasonable and appropriate at this time to seek an increase in the remuneration pool for non-executive Sigma Directors for the following reasons:

- the complexity, scale and market capitalisation of Sigma will increase significantly as a result of the Transaction;
- the proposed increase to the maximum aggregate sum per annum available for payment as remuneration reflects current market benchmarks for entities with a similar market capitalisation to Sigma after the Transaction;
- the increase in the number of Board members of Sigma effective post Implementation;
- the increase is aimed at ensuring that Sigma can retain the appropriate people to act as non-executive Sigma Directors taking into account the size, complexity and accountability of the roles; and
- the increase will provide the capacity to appoint a new Sigma Director, if it is determined appropriate to do so, having regard to the operations of Sigma and the workload of existing Sigma Directors.

The maximum aggregate fees payable to non-executive Sigma Directors have not been increased since Sigma's 2015 Annual General Meeting.

The remuneration of each non-executive Sigma Director for the year ended 31 January 2024 is detailed in the remuneration report in Sigma's Annual Report.

(c) Information required under Listing Rule 10.17

Sigma provides the following information as required under Listing Rule 10.17:

- the amount of the proposed increase is \$1,000,000 per annum;
- the maximum aggregate amount of non-executive Sigma Directors' fees that may be paid to all non-executive Sigma Directors if Resolution 9 is passed will be \$2,500,000 per annum; and
- no Equity Securities have been issued to the non-executive Sigma Directors under Listing Rule 10.11 or Listing Rule 10.14 in the past 3 years. See section 12.1(c) for further information.

(d) Information requirements – Listing Rule 14.1A

If Resolution 9 is passed, the maximum aggregate amount of fees that may be paid to all of Sigma's non-executive Sigma Directors will be \$2,500,000 per annum. This does not mean that Sigma must utilise the entire maximum amount approved for non-executive Sigma Directors' fees in each year and it is not currently intended to utilise the full amount if approval is given by Shareholders. However, the Sigma Board considers that it is reasonable and appropriate to establish this amount to provide Sigma with the ability to pay non-executive Sigma Directors and ensure their remuneration levels are commensurate with market rates to attract and retain Sigma Directors of the highest calibre.

If Resolution 9 is not passed, Sigma will not be permitted to pay fees to its non-executive Sigma Directors which exceed the aggregate amount of directors' fees already approved by Sigma Shareholders (that is, \$1,500,000 per annum).

(e) Voting

Note that a voting exclusion applies to Resolution 9 in the terms set out in the Notice.

(f) Sigma Directors' unanimous recommendation

The Sigma Directors unanimously recommend that the Sigma Shareholders vote in favour of Resolution 9 in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.

10.10 Resolutions 10 & 11 – Cancellation of and changes to existing Performance Rights

(a) The proposed resolution

Resolutions 10 and 11 seek Sigma Shareholder approval for the purposes of Listing Rules 6.23.2 and 6.23.4 and for all other purposes for Sigma to, in respect of Performance Rights issued under the 2023 Executive Equity Grant Plan (**EEG Plan**), cancel certain of those Performance Rights for consideration, and subject shares issued or transferred on exercise of certain of those Performance Rights to disposal restrictions and forfeiture conditions, as part of a restructure of those Performance Rights.

Resolutions 10 and 11 are ordinary resolutions and are inter-conditional.

(b) Background

The terms of the 2023 Executive Equity Grant Plan (**EEG Plan**) are outlined in section 12.2(c). 9,793,025 unvested Performance Rights have been issued under the EEG Plan and will vest on 31 January 2026 dependent on meeting the following vesting conditions:

- 50% of Performance Rights vest when Sigma's earnings per share (EPS) meets a performance measure agreed by the Sigma Board at the beginning of each year of the three year performance period based on the outlook following the preceding year, with any earned rewards only released on the vesting date;
- 25% of Performance Rights vest on the following basis:
 - 12.5% Performance Rights will vest if an absolute total shareholder return (TSR) of 8% compound annual growth rate (CAGR) is achieved during the performance period;
 - 25% of the Performance Rights will vest if an absolute TSR of 12% CAGR is achieved during the performance period; and
 - this will increase in a straight line to a maximum vesting of this component at 12% of CAGR; and
- 25% of Performance Rights vesting subject to the participant being continuously employed by Sigma on the vesting date and have not given notice of termination of employment prior to the vesting date.

The plan rules in respect of the EEG Plan contain a 'change of control' provision under which, in respect of the Transaction, the Sigma Board has the discretion to make a determination that some or all of a participants unvested Performance Rights vest.

The Sigma Board has determined to restructure the grant under the EEG Plan to strike an appropriate balance between recognising the efforts of the participants in delivering the Transaction and the key role they have played in that regard, with encouraging retention.

To that end, the Sigma Board proposes to, in each case conditional on Implementation (the **New Structure**):

- (as to 37.5% of the Performance Rights) determine to lapse these Performance Rights and pay a cash bonus of an amount equal to 37.5% of the value of the Performance Rights on Implementation;
- (as to 37.5% of the Performance Rights) exercise its discretion on a 'change of control' to vest these Performance Rights upon Implementation with the corresponding shares subject to disposal restrictions until, and forfeiture for ceasing employment before, 31 January 2026; and
- (as to 25% of the Performance Rights) determine to lapse these Performance Rights and pay a cash bonus of an amount equal to 25% of the value of the Performance Rights, subject to continued employment, on 31 January 2026.

Vikesh Ramsunder, as set out in section 12.2(c), holds 3,112,283 Performance Rights issued under the EEG Plan.

(c) ASX Listing Rule 6.23.2 – Resolution 10

ASX Listing Rule 6.23.2 provides that a change which has the effect of cancelling an option for consideration can only be made if holders of ordinary securities approve the change. ASX considers that performance rights are 'options' for the purposes of ASX Listing Rule 6.23.

As 62.5% of the Performance Rights issued under the EEG Plan will lapse and be replaced by a cash payment under the New Structure, the effect of the New Structure is to cancel those Performance Rights for consideration. Accordingly, Resolution 10 seeks Sigma Shareholder approval, for the purposes of ASX Listing Rule 6.23.2 and for all other purposes, for the cancellation of those Performance Rights for consideration.

10. Resolutions continued

(d) ASX Listing Rule 6.23.4 – Resolution 11

ASX Listing Rule 6.23.3 provides that a change to an option which has the effect of reducing the exercise price, increasing the period of exercise, or increasing the number of securities received on exercise cannot be made. ASX Listing Rule 6.23.4 provides that a change to an option which is not prohibited under ASX Listing Rule 6.23.3 can only be made if holders of ordinary securities in the company in question approve the change. ASX considers that performance rights are 'options' for the purposes of ASX Listing Rule 6.23.

37.5% of the Performance Rights issued under the EEG Plan are proposed to vest upon Implementation on the basis that the shares issued on exercise of those Performance Rights subject to disposal restrictions until, and forfeiture if the holder ceases employment before, 31 January 2026. The imposition of these disposal restrictions and forfeiture conditions on shares issued on exercise of vested Performance Rights is a change not prohibited under ASX Listing Rule 6.23.3 and, accordingly, can only be made if approved by Sigma Shareholders.

(e) Information requirements – Listing Rule 14.1A

If Resolution 10 and 11 are passed, and Implementation occurs, Sigma will be able to implement the New Structure.

If Resolution 10 or 11 is not passed, or Implementation does not occur, the Performance Rights will continue to exist on their current terms under the EEG Plan.

(f) Voting

Note that a voting exclusion applies to Resolution 10 and 11 in the terms set out in the Notice.

(g) Sigma Directors' unanimous recommendation

The Sigma Directors unanimously recommend that the Sigma Shareholders vote in favour of Resolution 10 and 11 in the absence of a Sigma Superior Proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to non-associated Sigma Shareholders.²³⁴

²³⁴ Mr Ramsunder makes no recommendation in respect of Resolution 10 or Resolution 11 given his direct interest in these resolutions.

11. Risks

In considering the Transaction, Sigma Shareholders should be aware that there are a number of risks, both general and specific, associated with the Transaction. This section 11 describes a number of risks associated with:

- the Merged Group (section 11.1);
- the Transaction (section 11.2);
- Sigma Shares and general risks (section 11.3); and
- Sigma if the Transaction is not implemented (section 11.4).

A number of these risks are, or will be, risks to which Sigma Shareholders are already exposed. However, the nature of the Merged Group's business will differ from that of Sigma as a standalone business and Sigma Shareholders may be subject to additional or differently weighted risks to those that exist presently, relating to Sigma and relating to the Merged Group and the integration of the two businesses as a result of the Transaction. While the businesses are complementary, and aspects of the operations of Sigma and Chemist Warehouse are similar in a number of ways, there are differences between the size, capital structure, infrastructure and customers of the Merged Group and Sigma currently.

In deciding whether to vote in favour of the Transaction, Sigma Shareholders should read this Explanatory Memorandum in full and consider the risks. These risks do not take into account the individual investment objectives, financial situation, position or particular needs of Sigma Shareholders. In addition, this section 11 is a summary only and does not contain an exhaustive list of all risks related to the Merged Group, the Transaction, Sigma Shares and Sigma. There may be additional risks and uncertainties not currently known to Chemist Warehouse or Sigma or that are currently considered immaterial, which may become important factors that can have a material adverse effect on the Merged Group's operating and financial performance.

11.1 Risks that are associated with the Merged Group

(a) Operating in a regulated environment, regulatory reform and other legislative changes

The Merged Group may be affected by changes to government policies and legislation, including those relating to the pharmaceutical industry (including in relation to the PBS or CSO), the pharmacy sector (to which the Merged Group supplies products and services), taxation, the regulation of trade practices, competition, franchisees, modern slavery, anti-corruption and anti-bribery laws or other legal or regulatory changes which could impact the structure and/or operations of the Merged Group's business.

As a pharmaceutical wholesaler, any adverse changes to the PBS generally or in relation to PBS medicines sold by the Merged Group could lead to lower prices being paid for medicines which may lead to a lower regulated distribution margin. In addition, there are existing legislative mechanisms such as price disclosure which may result in the unit prices of PBS medicines being progressively reduced twice a year, without any corresponding increase in the regulated wholesaler mark-up, with the effect of reducing wholesale margins. The Merged Group will have no control over any PBS price adjustments. Furthermore, any changes to the pharmacy location rules, or changes which reduce the PBS revenue available to pharmacies, may negatively impact the viability of some pharmacies (which are wholesale customers of the Merged Group or franchisees to which the Merged Group supply PBS medicines), and which may reduce demand for the products and services supplied by the Merged Group.

Since 2006, under successive CPAs, the Federal Government has provided a CSO funding pool in recognition of the costs faced by pharmaceutical wholesalers such as Sigma in providing the full range of PBS medicines to pharmacies across Australia, particularly when distributing to remote geographic regions. The CSO arrangements are highly regulated under CSO Deeds. Pursuant to the Merger Undertaking provided by Sigma, Sigma has committed to remain a CSO distributor and has committed not to terminate Sigma's CSO Deed for a period of 5 years from the Implementation Date. If the Federal Government were to exercise termination rights during the term of the CSO Deed in accordance with the CSO Deed, this would result in loss of access to the CSO funding pool.

The Federal Government has determined that the CSO wholesaler industry will be funded through a combination of existing CSO Deeds, which are currently due to expire on 30 June 2025, and a wholesaler mark-up to be agreed under the First Pharmaceutical Wholesaler Agreement, which will replace the current funding agreed under the 8CPA. There is a risk that the CSO Deed may not be renewed, or the Federal Government may adopt a different approach to CSO funding in a manner adverse to the Merged Group, which could reduce the Merged Group's earnings from the CSO funding pool.

There is the possibility of other changes to pharmaceutical industry regulation or government policy, which may impact the Merged Group. For example, changes which increase the range of pharmaceuticals which can be sold in general retail outlets rather than only in pharmacies, will reduce sales of such goods by pharmacies and therefore reduce wholesale demand by pharmacies from pharmaceutical wholesalers and pharmacy distributors.

Examples of recent regulatory changes in Australia which may impact the business of the Merged Group include '60 day prescribing' and the phasing out of permitted discounts to PBS co-payments (explained in section 5.5(a)(vii)). 60 day prescribing may impact the revenue of pharmacy businesses which are customers of the Merged Group and therefore their spending power, although adjustments to payments to pharmacists agreed under the current CPA (and now passed into law) are intended to mitigate this impact. Pharmacies may also experience reduced footfall as a result of this change and therefore also reduced sales of FOS products. The 60 day prescribing impacts the wholesale revenue received by Sigma (and from Implementation, the Merged Group) on the distribution of products included in '60 day prescribing'. Some of these flow-through impacts may be offset by changes to CSO funding

11. Risks continued

arrangements, which are currently being finalised. In relation to discounts to PBS co-payments, Chemist Warehouse pharmacies currently use the availability of this discount as a differentiator and the phasing out of permitted discounting may reduce the relative attractiveness of their pharmacies to customers compared to other pharmacies. The nature and materiality of the impacts of these changes are difficult to predict because it depends on prescriber and consumer behaviour in response to the change. While any immediate impacts will be to pharmacy customers of the Merged Group, there may be flow-on impacts for the performance of the Merged Group. Any of these changes could have a material adverse effect on the Merged Group's financial performance.

Given the Merged Group will operate in a highly regulated environment, the Merged Group is inherently exposed to the risk of non-compliance with applicable laws and regulations (which may be inadvertent), including in its capacity as a sponsor of TGA registrations for pharmaceuticals or medical devices, wholesaler, distributor, importer, franchisor, advertiser, employer, lender and recipient of personal and health information (eg through its relevant websites). The failure of the Merged Group to comply with any applicable laws and regulations may lead to negative publicity, claims by third parties, enforcement actions by regulators (including regulatory and judicial orders that may lead to a cessation or curtailing of operations) and potential civil or criminal fines or penalties, as well as loss of access to the CSO funding pool. This may require changes to the Merged Group's business model or operations which may increase cost or impact on its ability to generate revenue.

If any of the above were to occur, it could result in a material adverse effect on the Merged Group's operations and financial performance, reputation or competitive position.

(b) Changes to competitive landscape and operating performance of retail pharmacies

The Merged Group will operate in highly competitive environments which could become more competitive in the future, including from actions from both new and existing competitors. Competition which may impact the Merged Group includes the wholesaling and distribution of prescription, OTC and FOS products to pharmacies and as an online retailer of FOS goods to consumers. The Merged Group, as franchisor, will also be impacted by competition from other franchisors and pharmacy buying groups as well as a range of other providers offering services to pharmacies. In addition, competition at the retail level which will impact the Merged Group's franchisees or, its pharmacy customers, will indirectly impact the Merged Group if there is reduced demand for prescription, OTC and FOS products from the Merged Group or for franchisor services. Competition at the retail level includes other retail pharmacies, supermarkets and other specialty and general retailers including health and beauty retailers, including online and bricks and mortar suppliers.

The risks posed to the Merged Group's businesses will include:

- the development of platforms linking pharmacists directly to pharmaceutical and other suppliers (and the corresponding de-linking of the Merged Group's wholesale business from the supply chain);
- customers bypassing wholesalers like the Merged Group for their FOS product distribution and instead adopting 'direct to store' models or investing in warehouse infrastructure; and
- competitors pursuing a strategy of further vertical integration with suppliers.

Increased competition from other franchisors and in the retail space may make it harder for the Merged Group to compete and win new franchisees for its banner groups, as well as retain existing franchisees including by reason of the Merger Undertaking, which includes commitments not to prevent or hinder Sigma franchisees and other wholesale customers which have signed an agreement with Sigma prior to 1 July 2024 from terminating their franchise arrangements or any other agreements with Sigma for a period of 3 years from the Implementation Date. This could impact the Merged Group's ability to generate wholesale sales, leading to a loss of market share and cause a decline in profitability. This could also affect the Merged Group's ability to negotiate favourable contract terms with customers and existing franchisees.

Franchisees of the Merged Group (as well as other pharmacies) compete at a retail level based on a number of factors, including price, location, the quality and variety of their products and services, reputation, in-store experience and brand recognition. The desirability of the intellectual property, goods and services supplied by the Merged Group to its franchisees is impacted by the effectiveness of this offering in the view of those customers both generally and compared to competitors of the Merged Group, including other wholesalers and franchisors (or the option of operating as an unbranded pharmacy). Additionally, the market for FOS products such as vitamins, personal care, beauty and wellness products is highly price competitive at all levels of the supply chain and at the retail level. If the Merged Group is not able to wholesale or distribute FOS goods to pharmacy customers at competitive prices, or if pharmacy customers do not offer such FOS goods to consumers at competitive prices, demand for such FOS goods supplied by the Merged Group will reduce. Any deterioration in the Merged Group's or its associated franchisees or customers' competitive position and operating performance, or increased competition from new and existing competitors, could affect the Merged Group's ability to generate wholesale sales, lead to a loss of market share, and cause a decline in profitability.

Any future deregulation of pharmacy in Australia, so that non-pharmacists are permitted to own pharmacy businesses, would have a significant impact on the competitive dynamics in the pharmacy sector. Deregulation could also see the current prohibition on supermarket chains or other large retailers (including online retailers) from owning pharmacies removed. If this were to occur, supermarket chains and other large retailers would be able to compete directly with the Merged Group's pharmacy franchisees and pharmacy customers for the sale of prescription and OTC products, including online, which could have consequential negative impacts on the Merged Group's wholesale sales and profitability as well as impacting demand for services from their franchisor businesses. Although Sigma considers that the Merged Group would be well-positioned to respond to such a change, the impact is unpredictable for the Merged Group and its pharmacy customers.

(c) Impact of the need for pharmacy customers to obtain approvals from State pharmacy regulators

Although wholesaler, franchisor, lessor and/or business lender relationships between non-pharmacists and pharmacists are well-established and accepted in Australia, the laws preventing non-pharmacists from holding a 'financial', 'ownership' or 'proprietary' interest in a pharmacy (depending on the jurisdiction) impact the commercial terms which can be agreed between the Merged Group and their pharmacy customers including franchisees. These laws may also make certain provisions in agreements between suppliers and pharmacies void.

In States and Territories other than Queensland (where the law to align with other States has been passed and is scheduled to commence in late calendar 2025), a franchisee of the Merged Group cannot open a new pharmacy, relocate or undergo a change of ownership without obtaining approval from the pharmacy regulator. If the regulator considers that the documents submitted with the application will give a non-pharmacist (eg a franchisor) an impermissible interest in the applicant pharmacy, the application may be rejected or the regulator may require changes to be made to the documents before the application will be approved. The pharmacy and the franchisor or other suppliers may in practice need to make the required changes even if they disagree with the regulator's position, to avoid a delay which adversely affects the pharmacy, which may impact the financial performance of the Merged Group and store growth plans.

The Merged Group could also be subject to regulatory action if a regulator considers that the Merged Group's arrangements with a pharmacy give the Merged Group an impermissible interest in the pharmacy or undue influence or control. The consequences were this to occur could include the imposition of criminal penalties or the possibility that the arrangements are declared void. In addition, a pharmacy customer's approval could be revoked or cancelled in some States (Western Australia, Tasmania, Victoria, and Queensland when new laws commence), which may impact the Merged Group's revenue from those pharmacy customers. Although some agreements, including franchise agreements, are reviewed by State and Territory pharmacy regulators when approvals are obtained, a risk of regulatory action may arise if the regulator considers that it was not aware of the full import of the arrangements between the Merged Group and a franchisee, or forms the view that the in-practice arrangements differ from the documents which were reviewed. A regulator may also change its interpretation of the relevant regulatory regime and may reject an application substantially on the same terms as a previously approved application, or a renewal of an application on the same terms that was previously approved, or otherwise seek regulatory action. If this were to occur, there could be a material adverse effect on the Merged Group's store growth plans and the financial performance and prospects of the Merged Group.

(d) Impact of Australia's pharmacy ownership laws and stakeholder activism

Historically, pharmacy stakeholders have been known to oppose proposed changes to Australia's pharmacy ownership laws and of agitating for regulatory intervention where a business model emerges (or is speculated) that may disrupt the status quo, notwithstanding that some pharmacists may wish to participate in that business model.

It is possible that pharmacy stakeholders may seek to disrupt the Merged Group's or its franchisees' or customers' operations, or growth or expansion into new areas or new activities, and/or to encourage regulators to do so. Pharmacy stakeholders may seek to argue in the public domain or in representations to government that aspects of the Merged Group's arrangements are or should be prohibited or void. If the Merged Group's compliance with the pharmacist-owned pharmacy model becomes a matter of public contention, confidence in the Merged Group's revenue base may be negatively impacted until the issues are resolved. Pharmacy stakeholders may also seek to argue for additional regulatory restrictions to be enacted which would negatively impact the Merged Group and/or its franchisees or pharmacy customers compared to their respective competitors.

(e) Impact of the need for NSW based pharmacy customers to obtain approvals from the NSW State pharmacy regulator

NSW has the most restrictive laws in Australia relating to pharmacy ownership. The NSW laws are broadly expressed, of uncertain scope and subject to differing interpretations. An approval is required from the NSW regulator before opening or relocating a pharmacy business, or if there is a change of ownership of a pharmacy business. The NSW regulator requires that franchise or similar agreements are submitted with applications for approval and will reject the application if it forms the view that the supplier will obtain a financial interest in the customer pharmacy business. However, no further approvals are required in NSW where such agreements expire or are terminated and new agreements are entered into.

The NSW regulator has been routinely approving pharmacy application documentation submitted by Chemist Warehouse pharmacy customers involving a services agreement and a separate trade mark licence. While these agreements are less comprehensive than the franchise agreements in use in other Australian States and Territories, Chemist Warehouse considers that they provide a sound basis for NSW pharmacy customers to receive intellectual property and services from Chemist Warehouse. While some comfort can be obtained in NSW from past approvals having been granted based on a particular form of documents, the outcome of any individual application can still be unpredictable. One way in which individual applications may differ from each other is quantum of fees.

11. Risks continued

In NSW, as in other Australian States and Territories, fees that represent fair value for goods, services and intellectual property provided, in a genuine customer/supplier relationship, should not confer a prohibited interest on the supplier. However, to the extent the NSW regulator considers that the absolute quantum of fees, or its own view of the fair value of fees, is relevant to its consideration of whether a supplier has a prohibited financial interest in a pharmacy business, that may impact the outcome of an application. Should any application by a pharmacy customer of Chemist Warehouse be rejected by the NSW regulator for whatever reason, the applicant may opt to re-submit addressing any specific concerns identified by the NSW regulator or alternatively exercise rights of review and appeal. If this occurs, this may delay applications or result in less optimal arrangements being entered into, which may impact the Merged Group's operations (including the profitability of those operations) and ability to realise store growth plans in NSW profitably.

(f) Inadequate or poor inventory management

The Merged Group relies on its data analytics, human analysis and inventory management systems to manage its business, in particular its stock levels and stock purchasing. If the Merged Group's inventory management system or data analytics fail or use inaccurate information or assumptions, there could be errors in order fulfillment, delayed shipments, and increased administrative costs.

If the Merged Group's demand planning is inaccurate, then this could lead to stock imbalances. Excess inventory could tie up capital, lead to higher holding costs, including occupying excess warehouse space and increasing the risk of obsolete stock. In the event of insufficient stock, delayed order fulfillments might mean loss of sales for each of the Merged Group, its franchisees and pharmacies, and loss of customers. It could also mean that the Merged Group is unable to meet its obligations for supplying PBS medicines under the CSO Deed. The consequences for the Merged Group being unable to meet its supply obligations under the CSO Deed include financial or non-financial sanctions, and potentially, exclusion from the CSO funding pool or termination of the CSO Deed by the Federal Government.

If the Merged Group fails to achieve appropriate stock holdings, including by failing to efficiently manage stock return arrangements, this could adversely impact their financial position via a build-up of stock, an increase in write-offs, increased working capital requirements, inefficient use of capital and decreased productivity, any of which could have a material adverse effect on the Merged Group's financial and operating performance.

(g) Inadequate or poor liquidity management or failure to raise funding when required

Effective liquidity management will be imperative to meet the Merged Group's ongoing funding requirements, manage working capital and execute its overall business strategies. Poor or inefficient management of its liquidity risk could adversely affect the Merged Group's operations and financial performance.

The Banking Facilities (as described in section 12.6) may require refinancing in the future. The Merged Group may also require new or additional debt facilities in the future. The Merged Group's ability to secure funding at the appropriate time will depend on the amount of funding required, the proposed tenor of funding, the performance and future prospects of its business, and a number of other factors which are prevailing at that time which may be beyond the control of the Merged Group (eg interest rates, economic conditions, debt market conditions and legislative, regulatory or other factors). There is no assurance that the required funding will be secured at all or on acceptable terms and in the timeframe required, which may constrain the Merged Group's business operations (for example by preventing investment in growth or to respond to competitive pressures) and adversely impact the Merged Group's financial performance.

Other potential risks to the Merged Group associated with the Banking Facilities and other current or future financing arrangements include breaching debt covenants, incurring increased borrowing costs (for example, if interest rates rise) or not being able to meet financial commitments when they fall due, as well as the detrimental financial impact on their business from the sub-optimal use of capital and the potential adverse reputational impact from suppliers or creditors.

In addition, poor liquidity management may impact upon the Merged Group's strategic flexibility – for example, the Merged Group's ability to execute on its strategic goals by taking advantage of favourable opportunities as they arise, or its ability to adapt to changing market conditions, invest in innovation, or pivot in response to competitive pressures. This lack of strategic flexibility can hinder long-term growth and competitiveness.

(h) Loss of a material customer or customer group or customer default

There is a risk that the Merged Group may lose a material individual customer or material customer group including by reason of the Merger Undertaking (as described in section 11.1(b) above), which includes commitments not to prevent or hinder Sigma franchisees and other wholesale customers which signed an agreement with Sigma prior to 1 July 2024 from terminating their agreements with Sigma for a period of 3 years of the Implementation Date, which could negatively impact the Merged Group's wholesale revenue, result in a lower customer base for the Merged Group's retail franchisor services and healthcare programs, lead to weaker buying power from a decrease in volume of product purchased, and a significant change to revenue scale could mean the Merged Group may be unable to support its fixed cost base. An individual customer or a buying group may default in a payment to the Merged Group or suffer an insolvency event. This could lead to a negative working capital impact due to overdue debts and increased borrowing costs and increased legal and debt recovery costs. Any of these could have a material adverse effect on the Merged Group's operations or financial performance.

The Merged Group is party to a number of contracts and agreements with a broad range of suppliers and service providers. Some contract counterparties (include lease counterparties) have a right to terminate contracts in certain circumstances, including where a change of control provision is triggered or where the Merged Group is in material breach of the contract. Some parties could elect to terminate or use their rights to seek variations to contractual terms. In addition, some contracts contain a right for the counterparty to terminate for convenience at any time during the contract terms. Some of the Merged Group's material contracts are undocumented or 'ad hoc', have expired or will expire in the next 12 months and there is a risk that the Merged Group will not be able to renew them on favourable terms or at all.

(i) Inability to acquire products at competitive prices and exposure to third parties' supply chain vulnerabilities

The Merged Group's ability to wholesale or supply products at competitive prices to their respective franchisees or pharmacy customers and to online consumers for FOS goods, will be highly dependent on securing competitively priced arrangements from third party suppliers. The Merged Group may be unable to source products from key suppliers or may experience delays in transportation and may therefore be unable to service its customers' needs. Furthermore, if a third-party supplier does not allocate enough stock to the Merged Group relative to its anticipated demand for that product, or there is a wide-scale shortage of a particular type of pharmaceutical (eg as has recently occurred with semaglutide), this would have an impact on the Merged Group's revenue and cash flow. The Merged Group may be materially and adversely affected if any of these suppliers are not willing or not able to supply products as contracted (including as a result of delay or disruption), or if the Merged Group is unable to continue to negotiate favourable terms with suppliers (including in relation to the wholesale cost of the products) or find suitable replacement suppliers.

The Merged Group will be subject to supply chain vulnerabilities of global prescription, OTC and FOS product manufacturers (including direct suppliers to the Merged Group, upstream suppliers or logistics suppliers). The pharmaceutical industry experiences varying levels of 'temporarily out of supply' and 'manufacturer can't supply' events for particular prescription, OTC and FOS products from suppliers. These levels fluctuate depending on the supply chain vulnerabilities of the manufacturer. Furthermore, environmental factors, including those related to climate change, as well as pandemics and conflicts can contribute to supply chain disruptions and fluctuations in demand. Extreme weather events, natural disasters, or environmental policy changes may impact transportation infrastructure, disrupt production facilities, and lead to delays in the delivery of prescription, OTC and FOS products alike.

Any impacts to the Merged Group's supply chain could not only affect the availability of inventory, but also increase operational costs associated with sourcing alternative supply chain routes or contingency plans. Should the Merged Group's supply chain be disrupted, it could lead to a loss of sales resulting in lower revenue, a loss of market share and have the potential to materially impact the Merged Group's financial performance, operational efficiency, reputation and overall business continuity. Where the disruption impacts exclusive or owned brands, there may also be flow-on negative impacts to margins able to be achieved by the Merged Group. If this were to occur, there could be a material adverse effect on the Merged Group's financial performance.

(j) Cyber risk

Notwithstanding any preventative measures, given the Merged Group's dependence on IT systems and infrastructure, it will be vulnerable to cyber-attacks (including state-sponsored attacks), ransomware attacks, computer viruses or data breaches. This is particularly the case given the increasing frequency and sophistication of attacks. If the Merged Group were to experience a significant cyber security incident, this could result in financial loss especially if the Merged Group did not have adequate insurance coverage, operational disruption or reputational damage, for example, as a consequence of being unable to meet wholesaling obligations due to impacts on the Merged Group's distribution network or from an inability to provide services and support to franchisees due to system interruptions.

A security breach or cyber-attack could result in significant business disruption and cost, misappropriation of funds, the unavailability of core business systems, loss of intellectual property and disclosure of sensitive business information or personal data. Other consequences could include legal or regulatory liability (or increased regulatory scrutiny), loss of business and reputational damage or adverse effects on customer relations. In addition, the Merged Group may incur significant costs to investigate and rectify the incidents, including identifying system vulnerabilities or introducing additional safeguards to minimise the risk of future events. Any of these could have a material adverse effect on the Merged Group's financial performance.

(k) Inadequate IT infrastructure and systems

The Merged Group will rely heavily on IT infrastructure and systems to manage its businesses, including its compliance with various regulatory, legal and tax requirements. These systems include inventory management software, enterprise resource planning systems, point of sale systems, supply chain and distribution systems, data analytics, e-commerce systems, computer systems and hardware, network and telecommunications equipment and systems and financial and document management systems. Any failure to successfully maintain adequate systems including the timely replacement of legacy systems, or implement updates or changes across business operations without disruptions, may negatively impact the Merged Group's business and performance or its ability to monitor and report on its financial performance in a timely manner.

In particular, Chemist Warehouse is currently undertaking an ERP upgrade project to replace a legacy system. Failure to manage and implement this project properly may lead to disruptions in the business of Chemist Warehouse and the Merged Group after implementation and may have an adverse effect on the revenue and profitability of the Merged Group.

11. Risks continued

Sigma is currently undertaking a project to migrate all remaining third-party logistics contracts onto SAP. Failure to manage and implement this project properly may lead to disruptions in the business of Sigma and the Merged Group after Implementation and have an adverse effect on the revenue and profitability of the Merged Group.

The Merged Group will rely on third party providers for various services, including IT software. There is a risk that any disruption or interference with the operations of any of the Merged Group's third party providers may restrict, interrupt or adversely affect the Merged Group's business.

In addition, the Merged Group could be subject to various IT system damage or failures, corruption, network disruptions, cybersecurity attacks (discussed further above), loss of data, breaches in data security, and other malicious or non-malicious disruptions and incidents, any of which may interrupt or otherwise have a material adverse effect on the Merged Group's operations, financial condition and operating results. A failure may be caused by various factors including equipment failure, information technology failure, stock handling procedures breakdowns, labour shortages or work stoppages, events that impede transportation of products, failure of third parties or malicious activities.

(l) Due to local regulations, each New Zealand pharmacy needs to be operated through a JV-like structure with New Zealand registered pharmacists

Under New Zealand law, New Zealand registered pharmacists must hold the majority of the shares in, and must have effective control of, any company that operates a licensed pharmacy. Additionally, no single pharmacist can hold a majority of shares in the operating companies of more than 5 pharmacies. There are no restrictions on the share of economic ownership of pharmacies in New Zealand. Under the Merged Group's model in New Zealand, each New Zealand pharmacy is operated by a separate company. Locally registered pharmacists hold a controlling interest in each such company and the majority of directors on the boards of those companies are the locally registered pharmacists. Chemist Warehouse has option arrangements in place which, amongst other things, facilitate the replacement of a pharmacist co-owner with a different New Zealand registered pharmacist in certain circumstances such as in the event that the pharmacist cannot act as a director or loses their registration as a pharmacist or is in breach of relevant law or of applicable governing documentation (for example, there are obligations for pharmacist shareholders to use best endeavours to do everything necessary to ensure the relevant company continues to meet New Zealand licensing requirements and not to act in a way that may prejudice the ability for the company to operate the business). If the Merged Group cannot expeditiously identify suitable New Zealand registered pharmacists who wish to participate in this structure, or if there is not an alignment of interests between the Merged Group and the pharmacist co-owners, the financial and operational performance of one or more New Zealand pharmacies may be negatively impacted.

Recently, Chemist Warehouse has become aware that the New Zealand pharmacy licensing regulator, Medsafe, is taking a more stringent approach to rights held by non-pharmacist shareholders in companies which operate licensed pharmacies, for example, through requirements for certain decisions of the operating company to be made by unanimous board or members' resolutions. Chemist Warehouse will engage with Medsafe in relation to the position as regards customary minority protections, noting that protections under the Companies Act 1993 (NZ) (eg. the need for special resolutions of members for certain decisions) would continue to apply. The outcome of this engagement is unknown. A reduction in protections for Chemist Warehouse available through supermajority voting arrangements creates a possible exposure for Chemist Warehouse if the pharmacist shareholders/directors vote together on a former supermajority matter against Chemist Warehouse's interests. There is not expected to be an impact on the operations or performance of the pharmacy businesses, as matters which are already decided by ordinary resolution are not affected.

(m) Occupational health and safety incident or breach

Notwithstanding any preventative measures, due to the nature of the Merged Group's operations, it will be exposed to a risk of workplace accidents or unsafe operations. A health and safety incident could lead to harm or injury to the Merged Group's employees, contractors or other parties (including the public).

The Merged Group's wholesale and distribution operations will be characterised by a labour-intensive workforce in warehouses and distribution centres. The nature of work involves manual, repetitive tasks, use of machinery, working at heights and includes order picking, packing and transportation, which pose inherent risks to the safety and well-being of the Merged Group's employees and contractors. The nature of the Merged Group's workforces may lead to challenges in managing occupational health and safety effectively.

The Merged Group's safety protocols may not be implemented consistently or strictly adhered to across the Merged Group's operations. If the Merged Group's safety measures are ineffective, this could result in loss of life or work-related injuries, impacting the emotional and physical health of the Merged Group's employees or contractors and leading to increased absenteeism, decreased productivity, compensation payments, fines and other legal liability. Other consequences could include regulatory scrutiny, litigation, fines and increased compliance costs (including increased insurance premiums), loss of business and reputational damage. Any of these could have a material adverse effect on the Merged Group's financial or operating performance.

(n) Impact of adverse economic conditions, negative consumer sentiment or unfavourable market and consumer trends

Adverse economic conditions, including unfavourable interest rates, unemployment rates or inflation rates, negative consumer and business sentiment as well as geographical and political events may affect the Merged Group's business.

These adverse economic conditions are outside of the Merged Group's control but may have a negative impact on the discretionary spending habits of consumers (which in turn may impact demand for FOS goods from the Merged Group) or of franchisees or customers of the Merged Group itself. This may result in a significant decrease in demand for and revenue generated by the Merged Group's products and services or impact the success of franchisees or the Merged Group's growth plans.

The Merged Group will also be exposed to the risk that market and consumer trends and demand in relation to products or services supplied by it (including in the case of Chemist Warehouse, demand from suppliers for advertising and marketing services) may change. The Merged Group may be slow or unable to anticipate changing trends and respond in a timely fashion; it may not optimise its product offerings by stocking too wide a range, or stocking products which could be costly to service. Any unanticipated changes or fluctuations in market and consumer behaviour and trends, or inadequate responses to them, may result in a reduction in the Merged Group's revenue and the number of pharmacy customers and franchisees it attracts and retains, which may have a material adverse effect on its financial performance and financial position.

(o) Failure to achieve expected growth in store roll-outs and the potential loss of franchisees

Sigma and Chemist Warehouse have identified a number of potential areas of growth to drive sales in the Merged Group post Implementation, which includes continuing to pursue opportunities for growing the Merged Group's Retail Network in Australia and overseas. For example, Sigma has previously announced a target of reaching 300 Amcal and 150 DDS franchisees. There is a risk the Merged Group may not be able to successfully execute its growth plans or that doing so may take longer or cost more than anticipated including by reason of the Merger Undertaking, which will impact its future financial prospects and position. For example, the store roll-out plan may be impacted by a number of factors, including the availability of new franchisees or the ability to attract existing franchisees from other franchisors, the ability for new franchisees to obtain financing (including from EYFS – see further information in section 8.2(e) of the Merged Group section) to fund the acquisition of the stores, suitable sites in target locations and regulatory restrictions.

If the Merged Group fails to execute on its growth strategies, including to achieve the expected growth in store roll-outs, and associated expected increase in FOS goods sales and other revenue, it may experience adverse financial impacts, potential reputational damage, and the risk that the Merged Group becomes uncompetitive in the market. Any of these could have an adverse effect on the Merged Group's financial performance.

Sigma is currently seeking to transition its PharmaSave banner brand pharmacies to its Amcal and DDS brands in addition to growing the number of pharmacies under the Amcal and DDS brands. Between the announcement of the Transaction on 11 December 2023 and 30 September 2024, Sigma's Franchise Network has reduced by approximately 47. Further details regarding the rationalisation of the PharmaSave banner brand are set out in section 6.3(a)(ii). There is a risk that Sigma (and later, the Merged Group) may not be successful in seeking to transition all PharmaSave franchisees (who may move to competing franchisors or alternative service providers), or that doing so will take longer or cost more than anticipated, which will impact revenue and sales.

There is a risk that Implementation of the Transaction may result in a further loss of franchisees of the Merged Group, whether because of the franchisees' negative sentiment towards Chemist Warehouse or Sigma in the market or otherwise, which may be facilitated by the Merger Undertaking, which includes commitments not to prevent or hinder any Sigma franchisees who signed an agreement with Sigma prior to 1 July 2024 from terminating their franchise arrangements or any other agreements with Sigma for a period of 3 years from Implementation. There is also a risk that the Merged Group may lose franchisee pharmacies whose arrangements have expired or are being held over, including to competing franchisors or alternative service providers. If there are losses of franchisees, there could be a reduction in expected growth of the Merged Group, which could have a material adverse effect on the Merged Group's financial performance or position.

(p) Loss of critical infrastructure

If the Merged Group were to lose critical infrastructure, this could cause significant business interruption. The loss of a critical site, such as a wholesale distribution centre, permanently or for a sustained period could be as a result of a number of unforeseen factors, including floods, fires, pandemics or other disasters or climate-related events. There could also be an unforeseen outage due to a cyber-attack (refer to section 11.1(j) above). There is an associated risk that the Merged Group's business continuity plans will not be effective or will not be followed properly in the event of a disaster.

The impact of such a loss may not be adequately covered by insurance and could include the need for increased short-term or contract labour, inventory replacement costs, data loss, significant disruptions for customers (and the consequential reputational damage to the Merged Group), the need for capital expenditure or repair costs. It could also impact on the affected Merged Group's ability to deliver products in full and on time to its customers, which could result in lost sales, contractual or regulatory breaches, or negatively impact upon the Merged Group's competitive position. Any of these could have a material adverse effect on the Merged Group's financial operations or performance.

11. Risks continued

(q) Risks inherent in franchise arrangements, including protections under franchising laws and Australian and international pharmacy ownership laws

The Merged Group's financial performance will be dependent to varying degrees on the success of its franchisees as described below. Pharmacies which operate under the Merged Group's licensed brands will operate within competitive environments and there is a risk that franchisees do not operate their franchise effectively, or in accordance with their franchise agreement. It is not guaranteed that franchised pharmacies will be operated to a uniformly-high standard, nor that consumers will experience a uniform in-store experience, and this could have adverse implications for the Merged Group franchisor, including reputational damage, regulatory investigation or sanction or reduced revenue from franchise fees or wholesale purchases.

Although the Merged Group's franchisees will be or may be incentivised to acquire certain products or volumes from their relevant Merged Group franchisor, there will be no legal obligation on them to do so. There is a risk that franchisee pharmacies may reduce or cease their level of ordering of products or services provided by the Merged Group, prompted by a pharmacist's desire for change or by the performance, service or offerings of the Merged Group. This could have a material adverse effect on the Merged Group's financial performance.

In addition, if a franchisor has a significant degree of influence or control over a franchisee entity's employment and payroll-related affairs and the franchisee breaches a civil remedy provision under the *Fair Work Act 2009* (Cth) (**FWA**) (such as failing to pay wages correctly, contravening a modern award or enterprise agreement, misrepresenting independent contractor arrangements or other claims), then the franchisor may be exposed to penalties for breaching the FWA and ordered to pay compensation (such as unpaid wages) to the franchisee's employees, unless the franchisor can prove they have taken reasonable steps to prevent the contravention by the franchisee.

As franchisees, these pharmacies have certain statutory protections under the Franchising Code which is a mandatory industry code under the CCA. The Franchising Code prohibits certain terms being included in franchise agreements and imposes substantial disclosure regimes, as well as imposing a general obligation on franchisors and franchisees to act towards each other in good faith. The franchisor may be exposed to regulatory action and substantial penalties for breaching the Franchising Code. Reforms to the Franchising Code may increase the regulatory obligations on franchisors and the financial penalties for non-compliance.

Additionally, pharmacy franchisees may seek to argue that elements of their agreements with their franchisor and/or supplier are illegal or void under Australia's pharmacy ownership laws, and therefore unenforceable (which may involve a claim by pharmacy franchisees that certain historical fees received under franchise or other arrangements should be repayable or that future fees should be reduced). If the Merged Group is in a dispute with a franchisee or a group of franchisees, the position adopted by the franchisee or the group of franchisees may include additional claims under pharmacy ownership laws (which may not be available to non-pharmacy franchisees), which may make the dispute more protracted or difficult to resolve in a manner satisfactory to the Merged Group.

(r) Risks associated with loss or unavailability of key talent and labour force

The Merged Group will rely on the experience, expertise and knowledge of specific individuals and the loss or unavailability of key team members from the business could significantly impact the business' operations, strategic decision-making, reputation and overall performance.

Existing management personnel of each of Sigma and Chemist Warehouse have extensive experience in, and knowledge of, the pharmacy industry, as well as knowledge of their respective businesses and relationships with its franchisees and key suppliers. The loss or absence of key individuals from either business post-implementation could potentially lead to disruptions in supplier relationships, regulatory knowledge, customer interactions and day-to-day management, any of which could potentially affect the Merged Group's ability to adapt to market changes and capitalise on opportunities. Whilst it is expected that the Merged Group will have succession planning measures in place, including talent development, there can be no assurance that appropriately skilled personnel would be identified and retained in a timely fashion (particularly as competition for personnel and key talent is high in this landscape), nor that the transition to new leadership would be without disruption to the business. Furthermore, the success of the Merged Group will be linked to the success of its franchisees, such that similar considerations exist with respect of their retention and ability to attract key employees.

Furthermore, the Merged Group will have operations internationally, some of which are structured as joint venture or similar arrangements with locally qualified pharmacists, who have a key role in managing the operations of the business in the relevant overseas jurisdiction, and whose involvement is in some cases required to ensure compliance with local pharmacy laws. For example, in New Zealand, a minimum level of shareholding and control by pharmacists applies to each company that operates a retail pharmacy. The loss, unavailability, de-registration or disqualification from acting as pharmacist or a director of a joint venture partner could significantly impact that business' reputation, operations, strategic decision-making and overall performance, or result in costs or delays as a result of needing to restructure the joint venture arrangements or the need to introduce, or increase the holdings of, other local pharmacists to ensure regulatory compliance.

Outside of key management, the Merged Group's business will be labour intensive and require a significant number of personnel to operate efficiently (including in relation to the respective wholesaling, marketing, logistics, franchising and the online retail aspects of the Merged Group's business). Given the tight labour market conditions in Australia and the high level of demand for employees, there is a risk that the Merged Group could be unable to secure the staff that it requires, which may have adverse impacts on the Merged Group's operational stability and performance. In addition, the geographic location of some of the Merged Group's operations have small labour pools with heightened competition from other local businesses, which can make it more difficult to attract and retain labour.

If the Merged Group is unable to attract and retain a sufficient number of qualified employees at reasonable costs, its business and operations could be negatively affected. There can be no assurance that the Merged Group will be able to retain employees in key positions or recruit a significant number of new employees with appropriate technical qualifications to compensate for the loss of employees or to accommodate its future growth. The ability to meet labour needs while controlling costs associated with hiring and training new employees is subject to external factors including the actions of other businesses, unemployment rates, prevailing wage legislation (including applicable awards), the industrial relations landscape and changing demographics. There is a risk that adverse changes in these factors may occur which would inhibit the Merged Group or its franchisees' ability to hire and retain employees or increase the cost of employing them.

The consequences for the Merged Group include financial loss, business continuity issues, increased costs associated with recruiting and training, and increased health and safety risks, any of which could adversely impact the Merged Group's competitive position, financial performance or reputation.

(s) Risks associated with related parties

As described in detail in section 10.3, the Existing Related Party Arrangements and Future Related Party Dealings require approval by Sigma Shareholders at the Meeting, because they will become related party transactions of Sigma following Implementation. The Existing Related Party Arrangements include supply, lease and franchise arrangements with Existing Related Person Franchisees. Key individuals currently within the management team at, or on the board of, Chemist Warehouse, including Mario Verrocchi, Jack Gance, Damien Gance and Danielle Di Pilla (who will all be directors of Sigma following the Implementation Date) are also key franchisees of Chemist Warehouse. Together with Sam Gance (who will be a substantial shareholder of Sigma following Implementation) and Sasha Robertson (the spouse of Damien Gance), these individuals (or entities associated with them) have an interest in 180 of the Chemist Warehouse franchisee pharmacies in Australia (of which there are 573 in total as at the Last Practicable Date), and these pharmacies make a contribution to Chemist Warehouse's revenue (in FY24 they constituted approximately 25% of the revenue of Chemist Warehouse). Other members of management of Chemist Warehouse may also be significant franchisees, and it is also the case that currently, the majority of Chemist Warehouse franchisees are Chemist Warehouse Shareholders (and therefore will become shareholders in Sigma following Implementation).

As noted in section 10.3, the Existing Related Party Arrangements (and the Related Party Governance Framework pursuant to which future related party arrangements may be implemented without subsequent Sigma Shareholder approvals) require approval by Sigma Shareholders at the Meeting. To the extent Mario Verrocchi, Jack Gance, Damien Gance, Danielle Di Pilla, Sam Gance or Sasha Robertson, or their associates hold Sigma Shares at the Meeting, they will not be entitled to vote on resolutions relating to these related party arrangements. The Related Party Governance Framework, pursuant to which Future Related Party Dealings (which includes amendments to and renewals of the Existing Related Party Arrangements) may be approved, is also required to be re-approved by Sigma Shareholders every 6 years at the relevant annual general meeting. As noted above, the Merged Group will, following Implementation, receive a material portion of its revenue from payments made by Related Party franchisees to the Merged Group. If the Future Related Party Dealings are not re-approved by Sigma Shareholders in the future, then there is a risk that the Merged Group will not continue to receive this revenue, which may impact the financial and operating performance of the Merged Group.

Furthermore, certain current directors and members of management of Chemist Warehouse have other relationships with the Chemist Warehouse Group, for example through interests in properties leased by the Chemist Warehouse Group (including for store premises and a warehouse) or as suppliers to the Chemist Warehouse Group (the persons mentioned above have property interests under which they received rents of approximately \$41.9 million in aggregate from Chemist Warehouse in FY24). Further detail on the related party arrangements are set out in section 10.3.

There are a number of risks associated with these interrelationships, including:

- if the strength of the alignment of interest between the Merged Group and the Existing Related Persons mentioned above diminishes as a result of the Transaction or for other reasons (for example, due to sales of Sigma Shares by those persons following Implementation (subject to any voluntary escrow agreements applicable to their Sigma Shares)) this may impact on the success of the Merged Group and its franchisees, the financial performance of the Merged Group and the price of Sigma Shares;
- the loss of key individuals (for example due to illness or retirement) may impact the Merged Group both directly and indirectly through impacts to its franchisees. Any inability to replace key franchisees with suitable candidates may impact the Merged Group and any replacement franchisees may not have the same alignment of interest with the Merged Group as the outgoing franchisee. This may lead to loss of franchisees or a reduction in the performance of franchisees, which would in turn impact the financial performance of the Merged Group following Implementation; and

11. Risks continued

- following Implementation, the Existing Related Persons are expected to hold a substantial portion of Sigma Shares on issue, and Chemist Warehouse Shareholders, the majority of whom are also franchisees, will hold approximately 85.75% of the Sigma Shares on issue.²³⁵ As such, these shareholders may be in a position to exercise influence over matters requiring the approval of Sigma Shareholders following Implementation (including but not limited to the election of directors and the approval of significant activities of the Merged Group). The interests of these shareholders may differ from the interests of other Sigma Shareholders, and this may adversely affect those other shareholders.

Approximately 48% of the Merged Group's shares will be held by the Chemist Warehouse Founders. Sigma Shareholders should note that, should the Chemist Warehouse Founders choose to act in concert or find their interests aligned, their combined voting power may be able to block special resolutions of Sigma Shareholders and pass or block ordinary resolutions of Sigma Shareholders. The interests of the Chemist Warehouse Founders may differ from the interests of other Sigma Shareholders, and this may adversely affect those other shareholders.

(t) Delivery of strategic initiatives (projects/acquisitions)

The Merged Group will evaluate strategic initiatives, including acquisitions, from time-to-time. There is no guarantee that the strategic initiatives will be implemented, or if they are, that the anticipated benefits of any such strategic opportunities or acquisitions will be fully realised or realised in a timely manner. If this occurs, then the expected revenue increases, costs savings or additional operational improvements or synergies may not be achieved or may be delayed.

Where the Merged Group acquires another business, that acquired business may not perform as anticipated (including in relation to product or service quality issues) or may be exposed to latent, future or otherwise unknown claims or liabilities that the Merged Group is not indemnified for, or there may be features of the acquired business' model that the Merged Group is less experienced with or that the Merged Group intends to amend.

The consequences for the Merged Group if it fails to deliver on its key strategic projects and integrate its acquisitions successfully include inefficiencies, adverse financial impacts, potential reputational damage and the risk that the Merged Group becomes uncompetitive in the market. Any of these could have an adverse effect on the Merged Group's financial performance.

(u) Changes in consumer perception and consumer confidence

The success of each of the Merged Group's businesses and the businesses of pharmacies which carry their licensed brands will rely on positive consumer perception and consumer confidence in the Merged Group and its brands. The Merged Group's reputation and its potential profitability may be adversely affected by negative publicity or adverse commentary on product or service safety or suitability.

For example, any potential inconsistencies in the quality of services in the Merged Group's franchisee pharmacies, adverse media coverage, product recalls or liability claims, unavailability of products or other issues may lead to consumers having compromised experiences. This in turn may have a detrimental effect on customer confidence and loyalty.

Any damage to the Merged Group's reputation could have an adverse effect on its ability to maintain its market share, financial performance and future prospects.

(v) Evolving expectations with respect to environmental, social and governance standards

Evolving community attitudes towards, and increasing regulation and disclosure in relation to, ESG issues may impact the operation of the Merged Group's business. There is a risk that the Merged Group may fail to keep up to date with any changes to, or the introduction of, ESG-related regulations, which may impact operations. In addition, changes to such regulations may significantly increase costs, such as those relating to ESG compliance and reporting obligations for the Merged Group. There may be supply chain disruptions or other operational disruptions due to changes imposed by the Merged Group or by counterparties to comply with the ESG-related regulations or policies, including for example changing suppliers as a result of complying with modern slavery policies, which may have an adverse effect on the Merged Group's business, financial position and prospects.

Increased expectations with respect to ESG may result in heightened compliance costs associated with meeting prevailing regulatory and disclosure standards. Failure to meet those expectations may impact on the profitability or value of the Merged Group's business, restrict the Merged Group's ability to attract financing or investment, or adversely impact on the reputation of the Merged Group including with its suppliers, franchisees, customers or employees, which may in turn adversely impact the Merged Group's business, financial position and prospects.

235. On a fully diluted basis (including cash-settled and share-based rights, grants or other incentive arrangements which have either been exercised, exchanged or converted for cash since 11 December 2023 or remain outstanding upon Implementation). For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

(w) Inadequate insurance coverage

Chemist Warehouse and Sigma have in place insurance policies for a range of events within coverage ranges determined by their respective boards. Upon Implementation, the Merged Board will consider the insurance coverage of the Merged Group and ensure it has what it believes are adequate levels of insurance. However, there is a possibility that events may arise which are not adequately covered or not covered at all by the existing Chemist Warehouse insurance policies (for example, Chemist Warehouse does not have cyber or product recall insurance coverage) or Sigma insurance policies or the future Merged Group's insurance policies.

The Merged Group cannot guarantee that any required insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims, which could have a negative impact on the financial results and prospects of the Merged Group.

(x) Exposure to litigation, regulatory action or investigation, claims and disputes

The Merged Group, its employees, or persons or entities associated with it may be subject to litigation and other claims, investigations and disputes in the course of its business or otherwise, including but not limited to regulatory action or investigations, employment disputes (including strikes or industrial action), contractual disputes (including outstanding trade debts or, indemnity claims), product liability claims, personal injury claims, privacy breaches, intellectual property, debt recovery, regulatory compliance, occupational health and safety claims, or criminal or civil proceedings.

There is a risk that any such litigation, regulatory action or investigations, claims and disputes could materially and adversely affect the Merged Group's business, operations and financial position, performance and prospects, including as a result of:

- the costs of bringing, defending or settling such litigation, claims or responding to investigations;
- shareholders, managers or employees of any entity associated with the Merged Group being adversely affected by such litigation, claims or investigations and being unavailable, de-registered or disqualified from acting as a pharmacist, director or shareholder of any such entity as a result; and
- the impact on the Merged Group's reputation and regulator and other stakeholder relations.

Litigation or investigations may also distract management's attention from operating and growing the Merged Group's business, impacting the Merged Group's prospects and profitability.

One such matter is an ongoing investigation by ASIC in connection with trading by an individual involved in Chemist Warehouse's business (who is not a member of the proposed key management personnel of the Merged Group and is not critical to the operations of the Merged Group) in Sigma Shares prior to announcement of the Transaction. To date, no allegations have been made by ASIC against Chemist Warehouse or Sigma and ASIC is not investigating Chemist Warehouse or Sigma. No indication has yet been provided by ASIC that any final action will be taken in relation to the matters being investigated. Ultimately a range of negative consequences for the Merged Group, including reputational consequences may eventuate.

11.2 Risks Relating to the Transaction

(a) Completion risk

Implementation is conditional on various matters including Chemist Warehouse Shareholder approval in accordance with the Corporations Act, Court approval in accordance with the Corporations Act and Sigma Shareholder approval (including under Listing Rules 7.1 (issuance of securities under the transaction), 10.1 (in relation to certain business arrangements between the Merged Group and its directors and holders of 10% or more of its shares) and 11.1.2 (change of scale of Sigma), under Sigma's constitution to appoint the Chemist Warehouse nominees to the board as well as a resolution of Sigma Shareholders under Part 2J.3 of the Corporations Act in relation to the Debt Facility Agreement). Refer to section 12.3 for further information regarding the material conditions for the Transaction.

There can be no certainty, nor can Sigma provide any assurance or guarantee, that the remaining conditions will be satisfied or waived (where capable of being waived) or, if satisfied or waived, when that will occur. The satisfaction of a number of the conditions is outside the control of Sigma and Chemist Warehouse including, but not limited to, the shareholder approvals mentioned above.

If for any reason any of the conditions are not satisfied or waived (where capable of being waived) by the time required, Implementation may be delayed or may not occur on the current terms or at all. Sigma will have incurred significant transaction costs in relation to the Transaction even if it does not proceed. These costs may include a reverse break fee of \$10 million payable by Sigma in certain circumstances to Chemist Warehouse. These costs may also be offset by a break fee of \$25 million payable by Chemist Warehouse in certain circumstances to Sigma.

The reverse break fee is not payable merely because the Transaction is terminated as a result of failing to satisfy or waive a condition, other than the condition with respect to the Debt Finance Documents (except where the non-satisfaction is directly caused by Chemist Warehouse). Further detail regarding the reverse break fee is set out in section 12.3(g).

11. Risks continued

(b) Court approval

The Court may not approve the Scheme, either at all or in the form proposed, or the Court's approval of the Scheme may be delayed. In particular, if there is a material change in circumstances between the Scheme Meeting and the Second Court Date, the Court will take the change into account in deciding whether it should approve the Scheme. If there is a material change of sufficient importance so as to materially alter the Scheme, there is a risk that the Court may not approve the Scheme on the Second Court Date.

(c) Scrip component of merger consideration

As part of the Transaction, Chemist Warehouse Shareholders will receive consideration in the form of fully paid ordinary shares in Sigma. Existing Sigma Shareholders will have their shareholding significantly diluted by the issue of the shares to the Chemist Warehouse Shareholders.

Immediately after Implementation, it is expected that existing Sigma Shareholders will own approximately 14.25% of the shares in the Merged Group whereas Chemist Warehouse Shareholders will own approximately 85.75% of the shares in the Merged Group (on a fully diluted basis).²³⁶ The merger ratio was fixed in the Merger Implementation Agreement and will not be adjusted to reflect changes in the market price of Sigma Shares before the Implementation Date. The price of a Sigma Share at the Implementation Date will vary from its price on the date on which the Merger Implementation Agreement was executed, on the date of this Explanatory Memorandum and on the date of the Meeting. Therefore, because the merger ratio is fixed, prior to Implementation, Chemist Warehouse Shareholders cannot be sure of the market value of the Scheme Share Consideration that will be issued to Chemist Warehouse Shareholders on the Implementation Date.

In addition, there is a risk that a significant sale of shares by Chemist Warehouse Shareholders after Implementation (in relation to shares which will not be escrowed) or at the end of the escrow restrictions (in relation to the Escrowed Shares), or the perception that such a sale might occur, could adversely impact the price of Sigma Shares. For further information on the Escrow Arrangements that will be in place post-Implementation, refer to section 12.5. See also the risks associated with related parties above.

(d) Reliance on information provided

Sigma undertook a due diligence process in respect of the Transaction, which relied in part on legal, financial, taxation, synergies and operational due diligence on information provided by or on behalf of Chemist Warehouse. If any such information provided to, and relied upon by, Sigma in its due diligence, and in its preparation of this Explanatory Memorandum and other materials given to ASX and ASIC, proves to be incorrect, incomplete or misleading, or if any of those due diligence enquiries failed to identify potential issues, there is a risk that the actual financial position and performance of Chemist Warehouse may be materially different to Sigma's understanding, or the realisable synergies from the Transaction will be less than anticipated including those reflected in this Explanatory Memorandum. Either of these could have a material adverse effect on the Merged Group's financial condition or performance.

There is also a risk that the due diligence conducted has not identified issues that would have been material to the decision to enter into the Transaction. A material adverse issue that was not identified prior to entry into the Transaction (or an issue that later proves to be more material than first anticipated) could have an adverse impact on the reputation, financial performance or operations of Sigma (for example, Sigma may later discover liabilities or defects which were not identified through due diligence, are more than initially identified through due diligence, or for which there is no contractual protection). Due diligence cannot uncover all potential issues or historical non-compliance by Chemist Warehouse, and reliance has, by necessity, been placed by those undertaking due diligence on the accuracy of information and confirmations provided by Chemist Warehouse and its representatives.

Further, as is usual in undertaking mergers and acquisitions, the due diligence process undertaken identified a number of risks associated with Chemist Warehouse, which Sigma had to evaluate and manage. Certain risks cannot be avoided or managed appropriately and the mechanisms used to manage these risks included in certain circumstances the acceptance of the risk as tolerable on commercial grounds such as materiality. There is a risk that the approach taken by Sigma may be insufficient to mitigate the risk, or that the materiality of these risks may have been underestimated or unforeseen or for which there is no contractual protection, and hence they may have a material adverse impact on the Merged Group's operations, earnings and financial position.

²³⁶ On a fully diluted basis (including cash-settled and share-based rights, grants or other incentive arrangements which have either been exercised, exchanged or converted for cash since 11 December 2023 or remain outstanding upon Implementation). For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the volume-weighted average price of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

(e) Integration risk and realisation of synergies

The integration of two businesses of the size and nature of Sigma and Chemist Warehouse carries risk, including potential delays or costs in implementing necessary changes and difficulties in integrating various operations and systems. The success of the Transaction, and the ability to realise the expected benefits of the Transaction outlined in this Explanatory Memorandum is dependent on the effective and timely integration of the Sigma and Chemist Warehouse businesses following Implementation. There is a risk that integration could take longer, be more complex or cost more than expected, encounter unexpected challenges or issues (including differences in corporate culture, loss of, or reduction in, key personnel, expert capability or employee productivity, or failure to procure or retain employees of Chemist Warehouse or Sigma, require changes to operating models, or loss of existing Sigma or Chemist Warehouse franchisees), or divert the attention of management, which impact on the integration process (which in turn could cause the anticipated benefits and synergies of the integration of Sigma and Chemist Warehouse being less than estimated).

A failure to integrate the businesses in the time and manner contemplated by the parties or a failure to achieve the targeted synergies of integration may impact on the financial performance, operation and position of the Merged Group. Furthermore, Chemist Warehouse will be the most material part of the Merged Group's business upon acquisition. If the Chemist Warehouse business does not perform as expected, this could have a material adverse impact the Merged Group's financial position and performance.

(f) The Merged Group Pro Forma Historical Financial Information is presented for illustrative purposes only and may not be indicative of the results of operations or financial condition of the Merged Group following Implementation

The Merged Group Pro Forma Historical Financial Information included in section 9 is presented for illustrative purposes only to show the effect of Implementation and should not be considered to be an indication of the financial condition or results of operations of the Merged Group following Implementation. For example, the Merged Group Pro Forma Historical Financial Information has been prepared using the historical consolidated financial statements of Chemist Warehouse and of Sigma for certain specific periods and do not represent a financial forecast or projection. The Merged Group Pro Forma Historical Financial Information in section 9 is based in part on certain assumptions regarding the Transaction and certain adjustments and assumptions have been made regarding the Merged Group after giving effect to the Transaction. The information upon which these adjustments and assumptions have been made is preliminary, these types of adjustments and assumptions are difficult to make with complete accuracy, and other factors may affect the Merged Group's results of operations or financial condition following Implementation. For example, due to the fact that Sigma and Chemist Warehouse have differing financial year ends, the Merged Group Pro Forma Historical Financial Information has been prepared by combining information relating to slightly differing financial periods on the basis this does not result in any material misstatement of that information (see section 9 for further explanation of the basis of preparation of this financial information).

In addition, in preparing the Merged Group Pro Forma Historical Financial Information, effect has been given to, among other things, Implementation and the issuance of the Scheme Consideration. The Merged Group Pro Forma Historical Financial Information does not reflect all of the costs that are expected to be incurred in connection with the Transaction. For example, the impact of any incremental costs incurred in integrating Chemist Warehouse and Sigma is not reflected in the Merged Group Pro Forma Historical Financial Information. See the notes to the Merged Group Pro Forma Historical Financial Information in section 9 for further details.

Accordingly, the Merged Group Pro Forma Historical Financial Information does not represent the Merged Group's results of operations and financial condition had Chemist Warehouse and Sigma operated as a combined entity during the periods presented, or of the Merged Group's results of operations and financial condition following Implementation. The actual financial condition and results of operations of the Merged Group following implementation may not be consistent with, or evident from, the Merged Group Pro Forma Historical Financial Information. In addition, the assumptions used in preparing the Merged Group Pro Forma Historical Financial Information may not prove to be accurate, and other factors may affect the Merged Group's financial condition or results of operations following Implementation. Any potential decline in the Merged Group's financial condition or results of operations may cause a significant decrease in the Sigma Share price.

(g) Historical liabilities

If the Scheme is implemented, Sigma may become directly or indirectly exposed to liabilities that Chemist Warehouse may have incurred or is liable for in the past as a result of prior acts or omissions, including liabilities which were not identified during the due diligence enquiries or which are greater than expected, or for which were accepted as a tolerable risk. Such liabilities may adversely affect the financial performance or position of the Merged Group after the Transaction.

Chemist Warehouse has its own corporate, tax, regulatory and risks frameworks. Following an initial period, the Merged Group will make an election as to the most appropriate corporate, tax, regulatory and risk frameworks to adopt. However, there is a risk that Chemist Warehouse's existing frameworks were inadequate. For example, if Chemist Warehouse's tax and regulatory frameworks were inadequate, there is a risk that Chemist Warehouse has not properly identified and responded to changes in tax laws or other laws and regulations which apply to it.

There is a risk that Chemist Warehouse could be exposed to unexpected liabilities resulting from past non-compliances with applicable laws or regulations, which may impact on the financial performance or position of the Merged Group. It may also have other impacts, such as attracting greater scrutiny from regulators or cause reputational damage.

11. Risks continued

(h) Analysis of merger opportunity

Sigma has undertaken financial, tax, legal, commercial and technical analysis of Chemist Warehouse in order to determine its attractiveness and whether to proceed with the Transaction. It is possible that despite such analysis and the best estimate assumptions made by Sigma, the conclusions drawn are inaccurate or are not realised. To the extent that the actual results achieved by the Transaction are different to those indicated by Sigma's analysis, there is a risk that the performance of the Merged Group following the Transaction may be different (including in a materially adverse way) from what is reflected in this Explanatory Memorandum. There is also a risk that Sigma's assessment of matters such as the taxation consequences of the Transaction is challenged by revenue authorities, which can involve future expenditure to consider and defend such challenges or to meet any additional costs or claims.

(i) Risks associated with existing contractual arrangements

A number of material customer and supplier contracts to which Chemist Warehouse or Sigma are a party contain provisions which will give the counterparty a right to terminate the contract because of the change in control of Chemist Warehouse or Sigma (respectively) which will occur at Implementation. A number of material customer and supplier contracts to which Chemist Warehouse or Sigma is a party may also be terminable for convenience on short notice or at will.

Whilst the Merger Implementation Agreement includes obligations for Sigma and Chemist Warehouse to seek the consent of the relevant counterparties to the change of control for certain contracts (including leases) deemed material as agreed between Sigma and Chemist Warehouse, there is a risk that either Chemist Warehouse or Sigma has not identified all contracts which are material to their respective businesses and neither Chemist Warehouse nor Sigma is entitled to terminate the Merger Implementation Agreement for failure to obtain those consents. Sigma Shareholders should note that, generally, supply contracts with franchisee pharmacies do not include minimum purchase obligations, such that a customer may, at any time, decrease the volume of goods and services procured from or provided to the Merged Group, or cease to procure or provide any goods or services at all, regardless of any change of control provision.

There is a risk that, as a result of the Transaction, customers and suppliers of Chemist Warehouse or Sigma may choose to decrease the volume of goods and services procured from or provided to Chemist Warehouse or Sigma, or cease procuring from or providing any goods or services to Chemist Warehouse or Sigma, or otherwise preference procuring from or providing goods and services to competitors of Chemist Warehouse or Sigma. Customers and suppliers may also choose not to renew their contracts with Chemist Warehouse or Sigma after their term or seek to renegotiate the terms of their contracts in an adverse manner, as a result of the Transaction. The breach, termination or non-renewal of material contracts or loss of business could have adverse consequences for the Merged Group, including adverse effects on the Merged Group's operational and financial performance.

(j) Funding

As described in section 12.6, it is intended that the cash component of the consideration for the Transaction will be funded through of the proceeds of new Banking Facilities. Net debt of the Chemist Warehouse Group on the Implementation Date of approximately \$300 million will also be refinanced from the proceeds of the Banking Facilities.

If the Banking Facilities are terminated or are otherwise not available for drawing, this could result in Sigma not having access to sufficient capital to fund the Scheme Cash Consideration. As at the Last Practicable Date, the Banking Facilities contain outstanding conditions precedent to drawdown on terms that are customary for a financing of this nature or are otherwise required by the relevant financiers, being conditions that can only be satisfied on execution of full form documents or on Implementation. In the event the conditions precedent are not satisfied prior to the Implementation Date, Sigma would need to seek alternative sources of funding, which may result in Sigma incurring additional costs (for example, by way of interest payments on debt) and/or restrictions being imposed on the manner in which Sigma conducts its business and deals with its assets (for example, by way of restrictive covenants binding upon Sigma). There is no guarantee that alternative funding could be sourced on terms satisfactory to Sigma or at all. Any of these outcomes could have a material adverse impact on the Merged Group's financial position, prospects and reputation.

(k) Increased leverage of Sigma as a result of the Transaction

Sigma intends to fund the Scheme Cash Consideration by drawing down on the Banking Facilities. This will result in an increase to Sigma's gearing ratio, which creates a level of financial risk. An increase in leverage could adversely affect the Merged Group's cost of funds and related margins, competitive position and its access to capital and funding markets.

Changes in interest rates will affect borrowings which bear interest at floating rates such as the Banking Facilities, to the extent the Merged Group does not hedge this risk. An increase in interest rates will affect the Merged Group's cost of servicing these borrowings which may adversely impact its business and financial performance.

Further, should the Merged Group experience a decrease in its revenue or profitability in the future, it may be forced to lower the amount of dividends to shareholders (or cease paying dividends), issue new shares or sell assets to reduce its debts and avoid being in breach of its financing arrangements (including financial covenants).

(l) Integration of accounting policies

Sigma and Chemist Warehouse, as standalone entities, have exercised judgement in applying accounting policies which is fundamental to how they record and report their financial position and results of operations, and which might have been reasonable in the circumstances, yet might have resulted in reporting different outcomes than would have been reported under the other company's policies and methods. In preparing the Merged Group Pro Forma Historical Financial Information in section 9, Sigma and Chemist Warehouse have exercised judgment in aligning accounting policies, which are considered reasonable in the circumstances yet might have resulted in reporting different outcomes than would have been reported under the Merged Group's policies. The alignment of Chemist Warehouse and Sigma's accounting policies may adversely impact the Merged Group's reported results of operations and/or financial position and performance. Year-end reporting periods will be aligned post Implementation.

(m) Foreign exchange risk and foreign regulations

The Transaction includes the acquisition of controlling interests in overseas entities that operate in New Zealand, Ireland and Dubai and also the acquisition of operations in China. These entities transact in the local currencies of the countries in which they are domiciled. The value of a financial asset, liability, commitment or earnings held or transacted in foreign currency may be impacted by changes in currency exchange rates.

The overseas operations of Chemist Warehouse are also subject to the laws of those countries and could be adversely impacted by changes to laws or regulations in those countries in the future.

11.3 Risks relating to Sigma Shares and general risks

(a) Future dilution risk

Sigma Shareholders (including Chemist Warehouse Shareholders post-Implementation) may have their investment diluted by future capital raisings by the Merged Group. While the Merged Group will be subject to the constraints of the Listing Rules regarding the percentage of its capital it is able to issue within a 12-month period (other than where exceptions apply), its shareholders may be diluted as a result of such fundraisings and may experience a loss in value of their equity as a result of such issues of shares and fundraisings.

(b) Share price, liquidity and Escrowed Shareholders

Sigma is, and the Merged Group will be, subject to the general market risks inherent in all securities traded on a stock exchange. The market price for Sigma Shares may fluctuate over time as a result of a number of factors, including its financial performance and prospects, prevailing market conditions, commodity prices and foreign exchange movements, general investor sentiment, inflation, geo-political conditions, fiscal policy and interest rate rises, as well as the liquidity and volume of the shares being bought or sold at any point in time.

Sigma Shares may therefore rise above or below the current share price, depending on its financial performance and various other factors which are outside of its control.

It is expected that following Implementation, the Escrowed Shareholders will hold approximately 48% of the Sigma Shares. The Escrowed Shareholders will be subject to voluntary Escrow Arrangements in relation to all of their Sigma Shares as described in section 12.4. These arrangements may cause, or at least contribute to, limited liquidity of the Sigma Shares and impact their market price. Furthermore, the prospect of sell downs by the Escrowed Shareholders following the end of the Escrow Period could adversely affect the price of Sigma Shares.

(c) Force majeure events

Events beyond the control of the Merged Group may impact its operations and future profitability. These events include (but are not limited to) fire, flood, earthquake, other natural disasters, pandemics, outbreaks of disease, civil unrest, war, terrorist attack, an outbreak of international hostilities, industrial action or other man-made or natural events or occurrences that can have an adverse effect on the ability of the Merged Group to conduct business. The Merged Group will only have a limited ability to insure against some of these risks.

(d) Australian Accounting Standards may change

AAS are set by the AASB and are outside the control of the Merged Group, the Merged Group Directors, or its senior management team.

The AASB is due to introduce new or refined AAS in future periods, which may affect future measurement and recognition of key statement of income and balance sheet items, including revenue.

There is also the risk that interpretations of existing AAS, including those relating to the measurement and recognition of key statement of income and balance sheet items, including revenue, may differ. Changes to AAS issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Merged Group's consolidated financial statements.

11. Risks continued

(e) Exposure to changes in tax rules and their interpretation

Changes in tax laws and policies, standards and practices may impact on the operation of the Merged Group and its management. Tax laws in Australia are complex and are subject to change, as is their interpretation by the courts and the tax authorities. In particular, both the level and basis of taxation may change. Legal reforms and proposals for further reforms, as well as new and evolving interpretations of existing laws, may give rise to uncertainty.

In addition, an investment in Sigma Shares involves tax considerations which may differ for each Sigma Shareholder. Each investor considering an investment in the Merged Group is encouraged to seek professional tax advice in connection with any investment in the Merged Group.

(f) No guarantee of future dividend payments

The Merged Group Board will determine the target dividend payout ratio post Implementation, which is when the Merged Group senior management and Merged Group Board will be able to consider decisions regarding capital allocation. Details on the expected dividend policy are set out in section 9.15.

Shareholders of the Merged Group will only be entitled to receive such dividends as the Merged Group Board may declare out of funds available for such payments. The Merged Group's ability to pay dividends will be subject to various factors, including those beyond the control of the Merged Group. Further, to the extent the Merged Group pays any dividends, there is no guarantee that the Merged Group will have sufficient franking credits to fully frank dividends or that the franking imputation system will not be varied or abolished.

(g) Expected future events may not occur

Certain statements in this Explanatory Memorandum constitute forward-looking statements. Such forward-looking statements rely on various contingencies and assumptions and involve known and unknown risks, uncertainties and other factors which may cause the Merged Group's actual results, performance and achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given these uncertainties, prospective investors should not place undue reliance on forward-looking statements. In addition, under no circumstances should forward-looking statements be regarded as a representation or warranty by the Sigma, Chemist Warehouse or the Merged Group or any other person referred to in this Explanatory Statement that a particular outcome or future event is guaranteed.

11.4 Risks to Sigma if the Transaction is not implemented

(a) Trading price of Sigma's shares may be materially adversely affected

Any failure to complete or delay in completing the Proposed Merger could materially and adversely affect the price of Sigma's shares.

(b) Transaction costs will be incurred

If the Transaction is not implemented, Sigma's transactions costs will be borne by Sigma alone, subject to any off-set by way of any break fee payment from Chemist Warehouse (if applicable). Sigma may also be required to pay a reverse break fee to Chemist Warehouse, depending on the circumstances in which the Transaction does not proceed. Further information regarding the reverse break fee and the circumstances in which it may become payable are described in section 12.3(g) (together with the break fee that may become payable by Chemist Warehouse).

(c) The benefits associated with the Merged Group will not be realised

If the Transaction is not implemented, the benefits anticipated from the Merged Group will not be realised.

12. Additional information

12.1 Interests of Sigma Directors and Proposed Directors

(a) Executive directors

Vikesh Ramsunder is employed as Chief Executive Officer and Managing Director. See section 8.10(a) for further details.

Mario Verrocchi is employed as an Executive Director. See section 8.10(c) for further details.

Damien Gance is employed as an Executive Director. See section 8.10(d) for further details.

Danielle Di Pilla is employed as an Executive Director. See section 8.10(e) for further details.

(b) Directors' appointment letters

Prior to Implementation, each of the Non-Executive Directors will enter into appointment letters with Sigma, confirming the terms of the appointments, their roles and responsibilities and Sigma's expectations of them as Directors.

(c) Non-Executive Directors remuneration

Under the Sigma Constitution, Sigma in general meeting may determine the maximum aggregate remuneration to be provided to or for the benefit of the Non-Executive Directors as remuneration for their services as a Director.

Further, under the ASX Listing Rules, the total amount of fees paid to the Non-Executive Directors (subject to certain exceptions) must not exceed in aggregate in any financial year the amount fixed by Sigma's members in general meeting.

As at the date of this Explanatory Memorandum, the current maximum aggregate Non-Executive Directors' remuneration for the purposes of the Listing Rules and the Sigma Constitution is \$1,500,000 per annum (as approved by Sigma Shareholders at Sigma's 2015 AGM). This amount includes committee fees and superannuation but excludes, among other things, amounts payable to any executive Sigma Director under any executive services agreement with the Group or any other special remuneration which the Sigma Board may grant to the Non-Executive Directors for special exertions or additional services performed by a Non-Executive Director for or at the request of Sigma.

If the Transaction completes, it is intended that the following annual base fees would be payable to the Merged Group Directors on and from Implementation (as applicable).

Director fees

| | |
|------------------------|-----------|
| Chair | \$550,000 |
| Non-Executive Director | \$200,000 |

The following annual committee fees are payable to the Chairman of the Merged Group Board committees (with effect from Implementation), with the exception of the Chairman whose remuneration is inclusive of all committee membership fees.

| Committee fees | Chair fee |
|---|-----------|
| Related Party IBC | \$50,000 |
| Audit Committee | \$50,000 |
| Nomination and Remuneration Committee | \$50,000 |
| Risk, Compliance and Sustainability Committee | \$50,000 |

The Merged Group Directors (other than the exception of the Chairman) will receive additional fees for being a member of a Merged Group Board committee of \$25,000 per annum. The Chair's remuneration is inclusive of all committee attendance and is not entitled to any additional remuneration by virtue of committee membership or attendance.

The Sigma Directors intend to ask Sigma Shareholders to approve an increase in the total Non-Executive Director fee pool to \$2,500,000, at the Meeting.

The remuneration of Non-Executive Directors is not incentive based and Non-Executive Directors do not participate in employee share plans or receive performance shares, rights or options over Sigma Shares.

All fees include superannuation payments required by law to be made.

(d) Deeds of indemnity, access and insurance

Sigma has entered into a deed of indemnity, access and insurance with each Sigma Director.

Pursuant to the Sigma Constitution, Sigma must, to the extent the person is not otherwise indemnified, indemnify each officer of Sigma and its wholly owned subsidiaries against a liability incurred as such an officer. Each deed indemnifies the Sigma Director (to the maximum extent permitted by law) against any liability and expenses incurred as a director of the Sigma Group, whether the conduct occurred before or after the date of the deed. The indemnity continues even after a Sigma Director ceases to be a director of the Sigma Group. The deed provides that Sigma must meet the full amount of any such liabilities, including legal costs and disbursements that are incurred in relation to any investigation or proceeding.

12. Additional information continued

Each deed contains the Sigma Director's right of access to certain books and records of Sigma or a Sigma Group Company for the period from the date of the deed until seven years after the Sigma Director ceases to hold office of Sigma or a Sigma Group Company. This seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires.

Pursuant to the Sigma Constitution, Sigma may arrange and maintain directors' and officers' insurance for the Sigma Directors to the extent permitted by law. Under the deed of indemnity, access and insurance, Sigma must maintain (and pay the premium for) such insurance for the period from the date of the deed until seven years after the Sigma Director ceases to hold office of Sigma or a Sigma Group Company.

Sigma will enter into a deed on the same or substantially similar terms with each Proposed Director conditional on completion of the Transaction.

(e) Sigma Directors' and Proposed Directors' interests in Sigma Shares and other securities

Sigma has a Minimum Shareholding Policy that applies to Sigma Directors.

If the Transaction completes, then the Minimum Shareholding Policy will apply to the Proposed Directors with effect from the Implementation Date.

The interests of Sigma Directors and Proposed Directors in Sigma Shares and other securities in Sigma as at the Last Practicable Date are set out in the table below.

| The Merged Group Director or Proposed Director* | Sigma Shares held at the Last Practicable Date | | Sigma Shares held at Implementation ²³⁷ | | Percentage shareholding at Implementation ²³⁸ | |
|---|--|-----------------|--|-----------------|--|----------------------|
| | Fully diluted | Shares on issue | Fully diluted | Shares on issue | Fully diluted | Shares on issue |
| Michael Sammells | 258,448 | 258,448 | 258,448 | 258,448 | 0.00% ²³⁹ | 0.00% ²⁴⁰ |
| Vikesh Ramsunder | 17,750,912 | 11,662,028 | 15,805,735 ²⁴¹ | 12,829,134 | 0.14% | 0.11% |
| Chris Roberts | 12,014 | 12,014 | 12,014 | 12,014 | 0.00% ²⁴² | 0.00% ²⁴³ |
| Annette Carey | 21,212 | 21,212 | 21,212 | 21,212 | 0.00% ²⁴⁴ | 0.00% ²⁴⁵ |
| Neville Mitchell | 30,295 | 30,295 | 30,295 | 30,295 | 0.00% ²⁴⁶ | 0.00% ²⁴⁷ |
| Kate Spargo | 719,679 | 719,679 | 719,679 | 719,679 | 0.00% ²⁴⁸ | 0.00% ²⁴⁹ |
| Jack Gance | – | – | 1,578,936,930 | 1,578,936,930 | 13.68% | 13.68% |
| Mario Verrocchi | – | – | 2,555,101,850 | 2,555,101,850 | 22.13% ²⁵⁰ | 22.14% |
| Damien Gance | – | – | 400,211,349 | 400,211,349 | 3.47% | 3.47% |
| Danielle Di Pilla | 15,973 | 15,973 | 105,479,690 | 105,479,690 | 0.91% | 0.91% |

* And/or their associated entities

Final shareholdings held directly or indirectly by the Merged Group Directors (and their associated entities) will be notified to ASX following Implementation of the Transaction.

237. These figures are an estimate and are dependent on the fully diluted number of Sigma Shares on issue as at the Scheme Record Date. For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the VWAP of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

238. These figures are an estimate and are dependent on the fully diluted number of Sigma Shares on issue as at the Scheme Record Date. For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the VWAP of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

239. Based on 6 decimal places, this is equal to 0.002239%.

240. Based on 6 decimal places, this is equal to 0.002239%.

241. In addition to the securities set out in the table above, 1,945,177 Sigma Performance Rights held by Vikesh Ramsunder will lapse upon Implementation and be replaced with cash bonuses of equivalent value (see "Treatment under the Transaction" in Figure 72 and Figure 76).

242. Based on 6 decimal places, this is equal to 0.000104%.

243. Based on 6 decimal places, this is equal to 0.000104%.

244. Based on 6 decimal places, this is equal to 0.000184%.

245. Based on 6 decimal places, this is equal to 0.000184%.

246. Based on 6 decimal places, this is equal to 0.000262%.

247. Based on 6 decimal places, this is equal to 0.000262%.

248. Based on 6 decimal places, this is equal to 0.006233%.

249. Based on 6 decimal places, this is equal to 0.006233%.

250. Mario Verrocchi will hold approximately 22.13% of Sigma Shares and has a relevant interest in approximately 22.16% of Sigma Shares post-Implementation on a fully diluted basis (with the additional relevant interest in 2,882,042 Sigma Shares due to his indirect interest in Goat Properties Pty Ltd).

(f) Sigma Directors' other interests

None of the Sigma Directors have an interest in the outcome of any of the Resolutions other than as a Sigma Shareholder, Resolution 9 and, in respect of the non-executive directors who remain on the board of the Merged Group following Implementation of the Transaction, the increased remuneration they will be entitled to as a result of Implementation of the Transaction and, in respect of Vikesh Ramsunder, the enhanced remuneration package he will be entitled to and treatment outlined in section 12.2 his incentives will receive (including the treatment the subject of Resolutions 10 and 11) if the Transaction is implemented. Further details on the interests of the Sigma Directors, are disclosed in sections 8.10, 12.1 and 12.2. Resolution 9 is for the proposed increase to the non-executive Sigma director fee pool, which the Sigma Directors are excluded from voting on.

As at the Last Practicable Date, none of the Sigma Directors have a Relevant Interest in any Chemist Warehouse Shares.

(g) Other information about the Merged Group Directors' interests and benefits

Merged Group Directors may also be reimbursed travel and other expenses incurred in attending to company affairs, including attending and returning from general meetings or meetings of the Board or committees of the Merged Group Board. A Merged Group Director who performs additional or special duties for the Merged Group at the request of the Merged Group Board may, in accordance with the Constitution, be paid such additional or special remuneration (as determined by the Merged Group Board).

There are no retirement benefits for Sigma Directors, other than statutory superannuation contributions or as a result of an accelerated benefit under Sigma's incentive plans.

12.2 Equity-based remuneration arrangements

(a) Overview

Sigma has in place several equity-based, incentive plans (**Sigma Incentive Plans**) under which eligible participants have been granted equity securities in Sigma (**Incentive Securities**). The Sigma Incentive Plans were established by Sigma with the purpose of aligning the interests of eligible participants more closely with the interests of shareholders by providing an opportunity for eligible participants to receive an equity interest in Sigma.

Figure 71 below summarises the Incentive Securities that are on issue at the Last Practicable Date. They comprise Sigma Shares that were funded by a limited recourse loan from Sigma (**Loan Funded Shares**) and rights to acquire Sigma Shares (**Performance Rights**) that, in each case, are subject to certain vesting conditions. Further detail is set out in sections 12.2(b) to 12.2(c), including how these Incentive Securities will be impacted if the Transaction completes.

Figure 71: Overview of Sigma Incentive Plans

| Plan | Participants ¹ | Incentive Securities |
|--|--|--|
| Short term equity incentive plans | | |
| 2022/23 Short Term Incentive Deferral Rights Plan | Chief Executive Officer and Chief Financial Officer ²⁵¹ | 240,462 Performance Rights (vested and unexercised) |
| 2023/24 Short Term Incentive Deferral Rights Plan | Chief Executive Officer and Chief Financial Officer ²⁵² | 260,844 Performance Rights (unvested) There are no vested Performance Rights |
| 2024/25 Short Term Incentive Deferral Rights Plan | Chief Executive Officer and Chief Financial Officer ²⁵³ | Up to \$341,472 ²⁵⁴ of Performance Rights (unvested) ² |
| Long term equity incentive plans | | |
| 2022 Loan Funded Share Plan | Executives and senior employees | 13,848,236 Loan Funded Shares (unvested) There are no vested Loan Funded Shares |
| 2023 Executive Equity Grant Plan | Executives and senior employees | 9,793,025 Performance Rights (unvested) There are no vested Performance Rights |
| 2024 Long Term Incentive Plan | Executives and senior employees | 2,455,802 Performance Rights (unvested) |
| CEO Sign-On Rights | | |
| Sigma Rights Plan | Chief Executive Officer | 1,482,422 Performance Rights (vested) |

251. That is, the Chief Financial Officer of Sigma as at the time this grant was made (who has since departed Sigma and forfeited the Performance Rights granted to them under this incentive plan).

252. That is, the CFO of Sigma as at the Prospectus Date, being Mark Conway; not Mark Davis, who will be the CFO of the Merged Group, if the Merger completes, with effect from the Implementation Date.

253. Mark Conway.

254. Rounded to the nearest dollar.

12. Additional information continued

Notes:

1. Although eligibility under each Sigma Incentive Plan is broad, grants of Incentive Securities are typically restricted to these persons.
2. If the Transaction is Implemented, instead of being issued Performance Rights at the end of the performance period following testing post 31 January 2025 (which then vests over a 12 month period), the participants will be given a cash bonus of equivalent value. The number of Performance Rights that would have been issued under the 2024/25 Short Term Incentive Deferral Rights Plan will only be known after the end of Sigma's financial year ending 31 January 2025 (being the applicable performance period) when each participant's performance will be assessed against the relevant performance measures. However, the maximum value of Performance Rights that may be granted to all participants is \$341,472²⁵⁵ and the number of Performance Rights that would have been issued to each participant will be determined by dividing the value of a participant's STI equity award (as determined following the performance period) by the volume weighted average market price of a Sigma Share for the 5 trading days immediately preceding the end of the performance period.

(b) Short term equity incentive plans

The STI component of an executive's total reward is an annual at-risk incentive reward and links a portion of executive reward opportunity to specific financial and non-financial measures. An STI component can consist of cash and equity components.

The 2022/23 Short Term Incentive Deferral Rights Plan, 2023/24 Short Term Incentive Deferral Rights Plan and the 2024/25 Short Term Incentive Deferral Rights Plan (together, the **STI Rights Plans**) are the equity-based components of the STIs granted to Sigma executives for Sigma's financial years ended 31 January 2023, 31 January 2024 and 31 January 2025. The STI Rights Plans and their respective rules (**STI Rights Plan Rules**) are substantially alike and have the key features set out in Figure 72 below.

Figure 72: Summary of STI Rights Plans

| Term | Description |
|--------------------------------|---|
| Eligibility | <p>Eligibility under each STI Rights Plan is broad and is open to any director or employee of a Sigma Group Member determined by the Sigma Board in its discretion to be eligible to receive a grant of Performance Rights under the STI Rights Plan (STI Rights).</p> <p>Grants under each STI Rights Plan have typically been restricted to the participants outlined in Figure 71 above.</p> |
| Type and number of securities | <p>Each STI Rights Plan permits eligible participants to be granted Performance Rights. Each STI Right represents a right to acquire a Sigma Share once that STI Right has vested.</p> <p>The number of STI Rights to be issued to a participant is determined at the end of the applicable performance period and having regard to the applicable performance measures for that STI award. The performance measures may include financial and non-financial measures.</p> |
| Vesting | <p>The Sigma Board may determine the performance hurdles and/or vesting conditions that apply to STI Rights, which must be satisfied before a STI Right vests and is exercisable to Sigma Shares.</p> <p>The STI Rights granted under the STI Rights Plans (as set out in Figure 71 above) are subject to time-based vesting as follows:</p> <ul style="list-style-type: none"> • 2022/23 Short Term Incentive Deferral Rights Plan – these STI Rights have all vested. They were subject to a 12 month vesting period from 1 February 2023 and ending on 31 January 2024; • 2023/24 Short Term Incentive Deferral Rights Plan – the STI Rights are subject to a 12-month vesting period from 1 February 2024 and ending on 31 January 2025; and • 2024/25 Short Term Incentive Deferral Rights Plan – the STI Rights are subject to a 12-month vesting period from 1 February 2025 and ending on 31 January 2026, <p>in each case, subject to instances where vesting may be accelerated or STI Rights might lapse upon a participant's cessation of employment with a Sigma Group Member (as set out below).</p> |
| Issue price and exercise price | <p>The Sigma Board may determine the issue price and exercise price of an STI Right.</p> <p>In respect of the STI Rights set out in Figure 71 above, no amount was or is payable by participants to acquire or exercise, respectively, those STI Rights. Likewise, no amount will be payable by participants to acquire or exercise any STI Rights to be issued under the 2024/25 Short Term Incentive Deferral Rights Plan (if any) following the end of the performance period.</p> |
| Exercise period | <p>The Sigma Board may determine the period during which an STI Right may be exercised (STI Term).</p> <p>In respect of the STI Rights set out in Figure 71 above, they must be exercised before the expiry of those STI Rights (being 4 years from their issue date). Likewise, any STI Rights to be issued under the 2024/25 Short Term Incentive Deferral Rights Plan (if any) following the end of the performance period must be exercised within 4 years from their issue date.</p> |

255. Rounded to the nearest dollar.

| Term | Description |
|--|---|
| Cessation of employment | <p>On cessation of employment, the Sigma Board has absolute discretion to determine whether the participant is a 'Bad Leaver', a 'Good Leaver' or a 'Leaver':</p> <ul style="list-style-type: none"> • Bad Leaver – Subject to the Sigma Board's discretion to determine otherwise, all rights, entitlements and interests in any STI Rights will be forfeited. • Good Leaver – the Sigma Board may at its absolute discretion determine that some or all of a participant's unvested STI Rights vest based on its assessment of the circumstances in which the participant has ceased employment. The balance of unvested STI Rights that do not vest will be forfeited. • Leaver – Unvested STI Rights will normally be forfeited subject to the Sigma Board's discretion to permit some or all of those unvested STI Rights to vest based on its assessment of the circumstances in which the participant has ceased employment. <p>To the extent an STI Right has a STI Term as specified in the relevant grant letter, a Good Leaver or Leaver may retain those STI Rights that have vested (including those unvested STI Rights which vest on cessation of employment as set out above) and deal with them subject to the participant giving to Sigma an exercise notice any payment of the exercise price (if any) by the earlier of:</p> <ul style="list-style-type: none"> • the date the STI Term ends; and • the date which is 6 months from the cessation date (or 12 months in the case of a participant who ceases employment due to death). |
| Clawback and preventing inappropriate benefits | <p>Under the rules of the 2023/24 Short Term Incentive Deferral Rights Plan and the 2024/25 Short Term Incentive Deferral Rights Plan (but not the 2022/23 Short Term Incentive Deferral Rights Plan), the Sigma Board has discretion to cancel or clawback STI Rights (and any Sigma Shares issued or transferred in respect of them) where it determines that those STI Rights or Sigma Shares were awarded based on a financial statement or performance metric that was materially inaccurate.</p> |
| Change of control | <p>If Sigma becomes, or in the opinion of the Sigma Board is likely to become, subject to a change of control event, the Sigma Board may in its absolute discretion determine how unvested STI Rights held by a participant will be treated including, but not limited to, determining that some or all of a participant's unvested STI Rights vest and allowing the participant to exercise those STI Rights.</p> <p>Treatment under the Transaction</p> <p>In respect of the 2024/25 Short Term Incentive Deferral Rights Plan, if the Transaction is Implemented, instead of being issued Performance Rights at the end of the performance period following testing post 31 January 2025 (which then vest over a 12 month period), the participants will be given a cash bonus of equivalent value.</p> <p>In respect of the STI Rights on issue under the 2022/23 Short Term Incentive Deferral Rights Plan and the 2023/24 Short Term Incentive Deferral Rights Plan, the Sigma Board has determined that there will be no changes to the terms of the STI Rights in the context of the Transaction.</p> |
| Reorganisations, corporate actions, bonus issues, etc | <p>The Sigma Board may, subject to the Listing Rules, adjust the number of STI Rights held by a participant in the event of a capital reconstruction or other corporate actions.</p> |
| Restrictions on dealings | <p>A participant must not:</p> <ul style="list-style-type: none"> • sell, transfer, encumber or otherwise deal with STI Rights unless otherwise permitted under the STI Rights Plans or determined by the Sigma Board; or • enter into any arrangement for the purposes of hedging, or otherwise effecting their economic exposure to the STI Rights. <p>In respect of Sigma Shares issued on the exercise of STI Rights, participants are free to deal with those shares, subject to Sigma's Share Trading Policy and applicable laws.</p> |
| Expiry date | <p>STI Rights will lapse and be incapable of exercise on the earlier to occur of the following:</p> <ul style="list-style-type: none"> • the date the STI Term ends (if applicable); • the date STI Rights are forfeited; • the date Sigma commences to be wound up; or • the date otherwise determined by the Sigma Board. |

12. Additional information continued

Figure 73 below sets out the STI Rights held by the Sigma KMP as at the Last Practicable Date.

Figure 73: Interests of Sigma KMP under the STI Rights Plans

| STI Rights Plan | Number of Performance Rights | Vesting conditions | Expiry date |
|---|---|--------------------------------|--------------------------------|
| Vikesh Ramsunder | | | |
| 2022/23 Short Term Incentive Deferral Rights Plan | 240,462 | As set out in Figure 72 above. | As set out in Figure 72 above. |
| 2023/24 Short Term Incentive Deferral Rights Plan | 242,994 | As set out in Figure 72 above. | As set out in Figure 72 above. |
| 2024/25 Short Term Incentive Deferral Rights Plan | Up to \$267,159 ²⁵⁶ of Performance Rights ¹ | As set out in Figure 72 above. | As set out in Figure 72 above. |
| Mark Conway | | | |
| 2023/24 Short Term Incentive Deferral Rights Plan | 17,850 | As set out in Figure 72 above. | As set out in Figure 72 above. |
| 2024/25 Short Term Incentive Deferral Rights Plan | Up to \$74,313 ²⁵⁷ of Performance Rights ¹ | As set out in Figure 72 above. | As set out in Figure 72 above. |

Note: See note 2 under Figure 71 above.

(c) Long term equity incentive plans

The LTI component of an executive's total reward is an at-risk incentive reward designed to link executive remuneration to the achievement of strategic and financial objectives that lead to shareholder value creation. An LTI component is equity based.

As at the Last Practicable Date, there are three LTI equity incentive plans in operation:

- 2022 Loan Funded Share Plan;
- 2023 Executive Equity Grant Plan; and
- 2024 Long Term Incentive Plan.

(i) 2022 Loan Funded Share Plan

For the year ended 31 January 2023 (grant date of 1 February 2022), the Sigma Group used a loan funded share plan for the executive LTI plan (being the 2022 Loan Funded Share Plan).

The key features of the 2022 Loan Funded Share Plan and its rules (**LFS Plan Rules**) are set out in Figure 74 below.

Figure 74: Summary of 2022 Loan Funded Share Plan

| Term | Description |
|--------------------------------------|--|
| Eligibility | <p>Eligibility under the 2022 Loan Funded Share Plan is broad and is open to any director or employee of a Sigma Group Member determined by the Sigma Board in its discretion to be eligible to receive a grant of Loan Funded Shares.</p> <p>Grants under the 2022 Loan Funded Share Plan have typically been restricted to the participants outlined in Figure 71 above.</p> |
| Type and number of securities | <p>The 2022 Loan Funded Share Plan permits eligible participants to be granted Loan Funded Shares. Each Loan Funded Share is a Sigma Share that has been acquired by a participant using a limited recourse loan provided by Sigma.</p> <p>The number of Loan Funded Shares to be issued to a participant is determined at the time of making the grant.</p> |

256. Rounded to the nearest dollar.

257. Rounded to the nearest dollar.

| Term | Description |
|-----------------------|--|
| Vesting | <p>The Loan Funded Shares issued under the 2022 Loan Funded Share Plan (as set out in Figure 71 above) are subject to the following vesting conditions:</p> <ul style="list-style-type: none"> • a service condition being that the participant must remain continuously employed by Sigma as at the date on which the Sigma Board determines whether the below performance conditions have been met; and • the following performance conditions over the performance period of Sigma’s financial years ended/ ending on 31 January of each of 2023, 2024 and 2025: <ul style="list-style-type: none"> – 12.5% of Loan Funded Shares will vest when the Sigma’s TSR over the vesting period is 30% or higher; – 25% of Loan Funded Shares will vest when Sigma’s TSR over the vesting period is 40% or higher; – 50% of Loan Funded Shares will vest when the Sigma’s TSR over the performance period is 50% or higher; and – up to 50% of Loan Funded Shares will vest when the Sigma’s Average pre-tax Return on Invested Capital over the performance period is at the agreed rate or higher, <p>(in each case, subject to instances where vesting may be accelerated or Loan Funded Shares might be forfeited upon a participant’s cessation of employment with a Sigma Group Member (as set out below).</p> |
| Acquisition price | <p>The Sigma Board may determine the price at which a Loan Funded Share may be acquired by a participant.</p> <p>In respect of the Loan Funded Shares set out in Figure 71 above, the acquisition price was \$0.465 per Loan Funded Share (being the closing price of Sigma Shares on the grant date). The total acquisition price payable by each participant was funded by an interest free, limited recourse loan provided by Sigma.</p> |
| Limited recourse loan | <p>Under LFS Plan Rules, the Board may determine the value of the loan that will be provided to a participant to facilitate the acquisition of Loan Funded Shares offered to them and terms of that loan.</p> <p>In respect of the Loan Funded Shares issued under the 2022 Loan Funded Share Plan (as set out in Figure 71 above), the loans were generally made on the following key terms:</p> <ul style="list-style-type: none"> • the loan is interest free; • limited recourse to the Loan Funded Shares to which the loan relates (ie the repayment amount will be the lesser of the outstanding loan balance and the market value of the Loan Funded Shares that are subject to the loan. If a participant’s Loan Funded Shares are of lower value than the participant’s loan balance at the time that the participant is required to repay the loan, the Loan Funded Shares will be bought-back at market value and the proceeds applied to full satisfaction of the loan obligations); • the loan period commences on the date the loan is drawn down and ends on the earlier of: <ul style="list-style-type: none"> – five years from the loan commencement date; – the date the participant ceases employment with Sigma; – the date the Loan Funded Shares are forfeited; – the date the Sigma Board determines any of the vesting conditions will not be satisfied; – the date Sigma is wound up; and – any other date that the participant and Sigma agree to in writing. • the following repayment terms: <ul style="list-style-type: none"> – a participant may repay the loan early at any time; – the loan must be repaid in full before the Loan Funded Shares may be disposed of; – if dividends are paid Sigma on the participant’s Loan Funded Shares, Sigma will apply the after-tax value of the dividends to the repayment of the loan; – if the loan period ends, Sigma may sell or buy-back some or all of the participant’s Loan Funded Shares to satisfy the loan balance outstanding. The proceeds from any sale or buy-back of the participant’s Loan Funded Shares will be applied to pay back the outstanding loan balance and any excess money after costs and expenses will be returned to the participant. |

12. Additional information continued

| Term | Description |
|--|---|
| Cessation of employment | <p>On cessation of employment, the Sigma Board has absolute discretion to determine whether the participant is a 'Bad Leaver', a 'Good Leaver' or a 'Leaver':</p> <ul style="list-style-type: none"> • Bad Leaver – all rights, entitlements and interests in any vested and unvested Loan Funded Shares held by the participant will be forfeited; • Good Leaver – unvested Loan Funded Shares will vest pro rata to the proportion of the vesting period that has elapsed as at the date on which employment ceases and having regard to the extent to which any performance conditions have been achieved. A Good Leaver may retain vested Loan Funded Shares (subject to repayment of the loan before the Loan Funded Shares can be dealt with); • Leaver – unvested Loan Funded Shares will normally be forfeited subject to the Sigma Board's discretion to permit some or all of those unvested Loan Funded Shares to vest based on its assessment of the circumstances in which the participant has ceased employment. A Leaver may retain vested Loan Funded Shares (subject to repayment of the loan before the Loan Funded Shares can be dealt with). |
| Change of control | <p>If Sigma becomes, or in the opinion of the Sigma Board is likely to become, subject to a change of control event, the Sigma Board shall make a determination that some or all of a participant's unvested Loan Funded Shares vest and the participant may dispose of those Loan Funded Shares (subject to repayment of the corresponding loan).</p> <p>Treatment under the Transaction</p> <p>PPursuant to the LFS Plan Rules, upon a change of control event occurring, the Sigma Board are required to make a determination that the shares vest. In relation to the Transaction, the Sigma Board considered the continued employment of LTI participants, the significant value delivered to Sigma Shareholders through the Transaction and the key roles executives have performed in relation to the Transaction in making the determination to vest the Loan Funded Shares. Once the loan attached to the shares has been repaid, participants are free to deal with their shares.</p> |
| Reorganisations, corporate actions, bonus issues, etc | <p>The Sigma Board may, subject to the Listing Rules, adjust the number of Loan Funded Shares held by a participant in the event of a capital reconstruction or other corporate actions.</p> |
| Restrictions on dealings | <p>Loan Funded Shares are subject to restrictions on dealing such that:</p> <ul style="list-style-type: none"> • a participant may not deal with unvested Loan Funded Shares until they vest; and • a participant may not deal with vested Loan Funded Shares until such time as the corresponding loan is repaid or the participant makes arrangements acceptable to Sigma to repay the loan. <p>Dealing includes transferring, encumbering, hedging, disposing of or otherwise dealing with Loan Funded Shares.</p> |
| Forfeiture | <p>Loan Funded Shares are subject to forfeiture by a participant:</p> <ul style="list-style-type: none"> • where the participant breaches the term of the loan agreement for the Loan Funded Shares; • where the applicable vesting conditions are not satisfied; or • in accordance with the leaver provisions (as described above). |

Figure 75 below sets out the Loan Funded Shares held by the Sigma KMP as at the Last Practicable Date.

Figure 75: Interests of Sigma KMP under the 2022 Loan Funded Share Plan

| Participant | Number of Loan Funded Shares | Acquisition price ¹ | Vesting conditions |
|------------------|------------------------------|--------------------------------|--------------------------------|
| Vikesh Ramsunder | 10,179,605 | \$0.465 | As set out in Figure 74 above. |

Note: As described in Figure 74, the acquisition price has been fully funded by an interest free, limited recourse loan by Sigma on the terms set out in Figure 74.

(ii) LTI Rights Plans

The 2023 Executive Equity Grant Plan and 2024 Long Term Incentive Plan (together, the **LTI Rights Plans**) involved the grant of Performance Rights to participants. The LTI Rights Plans and their respective rules (**LTI Rights Plan Rules**) are substantially alike and have the key features set out in Figure 76 below.

Figure 76: Summary of LTI Rights Plans

| Term | Description |
|---------------------------------------|--|
| Eligibility | <p>Eligibility under each LTI Rights Plan is broad and is open to any director or employee of a Sigma Group Member determined by the Sigma Board in its discretion to be eligible to receive a grant of Performance Rights under the LTI Rights Plan (LTI Rights).</p> <p>Grants under each LTI Rights Plan have typically been restricted to the participants outlined in Figure 71 above.</p> |
| Type and number of securities | <p>Each LTI Rights Plan permits eligible participants to be granted Performance Rights. Each LTI Right represents a right to acquire a Sigma Share once that LTI Right has vested.</p> <p>The number of LTI Rights to be issued to a participant is determined at the time of making the grant.</p> |
| Vesting | <p>The LTI Rights issued under the LTI Rights Plan (as set out in Figure 71 above) are subject to the vesting conditions set out below (in each case, subject to instances where vesting may be accelerated or LTI Rights might lapse upon a participant's cessation of employment with a Sigma Group Member (as set out below)).</p> <p>2023 Executive Equity Grant Plan</p> <p>LTI Rights will vest on 31 January 2026 dependent on meeting the following vesting conditions:</p> <ul style="list-style-type: none">• 50% of LTI Rights vest when Sigma's earnings per share (EPS) meets a performance measure agreed by the Sigma Board at the beginning of each year of the three year performance period based on the outlook following the preceding year, with any earned rewards only released on the vesting date;• 25% of LTI Rights vest on the following basis:<ul style="list-style-type: none">– 12.5% of LTI Rights will vest if an absolute total shareholder return (TSR) of 8% compound annual growth rate (CAGR) is achieved during the performance period;– 25% of the LTI Rights will vest if an absolute TSR of 12% CAGR is achieved during the performance period; and– this will increase in a straight line to a maximum vesting of this component at 12% of CAGR; and• 25% of LTI Rights vesting subject to the participant being continuously employed by Sigma on the vesting date and have not given notice of termination of employment prior to the vesting date. <p>2024 Long Term Incentive Plan</p> <p>LTI Rights will vest on 31 January 2027 dependent on meeting the following vesting conditions:</p> <ul style="list-style-type: none">• 50% of LTI Rights vest when Sigma's EPS meets a performance measure agreed by the Sigma Board at the beginning of each year of the three year performance period based on the outlook following the preceding year, with any earned rewards only released on the vesting date; and• 50% of LTI Rights vest on the following basis:<ul style="list-style-type: none">– 12.5% will vest if a minimum absolute TSR of 8% CAGR is achieved during the performance period;– this will increase in a straight line to 25% of the LTI Rights vesting if an absolute TSR of 10% CAGR is achieved during the performance period; and– this will increase in a straight line to a maximum vesting of this component at 12% of CAGR. |
| Issue price and exercise price | <p>The Sigma Board may determine the issue price and exercise price of an LTI Right.</p> <p>In respect of the LTI Rights set out in Figure 71 above, no amount was or is payable by participants to acquire or exercise, respectively, those LTI Rights.</p> |
| Exercise period | <p>The Sigma Board may determine the period during which an LTI Right may be exercised (LTI Term).</p> <p>In respect of the LTI Rights set out in Figure 71 above, they must be exercised before the expiry of those LTI Rights (being 5 years from their grant date).</p> |

12. Additional information continued

| Term | Description |
|---|---|
| Cessation of employment | <p>On cessation of employment, the Sigma Board has absolute discretion to determine whether the participant is a 'Bad Leaver', a 'Good Leaver' or a 'Leaver':</p> <ul style="list-style-type: none"> • Bad Leaver – Subject to the Sigma Board's discretion to determine otherwise, all rights, entitlements and interests in any LTI Rights will be forfeited. • Good Leaver – the Sigma Board may at its absolute discretion determine that some or all of a participant's unvested LTI Rights vest based on its assessment of the circumstances in which the participant has ceased employment. The balance of unvested LTI Rights that do not vest will be forfeited. • Leaver – Unvested LTI Rights will normally be forfeited subject to the Sigma Board's discretion to permit some or all of those unvested LTI Rights to vest based on its assessment of the circumstances in which the participant has ceased employment. <p>To the extent an LTI Right has a LTI Term as specified in the relevant grant letter, a Good Leaver or Leaver may retain those LTI Rights that have vested (including those unvested LTI Rights which vest on cessation of employment as set out above) and deal with them subject to the participant giving to Sigma an exercise notice any payment of the exercise price (if any) by the earlier of:</p> <ul style="list-style-type: none"> • the date the LTI Term ends; and • the date which is 6 months from the cessation date (or 12 months in the case of a participant who ceases employment due to death). |
| Clawback and preventing inappropriate benefits | <p>The Sigma Board has discretion to cancel or clawback LTI Rights (and any Sigma Shares issued or transferred in respect of them) where it determines that those LTI Rights or Sigma Shares were awarded based on a financial statement or performance metric that was materially inaccurate.</p> |
| Change of control | <p>If Sigma becomes, or in the opinion of the Sigma Board is likely to become, subject to a change of control event, the Sigma Board may in its absolute discretion determine how unvested LTI Rights held by a participant will be treated including, but not limited to, determining that some or all of a participant's unvested LTI Rights vest and allowing the participant to exercise those LTI Rights.</p> |
| | <p>Treatment under the Transaction</p> <p>In relation to the Transaction the Sigma Board has considered the continued employment of LTI participants both during the period of, and following approval of, the Transaction, the significant value delivered to Sigma Shareholders through the Transaction and the key roles executives have performed in relation to the Transaction. The Sigma Board has determined to vest some of the LTI Rights issued under the 2023 Executive Equity Grant Plan and to lapse others and replace them with cash awards, with the majority deferred over the original time horizons of the 2023 Executive Equity Grant Plan, subject to Sigma Shareholders approving Resolutions 10 and 11, as follows:</p> <ul style="list-style-type: none"> • 25% of the LTI Rights (being the original service-based component of the grant) lapse upon Implementation and are replaced by a deferred cash bonus of equivalent value that will be paid, subject to continued employment, on 31 January 2026 • 37.5% of the LTI Rights lapse upon Implementation and are replaced by a cash bonus of equivalent value; • 37.5% of the LTI Rights vest upon Implementation. The ordinary shares in Sigma allocated on vesting of the rights will be subject to disposal restrictions until, and forfeiture for ceasing employment before, 31 January 2026. <p>The terms of the 2024 Long Term Incentive Plan will remain unchanged, except that it is intended that there be an extension of the performance period from 31 January 2027 to 30 June 2027 to align with the Merged Group's 30 June financial year end going forward. The two performance measures in the 2024 Long Term Incentive Plan (being EPS and TSR, as outlined above) will remain, which the Merged Group Board may review following Implementation.</p> |
| Reorganisations, corporate actions, bonus issues, etc | <p>The Sigma Board may, subject to the Listing Rules, adjust the number of LTI Rights held by a participant in the event of a capital reconstruction or other corporate actions.</p> |

| Term | Description |
|--------------------------|---|
| Restrictions on dealings | <p>A participant must not:</p> <ul style="list-style-type: none"> sell, transfer, encumber or otherwise deal with LTI Rights unless otherwise permitted under the LTI Rights Plans or determined by the Sigma Board; or enter into any arrangement for the purposes of hedging, or otherwise effecting their economic exposure to the LTI Rights. <p>In respect of Sigma Shares issued on the exercise of LTI Rights, participants are free to deal with those shares, subject to Sigma's Share Trading Policy and applicable laws.</p> |
| Expiry date | <p>LTI Rights will lapse and be incapable of exercise on the earlier to occur of the following:</p> <ul style="list-style-type: none"> the date the LTI Term ends (if applicable); the date LTI Rights are forfeited; the date Sigma commences to be wound up; or the date otherwise determined by the Sigma Board. |

Figure 77 below sets out the LTI Rights held by the Sigma KMP as at the Last Practicable Date.

Figure 77: Interests of Sigma KMP under the LTI Rights Plans

| LTI Rights Plan | Number of Performance Rights | Vesting conditions | Expiry date |
|----------------------------------|------------------------------|--------------------------------|--------------------------------|
| Vikesh Ramsunder | | | |
| 2023 Executive Equity Grant Plan | 3,112,283 | As set out in Figure 76 above. | As set out in Figure 76 above. |
| 2024 Long Term Incentive Plan | 1,010,723 | As set out in Figure 76 above. | As set out in Figure 76 above. |
| Mark Conway | | | |
| 2023 Executive Equity Grant Plan | N/A | As set out in Figure 76 above. | As set out in Figure 76 above. |
| 2024 Long Term Incentive Plan | 281,141 | As set out in Figure 76 above. | As set out in Figure 76 above. |

(iii) CEO Sign-On Rights

In connection with Mr Ramsunder commencement as Managing Director and Chief Executive Officer of Sigma on 1 February 2022, Sigma made a one-off grant of 2,964,845 Performance Rights under the Sigma Rights Plan to Mr Ramsunder in recognition of the exit arrangements from his previous employer (**CEO Sign-On Rights**). Mr Ramsunder has exercised 1,482,423 CEO Sign-On Rights to Sigma Shares and still holds the remaining 1,482,422 CEO Sign-On Rights (which have vested).

The CEO Sign-On Rights have the key terms set out in Figure 78 below.

Figure 78: Summary of CEO Sign-On Rights

| Term | Description |
|--------------------------------|---|
| Type and number of securities | Each CEO Sign-On Right represents a right to acquire a Sigma Share once that CEO Sign-On Right has vested. |
| Vesting | <p>The CEO Sign-On Rights were subject to the following vesting conditions:</p> <ul style="list-style-type: none"> 1,482,423 CEO Sign-On Rights vesting 12 months from the date of Mr Ramsunder's employment commencement date; 1,482,422 CEO Sign-On Rights vesting 24 months from the date of Mr Ramsunder's employment commencement date, <p>in each case, subject to Mr Ramsunder being continuously employed by the Sigma on and have not given notice of termination of employment prior to, the vesting date.</p> <p>The CEO Sign-On Rights have all vested.</p> |
| Issue price and exercise price | No amount was or is payable by Mr Ramsunder to acquire or exercise, respectively, the CEO Sign-On Rights. |

12. Additional information continued

| Term | Description |
|---|---|
| Exercise period | <p>The CEO Sign-On Rights must be exercised before their expiry (being 4 years from their issue date).</p> <p>Mr Ramsunder has exercised 1,482,423 CEO Sign-On Rights to Sigma Shares, leaving 1,482,422 still to be exercised.</p> |
| Cessation of employment | <p>On cessation of employment, the Sigma Board has absolute discretion to determine whether Mr Ramsunder is a 'Bad Leaver', a 'Good Leaver' or a 'Leaver' (as defined under the rules of the Sigma Rights Plan):</p> <ul style="list-style-type: none"> • Bad Leaver – all CEO Sign-On Rights (unvested or vested) will be forfeited. • Good Leaver <ul style="list-style-type: none"> – in the case of cessation of employment by reason of redundancy – all Unvested CEO Sign-On Rights will automatically vest on the date of ceasing employment; – cessation of employment other than by reason of redundancy – subject to the Sigma Board's discretion to determine otherwise, CEO Sign-On Rights will vest pro rata to the proportion of the vesting period that has elapsed as at the date on which employment ceases. Any CEO Sign-On Rights which remain unvested will be forfeited. • Leaver – unvested CEO Sign-On Rights will normally be forfeited, subject to the Sigma Board's discretion to permit some or all of those CEO Sign-On Rights to vest. <p>Any vested CEO Sign-On Rights retained by Mr Ramsunder upon cessation of employment with Sigma may be exercised by Mr Ramsunder by the earlier of:</p> <ul style="list-style-type: none"> • the expiry date of the CEO Sign-On Rights (being 4 years from their issue date); and • the date which is 6 months from the cessation date (or 12 months in the case of ceasing employment due to death). |
| Change of control | <p>If Sigma becomes, or in the opinion of the Sigma Board is likely to become, subject to a change of control event, all unvested CEO Sign-On Rights will automatically vest and be exercisable to Sigma Shares.</p> <p>Treatment under the Transaction</p> <p>The CEO Sign-On Rights have all already vested in their ordinary course.</p> |
| Reorganisations, corporate actions, bonus issues, etc | <p>The Sigma Board may, subject to the Listing Rules, adjust the number of CEO Sign-On Rights held by Mr Ramsunder in the event of a capital reconstruction or other corporate actions.</p> |
| Restrictions on dealings | <p>Mr Ramsunder must not:</p> <ul style="list-style-type: none"> • sell, transfer, encumber or otherwise deal with CEO Sign-On Rights unless otherwise permitted under the Sigma Rights Plan or determined by the Sigma Board; or • enter into any arrangement for the purposes of hedging, or otherwise effecting their economic exposure to the CEO Sign-On Rights. <p>In respect of Sigma Shares issued on the exercise of CEO Sign-On Rights, Mr Ramsunder is free to deal with those shares, subject to Sigma's Share Trading Policy and applicable laws.</p> |
| Expiry date | <p>CEO Sign-On Rights will lapse and be incapable of exercise on the earlier to occur of the following:</p> <ul style="list-style-type: none"> • the expiry date (being 4 years from their date of issue) • the date CEO Sign-On Rights are forfeited; • the date Sigma commences to be wound up; or • the date otherwise determined by the Sigma Board. |

12.3 Summary of the Merger Implementation Agreement

(a) Overview

On 11 December 2023, Sigma and Chemist Warehouse entered into the Merger Implementation Agreement, which governs the conduct of the Scheme.

A summary of the key terms of the Merger Implementation Agreement is set out below. A full copy of the Merger Implementation Agreement was released to ASX on 11 December 2023 and can be obtained from www.asx.com.au/markets/company/sig.

An extension of the End Date under the Merger Implementation Agreement was announced on 11 December 2024.

(b) Directors' recommendations (clause 3)

(i) Sigma Directors' recommendation

Sigma agrees to use reasonable endeavours to procure that the Sigma Directors do not adversely change, withdraw or adversely modify his or her recommendation that Sigma Shareholders vote in favour of the Sigma Transaction Resolutions (subject to the relevant exceptions), unless:

- the Sigma Independent Expert concludes that the Related Party Arrangements are both not fair and not reasonable;
- Sigma receives a Sigma Competing Proposal, the 'matching right' procedure under section 12.3(f) below has been fully complied with and the Sigma Board determines that Sigma has received a Sigma Superior Proposal; or
- the adverse change, withdrawal or adverse modification occurs because of a requirement by a Government Agency, court of competent jurisdiction or ASIC or the Takeovers Panel that the relevant Sigma Director abstains from making a recommendation in favour of the Sigma Transaction Resolutions.

(ii) Chemist Warehouse Directors' recommendation

Chemist Warehouse agrees to use reasonable endeavours to procure that the Chemist Warehouse Directors do not adversely change, withdraw or adversely modify his or her recommendation that Chemist Warehouse Shareholders vote in favour of the Scheme (subject to the relevant exceptions), unless:

- the Chemist Warehouse Independent Expert concludes that the Scheme is not in the best interests of Chemist Warehouse Shareholders;
- Chemist Warehouse receives a Chemist Warehouse Competing Proposal, the 'matching right' procedure under section 12.3(f) below has been fully complied with and the Chemist Warehouse Board determines that Chemist Warehouse has received a Chemist Warehouse Superior Proposal; or
- the adverse change, withdrawal or adverse modification occurs because of a requirement by a Government Agency, court of competent jurisdiction or ASIC or the Takeovers Panel that the relevant Chemist Warehouse Director abstains from making a recommendation in favour of the Scheme.

(c) Conditions precedent (Schedule 3)

The Scheme is subject to a number of conditions precedent as set out in Schedule 3 of the Merger Implementation Agreement.

The Scheme will not become Effective and the Scheme Shareholders will not receive the Scheme Consideration unless all of the Conditions Precedent are satisfied or waived (where capable of waiver) in accordance with the Merger Implementation Agreement.

Condition Precedent

Chemist Warehouse Independent Expert

The Chemist Warehouse Independent Expert:

- concludes that the Scheme is in the best interests of Chemist Warehouse Shareholders before the time when the Scheme Booklet is registered by ASIC; and
- does not change its conclusion in any written update or withdraw the Chemist Warehouse Independent Expert's Report before 8.00am on the Second Court Date.

Sigma Independent Expert:

The Sigma Independent Expert:

- concludes that the Related Party Arrangements are fair and reasonable or not fair but reasonable; and
 - does not change its conclusion in any written update or withdraw the Sigma Independent Expert's Report before 8.00am on the Second Court Date.
-

12. Additional information continued

Condition Precedent

Court approval:

The Court approves the Scheme in accordance with paragraph 411(4)(b) of the Corporations Act.

Shareholder approval:

Chemist Warehouse Shareholders approve the Scheme at the Scheme Meeting by the Scheme Requisite Majorities.

Sigma Transaction Resolutions:

Sigma Shareholders approve the Sigma Transaction Resolutions at the Sigma Shareholder Meeting by the requisite majority.

ACCC Approval:

Before 8.00am on the Second Court Date:

- the ACCC has notified Sigma in writing that the ACCC does not propose to intervene in the proposed acquisition by Sigma of the Chemist Warehouse Shares;
- the ACCC has made a final determination to authorise the proposed acquisition by Sigma of the Chemist Warehouse Shares;
- if there is a valid application to the Australian Competition Tribunal for a review of the ACCC's determination, the Australian Competition Tribunal has made a final determination to authorise the proposed acquisition by Sigma of the Chemist Warehouse Shares and a valid application for review or notice of appeal has not been lodged within the prescribed time;
- the Federal Court of Australia has made a declaration that the proposed acquisition by Sigma of the Chemist Warehouse Shares would not result in a contravention of section 50 of the CCA and a valid application for review or notice of appeal has not been lodged within the prescribed time; or
- the Federal Court of Australia has dismissed an application by the ACCC for an injunction to prevent the proposed acquisition by Sigma of the Chemist Warehouse Shares and a valid application for review or notice of appeal has not been lodged within the prescribed time,

either unconditionally or on conditions that are acceptable to Sigma and Chemist Warehouse (acting reasonably).

Regulatory approvals:

Before 8.00am on the Second Court Date, all other approvals or waivers that Chemist Warehouse and Sigma agree are necessary or desirable to implement the Scheme are granted or obtained either unconditionally or on terms that Chemist Warehouse and Sigma consider to be acceptable (acting reasonably) and those approvals or waivers have not been withdrawn, cancelled, varied or revoked.

OIO approval:

Before 8.00am on the Second Court Date, Sigma has received all consents required under the *Overseas Investment Act 2005* (NZ) and the *Overseas Investment Regulations 2005* (NZ) for the implementation of the Scheme either unconditionally or on standard conditions or conditions that are acceptable to Sigma and Chemist Warehouse (acting reasonably), and such consents have not been withdrawn, suspended or revoked.

Underwriting Agreement:

Before completion of the retail component of the pro-rata accelerated non-renounceable entitlement offer:

- all conditions under the relevant underwriting agreement have been fully satisfied or waived;
 - there is no breach, default or non-compliance by any party of the relevant underwriting agreement that has not been remedied to the satisfaction of each other party; and
 - the relevant underwriting agreement has not been terminated and no party has provided a notice or indicated an intention to terminate.
-

Debt Commitment Letter:

Before 8.00am on the Second Court Date:

- all conditions under the Debt Commitment Letter have been fully satisfied or waived;
 - there is no breach, default or non-compliance by any party of the Debt Commitment Letter;
 - the Debt Commitment Letter has not been terminated and no party has provided a notice or indicated an intention to terminate;
 - the relevant parties have entered into the Debt Finance Documents; and
 - all conditions precedent to drawing under the Debt Finance Documents have been fully satisfied or waived.
-

Chemist Warehouse Prescribed Occurrence:

Between the date of the Merger Implementation Agreement and 8.00am on the Second Court Date, no Chemist Warehouse Prescribed Occurrence occurs.

Condition Precedent

Chemist Warehouse Material Adverse Change:

Between the date of the Merger Implementation Agreement and 8.00am on the Second Court Date, no Chemist Warehouse Material Adverse Change occurs.

Sigma Prescribed Occurrence:

Between the date of the Merger Implementation Agreement and 8.00am on the Second Court Date, no Sigma Prescribed Occurrence occurs.

Sigma Material Adverse Change:

Between the date of the Merger Implementation Agreement and 8.00am on the Second Court Date, no Sigma Material Adverse Change occurs.

Restraints:

No order, decree, law, regulation, injunction, decision or ruling, or other action, that prevents, makes illegal or prohibits the Scheme, in each case issued by a court of competent jurisdiction or a Government Agency, is in effect at 8.00am on the Second Court Date.

Rollover relief:

Before 8.00am on the Second Court Date, Chemist Warehouse has obtained a draft ruling from the ATO confirming that scrip-for-scrip rollover relief will be available for eligible Chemist Warehouse Shareholders.

Chemist Warehouse Equity Incentives:

Before 8.00am on the Second Court Date, arrangements have been put in place to deal with the Chemist Warehouse Equity Incentives such that no Chemist Warehouse Equity Incentives (or any other securities in Chemist Warehouse other than the Scheme Shares) are in existence on the Scheme Record Date.

In respect of regulatory or third-party approval Conditions Precedent, the OIO approval Condition Precedent was satisfied on 5 July 2024, the rollover relief Condition Precedent was satisfied on 29 October 2024 and the ACCC approval Condition Precedent was satisfied on 7 November 2024 (refer to section 12.4 for further information).

As at the date of this Explanatory Memorandum, each of Sigma and Chemist Warehouse are not aware of any circumstances which would cause any Condition Precedent to not be satisfied.

(d) Conduct of business and prohibited actions (clause 10)

The Merger Implementation Agreement requires Chemist Warehouse and Sigma to each conduct their businesses and operations in the ordinary and usual course, comply with all material contracts and authorisations, use reasonable endeavours to ensure there is no Chemist Warehouse Prescribed Occurrence or Sigma Prescribed Occurrence (as applicable), use reasonable endeavours to maintain the value of each respective business and use reasonable endeavours to maintain counterparty relationships and comply with applicable laws and material contracts.

In addition, each of Chemist Warehouse and Sigma are prohibited from undertaking specified actions relating to their businesses. These prohibitions are set out in full in clause 10 of the Merger Implementation Agreement and are subject to limited exceptions, including the prior written consent of the other party.

(e) Continuous disclosure (clause 10)

From the date of the Merger Implementation Agreement until the earlier of the Implementation Date and termination of the Merger Implementation Agreement, Chemist Warehouse has agreed to:

- adopt and follow a continuous disclosure policy so as to ensure Sigma's compliance with its continuous disclosure obligations;
- immediately provide Sigma with information in relation to Chemist Warehouse that Sigma requires to comply with its continuous disclosure obligations. Sigma may give such information to ASX if necessary to comply with the Listing Rules; and
- immediately provide Sigma with all financial statements lodged with ASIC and all documents lodged with ASIC which become public in connection with the Scheme. Sigma may give such information to ASX.

Chemist Warehouse and Sigma will consult in good faith in relation to any relevant disclosure to ASX or otherwise under law.

12. Additional information continued

(f) Exclusivity arrangements (clauses 14 and 15)

The Merger Implementation Agreement contains certain customary exclusivity provisions that apply to Sigma. There are also equivalent exclusivity provisions that apply to Chemist Warehouse in respect of Chemist Warehouse Competing Proposals.

- **No shop:** During the Exclusivity Period, Sigma must not solicit, invite, encourage or initiate any inquiries, expression of interest, offer, proposal or discussion by any person in relation to an actual, proposed or potential Sigma Competing Proposal.
- **No talk:** During the Exclusivity Period, subject to a fiduciary exception, Sigma must not enter into any agreement, arrangement or understanding, or participate in any discussions or negotiations in relation to, an actual, proposed or potential Sigma Competing Proposal. Additionally, during the Exclusivity Period, Sigma must not provide any Third Party with non-public information relating to its business or affairs in connection with obtaining or receiving a Sigma Competing Proposal (including providing information for the purposes of due diligence investigations).

The fiduciary exception provides that Sigma is not prohibited from an action in relation to an actual, proposed or potential Sigma Competing Proposal where the Sigma Board determines (in good faith and having regard to external advice):

- (A) that the Sigma Competing Proposal is or could reasonably be expected to lead to a Sigma Superior Proposal; and
- (B) that the failure to take (or not take) action would likely constitute a breach of the Sigma Board's fiduciary or statutory duties.

Notification: During the Exclusivity Period, Sigma must notify Chemist Warehouse (within 48 hours) and provide all material terms if it becomes aware of any:

- (A) negotiations, discussions or other communications, or approach, in respect of any inquiry, expression of interest, offer, proposal or discussion;
- (B) approach or proposal made to, or received by, Sigma;
- (C) request made by a Third Party for any material non-public information concerning the business or operations of Sigma (except where the Sigma Board reasonably believes such request is not in connection with any actual, proposed or potential Chemist Warehouse Competing Proposal); or
- (D) provision of material non-public information concerning Sigma's business or operations to any Third Party, in connection with an actual, proposed or potential Sigma Competing Proposal.

Matching right: Sigma must not enter into any binding agreement, arrangement or understanding to undertake or give effect to an actual, proposed or potential Sigma Competing Proposal, and must use reasonable endeavours to procure that no Sigma Director adversely modifies their recommendation of the Scheme or publicly recommends a Sigma Competing Proposal, unless:

- (A) the Sigma Board determines that the Sigma Competing Proposal constitutes a Sigma Superior Proposal;
- (B) Sigma has provided Chemist Warehouse with the material terms and conditions of the Sigma Competing Proposal;
- (C) Sigma has given Chemist Warehouse at least five Business Days after receiving this information to provide an equivalent or superior proposal to the Sigma Competing Proposal; and
- (D) Chemist Warehouse has not provided a counterproposal by the expiry of that five Business Day period, or the Sigma Board determines that Chemist Warehouse has not provided an equivalent or superior proposal to the Sigma Competing Proposal.

These exclusivity provisions apply from 11 December 2023 (being the date that Sigma and Chemist Warehouse entered into the Merger Implementation Agreement) until the earlier of the termination of the Merger Implementation Agreement and the End Date.

The exclusivity provisions are set out in full in clauses 14 and 15 of the Merger Implementation Agreement.

(g) Reverse break fee payable to Chemist Warehouse (clause 17)

The Merger Implementation Agreement contains provisions requiring Sigma to pay to Chemist Warehouse a reverse break fee of \$10 million in specified circumstances. The obligation to pay the reverse break fee will be triggered if:

- Sigma terminates the Merger Implementation Agreement before the end of the Exclusivity Period after entering into a legally binding agreement with a Third Party to undertake or give effect to a Sigma Superior Proposal (in accordance with the Merger Implementation Agreement);
- Chemist Warehouse terminates the Merger Implementation Agreement before the end of the Exclusivity Period because a Sigma Director adversely changes, withdraws or adversely modifies their recommendation of the Sigma Transaction Resolutions or makes a public statement that he or she no longer recommends the Sigma Transaction Resolutions or recommends a Sigma Competing Proposal (unless the Sigma Independent Expert's Report concludes that the Related Party Arrangements are both not fair and not reasonable (except where the sole or dominant reason for that conclusion is due to the existence, announcement or publication of a Sigma Competing Proposal));
- a Sigma Competing Proposal is announced during the Exclusivity Period and a Third Party completes a Sigma Competing Proposal as referred to in the Merger Implementation Agreement within nine months of such announcement;

- Chemist Warehouse terminates the Merger Implementation Agreement for a material breach of the Merger Implementation Agreement or a material breach of the Sigma Representations and Warranties; or
- either party terminates the Merger Implementation Agreement as a result of the Conditions Precedent regarding the underwriting agreement or Debt Commitment Letter not being satisfied or waived (except where the non-satisfaction directly results from an act or omission of Chemist Warehouse or a Chemist Warehouse Material Adverse Change).

The parties agree that the reverse break fee represents a genuine and reasonable pre-estimate of the costs that Chemist Warehouse will directly or indirectly incur as a result of entering into the Merger Implementation Agreement. The Sigma Board considers that it is appropriate and reasonable to agree to the reverse break fee in order to secure Chemist Warehouse's participation in the Scheme.

The reverse break fee provisions are set out in full in clause 17 of the Merger Implementation Agreement.

(h) Break fee payable to Sigma (clause 16)

The Merger Implementation Agreement contains provisions requiring Chemist Warehouse to pay to Sigma a break fee of \$25 million in specified circumstances. The obligation to pay the break fee will be triggered if:

- Chemist Warehouse terminates the Merger Implementation Agreement before the end of the Exclusivity Period by entering into a legally binding agreement with a Third Party to undertake or give effect to a Chemist Warehouse Superior Proposal (in accordance with the Merger Implementation Agreement);
- Sigma terminates the Merger Implementation Agreement before the end of the Exclusivity Period because a Chemist Warehouse Director adversely changes, withdraws or adversely modifies their recommendation of the Scheme or makes a public statement that he or she no longer recommends the Scheme or recommends a Chemist Warehouse Competing Proposal (unless the Chemist Warehouse Independent Expert's Report concludes that the Scheme is not in the best interests of Chemist Warehouse Shareholders (except where the sole or dominant reason for that conclusion is due to the existence, announcement or publication of a Chemist Warehouse Competing Proposal));
- a Chemist Warehouse Competing Proposal is announced during the Exclusivity Period and a Third Party completes a Chemist Warehouse Competing Proposal as referred to in the Merger Implementation Agreement within nine months of such announcement;
- the Merger Implementation Agreement is terminated and a Chemist Warehouse IPO completes within six months of the termination date, unless the Merger Implementation Agreement is terminated by Sigma because of a Sigma Superior Proposal, or by Chemist Warehouse under specified clauses of the Merger Implementation Agreement; or
- Sigma terminates the Merger Implementation Agreement for a material breach of the Merger Implementation Agreement or a material breach of the Chemist Warehouse Representations and Warranties.

The parties agree that the break fee represents a genuine and reasonable pre-estimate of the costs that Sigma will directly or indirectly incur as a result of entering into the Merger Implementation Agreement. The Chemist Warehouse Board considers that it is appropriate and reasonable to agree to the break fee in order to secure Sigma's participation in the Scheme.

The break fee provisions are set out in full in clause 16 of the Merger Implementation Agreement.

(i) Representations and warranties (Schedules 1 and 2)

The Merger Implementation Agreement contains customary representations and warranties given by each of Sigma and Chemist Warehouse to each other.

The Chemist Warehouse Representations and Warranties are set out in full in Schedule 1 of the Merger Implementation Agreement and the Sigma Representations and Warranties are set out in full in Schedule 2 of the Merger Implementation Agreement.

(j) Termination rights (clause 21)

Each of Sigma and Chemist Warehouse may terminate the Merger Implementation Agreement before 8.00am on the Second Court Date if:

- the other party has materially breached the Merger Implementation Agreement (including a material breach of a representation or warranty), which is not remedied within 10 Business Days or any shorter period ending at 8.00am on the Second Court Date;
- there is a failure of a Condition Precedent to the Scheme being satisfied or waived; or
- a court of competent jurisdiction or Government Agency has taken action that prevents, makes illegal or prohibits the Scheme.

Sigma may terminate the Merger Implementation Agreement before 8.00am on the Second Court Date if:

- Sigma enters into a legally binding agreement with a Third Party to undertake or give effect to a Sigma Superior Proposal in accordance with the Merger Implementation Agreement; or
- any Chemist Warehouse Director adversely changes, withdraws or adversely modifies their recommendation of the Scheme or makes a public statement that he or she no longer recommends the Scheme or recommends a Chemist Warehouse Competing Proposal.

12. Additional information continued

Chemist Warehouse may terminate the Merger Implementation Agreement before 8.00am on the Second Court Date if:

- Chemist Warehouse enters into a legally binding agreement with a Third Party to undertake or give effect to a Chemist Warehouse Superior Proposal in accordance with the Merger Implementation Agreement; or
- any Sigma Director adversely changes, withdraws or adversely modifies their recommendation of the Sigma Transaction Resolutions or makes a public statement that he or she no longer recommends the Sigma Transaction Resolutions or recommends a Sigma Competing Proposal.

The termination rights are set out in full in clause 21 of the Merger Implementation Agreement.

12.4 Merger Undertaking

On 7 November 2024, the ACCC announced it would not oppose the Transaction, after accepting an undertaking provided by Sigma pursuant to section 87B of the *Competition and Consumer Act 2010* (Cth) (**the Merger Undertaking**).

While Sigma does not consider that the Transaction would have the effect, or be likely to have the effect, of substantially lessening competition in any relevant market, it has offered the Merger Undertaking to address the ACCC's competition concerns.

Sigma's obligations under the Merger Undertaking (which will bind the Merged Group) include, in summary:

- that for a period of three years from Implementation, Sigma will not prevent or hinder Sigma's franchisees (ie Amcal, DDS or PharmaSave franchisees), wholesale customers and / or buying group customers (as defined) who entered into their agreements prior to 1 July 2024 from terminating their agreements with Sigma, should they elect to do so. For franchisees and other customers which elect to terminate their agreements, Sigma has committed that it will not seek to recover contributions (as defined) Sigma has paid to a franchisee or other customer or any future fees payable to Sigma under those agreements (but does not include any outstanding monies owed to Sigma at the date of termination). Sigma is not required to provide any services, rebates, discounts and contributions which have not been earned or paid under any agreement, unless validly accrued and payable prior to the date of termination;
- implement data protection measures for confidential information provided by a Sigma franchisee, wholesale and/or buying group customer that elects to terminate their agreements with Sigma within three years of Implementation, subject to specific exceptions. Data will be deleted unless required for specified purposes, including where required by law or to meet CSO or other legal reporting, in which case any retained data is restricted to limited approved personnel. For pharmacies who wish to continue to have a Sigma trading account, their data will (with consent) be received but ring fenced from directors or employees of the Merged Group who hold a direct or indirect ownership interest in a Chemist Warehouse franchise or who have involvement in the day-to-day management of Sigma's relationship with Chemist Warehouse Franchisees;
- a commitment that Sigma will remain a CSO distributor and will not terminate Sigma's CSO Deed for at least 5 years from the date of Implementation; and
- Sigma consenting to independent auditing of the implementation of the commitments and dispute resolution processes in relation to the termination provision of Sigma's commitments.

If wholesale customers and/or buying group customers (including Sigma franchisees who also have wholesale agreements with Sigma) elect to terminate their supply agreements with Sigma, the Merged Group would lose revenue and margin that it would have otherwise earned from wholesale sales from these customers. If Sigma franchisees elect to terminate their franchise agreements, in addition to the risk of reduction of revenue and margin from wholesale sales due to the terms of the Merger Undertaking, the Merged Group would not be entitled to recover sign-on bonuses and other upfront contributions it has paid to franchisees (that it may otherwise have been entitled to recover upon termination by a franchisee) and it will not be entitled to future franchise fees that Sigma would have been entitled to had the franchise agreement not terminated, given Sigma will not be providing the relevant franchise services.

Although it is not possible to predict the extent to which franchisees and other wholesale customers might exercise rights under the Merger Undertaking, the Merged Group does not expect the impact of the Merger Undertaking to be material.

12.5 Escrow arrangements

(a) Escrow Arrangements

Jack Gance, Sam Gance and Mario Verrochi are committed to the long-term value creation opportunities available to the Merged Group. Therefore, each of them (and certain entities and persons associated with them) (**Escrowed Shareholders**) have entered into voluntary escrow arrangements regarding the Sigma Shares allotted to them in connection with the Transaction (**Escrowed Shares**). Subject to certain exceptions, the Escrowed Shareholders will be prevented from dealing with:

- 100% of the Escrowed Shares during the period commencing on the Implementation Date and ending on the earlier of 31 August 2025 and at the close of trading on ASX on the day that Sigma announces its financial results for the period ending 30 June 2025 (**First Escrow Period**); and
- 90% of the Escrowed Shares during the period commencing at the end of the First Escrow Period and ending on the earlier of 31 August 2026 and at the close of trading on ASX on the day that Sigma announces its financial results for the period ending 30 June 2026.

The restriction on disposing is broadly defined in the voluntary escrow deeds. It restricts the Escrowed Shareholders from, among other things:

- selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Escrowed Shares;
- encumbering or granting a security interest over the Escrowed Shares; and
- doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Shares or agreeing to do any of those things.

A holding lock will be applied to the Escrowed Shares upon Implementation to give effect to the above Escrow Arrangements.

The table below sets out the total number of Escrowed Shares held by the Escrowed Shareholders.

| Escrowed Shareholder | Number of Escrowed Shares²⁵⁸ | Escrow Period | Number of Escrowed Shares eligible for early release²⁵⁹ |
|---|--|----------------------|---|
| Mario Verrocchi and associated entities | 1,578,936,930 | As above | 157,893,693 |
| Jack Gance and associated entities | 2,555,101,850 | As above | 255,510,185 |
| Sam Gance and associated entities | 1,446,760,358 | As above | 144,676,036 |

(b) Early release

In addition, the Escrowed Shares of each Escrowed Shareholder are eligible for early release:

- to enable the Escrowed Shareholder to accept a bona fide Third Party offer under a takeover bid in relation to the Escrow Shares, provided that the holders of at least half of the Shares that are not subject to any voluntary escrow deed, and to which the offers under the bid relate, have accepted the bid; or
- to enable to Escrowed Shares to be transferred or cancelled as part of a scheme of arrangement under Part 5.1 of the Corporations Act.

However, the escrow obligations will continue to apply to the Escrowed Shares if the Escrowed Shares are not transferred or cancelled in accordance with such a takeover bid or scheme of arrangement.

(c) Restrictions on transfers

During the Escrow Period, Escrowed Shareholders whose Sigma Shares remain subject to escrow may dispose of any of their Escrowed Shares to the extent that the disposal is

- required by an applicable law, including an order of a court of competent jurisdiction (provided that any recipient of the Escrowed Shares will no longer be bound by any holding lock or restrictions on dealing with respect to the Escrowed Shares);
- a transfer by the personal representative of the Escrowed Shareholder to whom the Escrowed Shares have been bequeathed (provided that the transferee will no longer be bound by any holding lock or restrictions on dealing with respect to the Escrowed Shares); or
- to the Escrowed Shareholder's spouse or a company or entity under the full and effective control of the Escrowed Shareholder, where the transferee also enters into an escrow arrangement with Sigma on substantially the same terms.

The Escrow Arrangements do not prevent Escrowed Shareholders from exercising any voting rights attaching to the Escrowed Shares.

258. These figures are an estimate and are dependent on the fully diluted number of Sigma Shares on issue as at the Scheme Record Date. For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the VWAP of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

259. These figures are an estimate and are dependent on the fully diluted number of Sigma Shares on issue as at the Scheme Record Date. For example, the number of New Sigma Shares to be issued under the Scheme Share Consideration will take into account, in respect of entitlements to be cash settled pursuant to Sigma's 2024/25 Short Term Incentive Deferral Rights Plan, a number of Sigma Shares equal to that cash payment divided by the VWAP of a Sigma Share for the 5 trading days immediately preceding 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

12. Additional information continued

12.6 Finance arrangements

(a) Description of the Banking Facilities

Sigma has entered into a binding debt commitment letter with certain lenders under which those lenders have agreed to provide senior secured syndicated debt facilities to Sigma. The debt commitment letter will be superseded by the Banking Facilities.

| Facility | Facility Type | Facility Limit | Borrower | Purpose | Maturity Date |
|----------|--------------------------|----------------|---|--|--|
| A | Revolving cash advance | \$940,000,000 | | Funding the Transaction (including refinancing of any existing indebtedness and financing costs associated with the Transaction) and general corporate purposes | |
| C | Re-drawable multi-option | \$60,000,000 | Sigma and certain other Sigma Group Members | General corporate and working capital purposes (for the issuance of credit support documents) and any working capital adjustments in respect of the Transaction | Earlier of 3 years from financial close and 30 June 2028 |
| D | Revolving cash advance | \$500,000,000 | | Funding the Transaction (including refinancing of any existing indebtedness) and financing costs associated with the Transaction and general corporate purposes | |

(b) Representations, financial covenants, undertakings and events of default

Under the Banking Facilities, customary representations are given for the benefit of the lenders and other finance parties thereunder, including, but not limited to, no misleading information, no proceedings pending or threatened, no breach of laws, payment of taxes, security provided free of competing security interests, no event of default, disclosure and accurate financial statements (in each case subject to customary materiality thresholds, qualifiers and/or exceptions, as applicable).

Sigma also undertakes to comply with a fixed charge cover ratio, which is a measure of how well the Merged Group's earning can be used to cover its interest and other financing costs and certain other charges. In addition, other undertakings under the Banking Facilities include, but are not limited to, information undertakings (such as the provision of financial statements), maintaining guarantor coverage, compliance with laws, undertakings relating to anti-money laundering, sanctions and anti-corruption laws, policies and procedures and security provided being free of competing security interests (in each case subject to customary materiality thresholds, qualifiers and/or exceptions, as applicable).

The events of default under the Banking Facilities are also customary for facilities of this nature, which include, but are not limited to, non-payment, breach of fixed charge cover ratio covenant, breach of other provisions, misrepresentation, cross-default, unlawfulness, insolvency-related events and material adverse effect (in each case subject to customary materiality thresholds, qualifiers and/or exceptions, as applicable). It will also be a review event under the Banking Facilities if the shares in Sigma are no longer listed on the ASX, suspended from trading for 5 consecutive business days or any person acquires, directly or indirectly, control of Sigma.

12.7 Company tax status, financial year and future Annual General Meetings

The Merged Group will be subject to tax at the Australian corporate tax rate.

Prior to Implementation, Sigma and Chemist Warehouse will have different balance dates. As at the date of this Prospectus, Sigma's financial year ends on 31 January, whilst Chemist Warehouse's financial year ends on 30 June.

Given the complexity with reconciling conflicting legal and accounting requirements applying to the preparation of the Merged Group accounts following Implementation of the Transaction, ASIC has agreed in principle to provide relief that will allow Sigma to meet its financial reporting obligations based on a notional financial year that runs to 30 June each year, enabling the Merged Group to report in accordance with Chemist Warehouse's financial year of 30 June. From Implementation, Sigma will meet its financial reporting obligations under Part 2M.3 of the Corporations Act in relation to notional financial years ending 30 June and notional half-years ending 31 December, as if those were Sigma's statutory financial year and half-year. Accordingly, Sigma will release financial results for the financial year ending 30 June 2025 and half-year financial results for the half-year ending 31 December 2025 (and so on each period thereafter). To support this approach, ASIC has also agreed in principle to provide relief that will allow each of Sigma's subsidiaries (that have financial reporting obligations) to report as if their financial year end is 30 June as well as relief that facilitates consolidated group reporting reflecting the new notional financial year on the 12 months ending 30 June each year.

The following follow-on relief and waivers will also be, or have already been, sought by Sigma:

- a waiver from the ASX Listing Rules that would otherwise require the lodgement of half and full year results based on a 31 January financial year end, provided that lodgements are made with respect to the new notional year end of 30 June;
- permission from ASIC to extend the time by which Sigma may hold its annual general meeting each year so that it is within 5 months of 30 June (the new notional financial year end) including for the annual general meeting that would otherwise need to be held within 5 months of 31 January 2025; and
- relief from ASIC that will allow Sigma to continue to access the cleansing notice regime in sections 708AA and 708A(5) of the Corporations Act (notwithstanding that one of the conditions to that relief will not be satisfied due to the fact Sigma will from now on be relying on the relief mentioned above in relation to its financial reporting obligations).

12.8 ASIC relief and ASX waivers

(a) ASIC exemptions and relief

As noted in section 12.7 above, Sigma has applied to ASIC for relief that:

- will allow Sigma to meet its financial reporting obligations based on a notional financial year that runs to 30 June each year (so that Sigma and Chemist Warehouse have the same financial year end of 30 June); and
- facilitates consolidated group reporting to reflect the new notional financial year of 30 June.

Sigma has applied to ASIC under section 250P of the Corporations Act for a permanent extension of the time of Sigma's annual general meetings which will allow Sigma to hold its annual general meeting within five months of 30 June each year (rather than within five months of 31 January each year).

In addition, Sigma has applied to ASIC for an exemption under section 740 of the Corporations Act to ensure that the above relief in relation to Sigma's financial reporting obligations, once granted, will not prevent Sigma from relying on sections 708AA and 708A of the Corporations Act (which relate to rights issues and sale offers, respectively, that do not need disclosure).

(b) ASX waivers and confirmation

ASX has provided the following confirmations in respect of the ASX Listing Rules:

- ASX Listing Rule 11.1.2 applies to the Transaction.
- ASX Listing Rule 11.1.3 does not apply to the Transaction, meaning Sigma is not required to re-comply with ASX's admission and quotation requirements. This is subject to the following conditions:
 - ASX being satisfied that Sigma's structure and operations following Implementation of the Transaction will be appropriate for a listed entity;²⁶⁰
 - Sigma providing disclosure to the market of the Transaction and of Chemist Warehouse Group that is satisfactory to ASX;²⁶¹
 - Sigma having appropriate arrangements in place for Chemist Warehouse Group to provide to Sigma:
 - » all the information that Sigma requires to comply with ASX Listing Rule 3.1 and Sigma will give that information to ASX for release to the market if necessary for Sigma to comply with its obligations under the ASX Listing Rules; and

all financial statements that Chemist Warehouse Group lodges with ASIC and all documents that Chemist Warehouse Group lodges with ASIC which become public in connection with the Transaction at the same time as they are lodged with ASIC and that these documents will be immediately given to ASX for release to the market, including by requiring Chemist Warehouse Group to adopt a continuous disclosure and market communications policy on substantially the same terms as the one currently in place in relation to Sigma;

- Sigma providing all documents that Sigma lodges with ASIC which become public in connection with the Transaction to ASX for release to the market at the same time as those documents are lodged with ASIC; and
- Sigma issuing this Prospectus, which complies with the detailed content requirements in section 710 of the Corporations Act, on or before Implementation of the Transaction.

²⁶⁰. Sigma confirms that ASX has provided this confirmation.

²⁶¹. Sigma confirms that ASX has provided this confirmation.

12. Additional information continued

Sigma's structure and operations following Implementation of the Proposed Transaction will be appropriate for a listed entity. This is subject to:

- Sigma complying with all of the conditions described above; and
- Sigma obtaining, prior to Implementation of the Transaction, shareholder approval under ASX Listing Rule 10.1 for all agreements and arrangements in existence at the time of Implementation of the Transaction which provide for Chemist Warehouse Group, or any of its child entities, to acquire or dispose of a substantial asset to or from a person listed in ASX Listing Rule 10.1.1 to 10.1.5. Such shareholder approval must be on terms, and must be provided following disclosure, acceptable to ASX and which upholds the spirit, intention and purpose of ASX Listing Rule 10.1.

In addition, Sigma has applied to, or intends to apply to, ASX for a waiver from the ASX Listing Rules that would require the lodgement of half and full year results based on a 31 January financial year end, provided that lodgements are made with respect to the new notional year end of 30 June (as noted in section 12.8(a) above).

12.9 Consents to be named and disclaimers of responsibility

Each of the parties listed in this section 12.9, to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, make no representations regarding and take no responsibility, for any statements in or omissions from this Explanatory Memorandum, other than the reference to its name in the form and context in which it is named and a statement or report included in this Explanatory Memorandum with its consent as specified below. None of the parties listed in this section 12.9 has authorised or caused the issue of this Explanatory Memorandum.

Each of the parties listed below has given and has not, at the date of this Explanatory Memorandum, withdrawn its written consent to the inclusion of statements in this Explanatory Memorandum that are specified below in the form and context in which the statements appear:

- Gilbert + Tobin has given, and has not withdrawn prior to the date of this Explanatory Memorandum, its written consent to be named in this Explanatory Memorandum as Australian legal adviser (other than in relation to taxation matters) to Sigma in relation to the Transaction in the form and context in which it is named;
- Grant Thornton has given, and has not withdrawn before the date of this Explanatory Memorandum, its written consent to be named in this Explanatory Memorandum as the Sigma Independent Expert and to the inclusion of its Sigma Independent Expert's Report set out in Appendix 2 in the form and context in which it appears in this Explanatory Memorandum;
- PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn before the date of this Explanatory Memorandum, its written consent to be named in this Explanatory Memorandum as Investigating Accountant to Sigma in relation to the Financial Information in the form and context in which it is named and to the inclusion of its Investigating Accountant's Report on the Financial Information set out in Appendix 3 in the form and context in which it appears in this Explanatory Memorandum;
- Deloitte Touche Tohmatsu has given, and has not withdrawn before the date of this Explanatory Memorandum, its written consent to be named in this Explanatory Memorandum as the auditor of Sigma;
- PricewaterhouseCoopers has given, and has not withdrawn before the date of this Explanatory Memorandum, its written consent to be named in this Explanatory Memorandum as the auditor of Chemist Warehouse;
- Link Market Services Limited has given, and has not withdrawn before the date of this Explanatory Memorandum, its written consent to be named in this Explanatory Memorandum as the Sigma Share Registry in the form and context in which it is named. The Sigma Share Registry has had no involvement in the preparation of any part of this Explanatory Memorandum other than being named as share registry to Sigma. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Explanatory Memorandum;
- Chemist Warehouse has given, and has not withdrawn before the date of this Explanatory Memorandum, its written consent to be named in this Explanatory Memorandum in relation to the inclusion in this Explanatory Memorandum of the Chemist Warehouse Information. Chemist Warehouse takes no responsibility for any part of this Explanatory Memorandum other than any reference to its name and the Chemist Warehouse Information; and
- each of HMC Capital and HMC Capital Partners Fund 1 have given, and have not withdrawn before the date of this Explanatory Memorandum, written consent to be named in this Explanatory Memorandum in the form and context in which they are named and to the inclusion of the statements made by them, or based on statements made by them, in section 6.6 of this Explanatory Memorandum in the form and context in which they appear in this Explanatory Memorandum.

13. Glossary

| Term | Meaning |
|------------------------------------|---|
| AAS | Australian Accounting Standards. |
| AASB | Australian Accounting Standards Board. |
| ACCC | Australian Competition and Consumer Commission. |
| ACT | Australian Capital Territory. |
| AEMP | Australian ex-manufacturer price. |
| Affiliate | in respect of a person (Primary Person), a person: <ol style="list-style-type: none"> 1. Controlled directly or indirectly by the Primary Person; 2. Controlling directly or indirectly the Primary Person; 3. directly or indirectly Controlled by a person who Controls the Primary Person (whether alone or with another person or persons); or 4. directly or indirectly under the common Control of the Primary Person and another person or persons. |
| Ancillary Resolution | has the meaning given to that term in section 3.2. |
| AMS Constructions | has the meaning given to that term in section 10.3(l)(i). |
| ANZ | Australia and New Zealand Banking Group Limited. |
| Approval Conditions | has the meaning given to that term in section 10.3(c). |
| ARTG | Australian register of therapeutic goods. |
| ASIC | Australian Securities and Investments Commission. |
| Associate | has the meaning given to that term in section 12 of the Corporations Act as if subsection 12(1) of the Corporations Act included a reference to the Merger Implementation Agreement. |
| ASX | ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates. |
| ASX Listing Rules or Listing Rules | the listing rules of the ASX as amended or replaced from time to time. |
| ASX Recommendations | ASX Corporate Governance Principles and Recommendations (Fourth Edition) as issued by the ASX Corporate Governance Council. |
| ATO | Australian Taxation Office. |
| Australian Franchise Network | franchised stores operating under the Chemist Warehouse, Amcal, My Chemist and DDS franchise pharmacy brands, as well as Pipeline Stores. |
| Australian Retail Network | Retail Network stores located in Australia. |
| Banking Facilities | has the meaning given to that term in section 6.4. |
| Business Day | a day on which banks are open for business in Melbourne, other than a Saturday, Sunday or public holiday. |
| CAGR | compound annual growth rate. |
| CCA | <i>Competition and Consumer Act 2010</i> (Cth). |
| CEO Sign-On Rights | has the meaning given to that term in section 12.2(c). |
| CGU | cash generating unit. |
| Chair or Chairman | the individual elected to chair any meeting of Sigma from time to time. |
| Chapter 2E | Chapter 2E of the Corporations Act. |

13. Glossary continued

| Term | Meaning |
|--|--|
| Chemist Warehouse | CW Group Holdings Limited (ACN 635 851 839), and where the context requires, the business conducted by that entity or the Chemist Warehouse Group. |
| Chemist Warehouse Australian Franchise Network | franchised stores operating under the Chemist Warehouse and My Chemist franchise pharmacy brands, as well as Pipeline Stores, in Australia. |
| Chemist Warehouse Board | the board of directors of Chemist Warehouse. |
| Chemist Warehouse Competing Proposal | <ol style="list-style-type: none"> a Chemist Warehouse IPO; or any proposal, expression of interest, agreement, arrangement or transaction which, if entered into or completed, would result in a Third Party (either alone or together with any Associate): <ul style="list-style-type: none"> directly or indirectly acquiring a Relevant Interest in, or having a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the Chemist Warehouse Shares; acquiring Control of Chemist Warehouse; directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a substantial part of the business or assets of the Chemist Warehouse Group; being directly or indirectly acquired by Chemist Warehouse for consideration that is or includes Chemist Warehouse Shares and that results in pre-existing shareholders in the Third Party holding (in aggregate) a Relevant Interest in 20% or more of the Chemist Warehouse Shares; otherwise directly or indirectly acquiring or merging with Chemist Warehouse; or requiring Chemist Warehouse to abandon, or otherwise fail to proceed with, the Transaction, <p>in each case whether by way of takeover bid, members' or creditors' scheme of arrangement, reverse takeover, shareholder approved acquisition, capital reduction, buy-back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement recapitalisation, refinancing or other transaction or arrangement.</p> <p>Each successive material modification or variation of a Chemist Warehouse Competing Proposal will constitute a new Chemist Warehouse Competing Proposal.</p> |
| Chemist Warehouse Director | a director of Chemist Warehouse. |
| Chemist Warehouse Disclosure Materials | has the meaning given to that term in clause 1.1 of the Merger Implementation Agreement. |
| Chemist Warehouse Equity Incentive | any option, restricted share or right to Chemist Warehouse Shares issued under employee incentive arrangements of the Chemist Warehouse Group. |
| Chemist Warehouse Founders | Mario Verrocchi, Jack Gance and Sam Gance. |
| Chemist Warehouse Franchise Model | the commercial arrangements between Chemist Warehouse and its franchisees. Refer to section 8.2(e)(ii)(A) for further information. |
| Chemist Warehouse Group | Chemist Warehouse and each of its Controlled entities, and a reference to a Chemist Warehouse Group Member or a member of the Chemist Warehouse Group is to Chemist Warehouse or any of its Controlled entities. |

| Term | Meaning |
|---|---|
| Chemist Warehouse Historical Financial Information | the Chemist Warehouse Historical Income Statements together with the Chemist Warehouse Historical Statements of Cash Flows and the Chemist Warehouse Historical Statement of Financial Position. |
| Chemist Warehouse Historical Income Statements | the Chemist Warehouse historical consolidated statements of profit or loss for FY22, FY23 and FY24. |
| Chemist Warehouse Historical Statement of Financial Position | the Chemist Warehouse historical consolidated statement of financial position as at 30 June 2024. |
| Chemist Warehouse Historical Statements of Cash Flows | the Chemist Warehouse historical consolidated cash flow information for FY22, FY23 and FY24. |
| Chemist Warehouse Independent Expert | Kroll Australia Pty Ltd, being the independent expert appointed by Chemist Warehouse to prepare the Chemist Warehouse Independent Expert's Report in accordance with clause 6.2(a) of the Merger Implementation Agreement. |
| Chemist Warehouse Independent Expert's Report | the report prepared by the Chemist Warehouse Independent Expert in connection with the Scheme for inclusion in the Scheme Booklet opining on whether the Scheme is in the best interests of Chemist Warehouse Shareholders and the reasons for holding that opinion, and includes any update, revision, amendment or supplement to that report. |
| Chemist Warehouse Information | <p>information regarding the Chemist Warehouse Group and the Merged Group provided or prepared by or on behalf of Chemist Warehouse for inclusion in this Explanatory Memorandum (or any amendment or supplement), including the information in the following sections or parts of those sections:</p> <ol style="list-style-type: none"> 1. Important notices – the second paragraph under the heading 'Responsibility statement'; 2. section 1 as it relates to Chemist Warehouse's contribution to the information contained in that section; 3. section 5 as it relates to Chemist Warehouse's contribution to the information contained in that section; 4. section 7; 5. section 8 as it relates to Chemist Warehouse's contribution to the information regarding the Merged Group (it being noted that, for the avoidance of doubt, Sigma is responsible for all information in section 8 relating to the Sigma Group or the business of the Sigma Group provided or prepared by or on behalf of Sigma for inclusion in section 8); 6. section 9 as it relates to Chemist Warehouse's contribution to the information regarding the Merged Group (it being noted that, for the avoidance of doubt, Sigma is responsible for all information in section 9 relating to the Sigma Group or the business of the Sigma Group provided or prepared by or on behalf of Sigma for inclusion in section 9); 7. section 10.3 as it relates to Chemist Warehouse's contribution to the information contained in that section; 8. section 11.1 as it relates to Chemist Warehouse's contribution to the information contained in that section; and 9. Appendix 5 as it relates to Chemist Warehouse's contribution to the information in Appendix 5. <p>For the avoidance of doubt, the Chemist Warehouse Information excludes the Sigma Information, the Sigma Independent Expert's Report, the Investigating Accountant's Report and any other report or opinion prepared by an external adviser to Sigma or Chemist Warehouse.</p> |

13. Glossary continued

| Term | Meaning |
|----------------------------------|--|
| Chemist Warehouse IPO | has the meaning given to that term in clause 1.1 of the Merger Implementation Agreement. |
| Chemist Warehouse Leakage | <ol style="list-style-type: none">1. any dividend or other distribution of profits or assets which is paid or made by any Chemist Warehouse Group Member to or for the benefit of any Chemist Warehouse Shareholder or any of their Affiliates;2. any payments made by any Chemist Warehouse Group Member to any Chemist Warehouse Shareholder or any of their Affiliates in respect of any share or loan capital or other securities of a Chemist Warehouse Group Member being issued, redeemed, purchased or repaid, or any other return of capital;3. any payment (in cash or in kind) made by or on behalf of any Chemist Warehouse Group Member to or for the benefit of any Chemist Warehouse Shareholder or any of their Affiliates;4. any incurrence of indebtedness by any Chemist Warehouse Group Member in favour of any Chemist Warehouse Shareholder or any of their Affiliates;5. any cancellation, waiver or forgiveness of any amounts or obligations owed to any Chemist Warehouse Group Member by any Chemist Warehouse Shareholder or any of their Affiliates;6. any transfer or provision of assets, rights or other benefits by or from any Chemist Warehouse Group Member to any Chemist Warehouse Shareholder or any of their Affiliates; or7. any agreement or commitment to do any of the things referred to in 1 to 6 above, but excluding in each case any Chemist Warehouse Permitted Leakage. |

| Term | Meaning |
|--|--|
| Chemist Warehouse Material Adverse Change | <ol style="list-style-type: none"> 1. an order, injunction, decision, judgement or decree is issued by any court or Government Agency which: <ul style="list-style-type: none"> • applies to the Chemist Warehouse Group; • has an impact on the Chemist Warehouse Group that is materially disproportionate to its application to other participants in the pharmacy industry; • has the effect of reasonably requiring a significant adverse change to all or a material part of the Chemist Warehouse Group’s business, structure or operations conducted at the date of the Merger Implementation Agreement; and • the adverse effect of which cannot be reasonably and substantially overcome or mitigated by actions that can be taken by the Chemist Warehouse Group in compliance with applicable laws; or 2. an event, change, condition, circumstance, matter or thing that occurs, is announced, is disclosed or otherwise becomes known to Chemist Warehouse after the date of the Merger Implementation Agreement, whether it becomes public or not (each a Specified Event) which, whether individually or when aggregated with all such events, changes, conditions, circumstances, matters, or things of a like kind that have occurred, has had or would be considered reasonably likely to have the effect of, a diminution on a recurring basis in the value of the earnings before interest and tax of the Chemist Warehouse Group, taken as a whole, by at least 15% against what it would reasonably have been expected to have been but for such Specified Event (based on Chemist Warehouse’s reasonable calculation of financial performance, prepared in good faith and in accordance with AAS and past practice), determined after taking into account any matters which offset the impact of the Specified Event giving rise to the adverse effect, other than an event, change, condition, circumstance, matter or thing: <ul style="list-style-type: none"> • required or expressly permitted by the Merger Implementation Agreement, the Scheme or the transactions contemplated by any of them; • which directly results from the Merger Implementation Agreement, the Scheme or the transactions contemplated by any of them (including all amounts payable to advisers by the Chemist Warehouse Group in relation to the Transaction); • to the extent Fairly Disclosed in the Chemist Warehouse Disclosure Materials; • to the extent Fairly Disclosed in a document lodged with ASIC in the 24 months prior to the date of the Merger Implementation Agreement; • to the extent Fairly Disclosed in a publicly available document which would be disclosed in a search of the PPS Register 2 Business Days before the date of the Merger Implementation Agreement; • arising from changes in economic or business conditions that impact on Chemist Warehouse and its competitors in a similar manner (including interest rates, general economic, political or business conditions, including disruptions to, or fluctuations in, domestic or international financial markets); • which Sigma has previously approved or agreed to in writing or which arises as a result of a Sigma Group Member taking or refusing to take certain action within its control in respect of a Chemist Warehouse Group Member or its business; • arising as a result of any applicable change in law, regulation, generally accepted accounting standards or generally accepted accounting principles or the interpretation of any such standards or principles, or policy of a Government Agency; or • arising from any act of non-cyber terrorism, outbreak or escalation of war (whether or not declared) or major hostilities, an act of God, lightning, storm, flood, fire, earthquake or explosion, cyclone, tidal wave, landslide, other natural disaster or adverse weather conditions or the like. |
| Chemist Warehouse Permitted Dividend | <p>has the meaning given to that term in clause 1.1 of the Merger Implementation Agreement as amended, being one or more cash dividends declared or paid to Chemist Warehouse Shareholders up to an aggregate amount equal to 80% of the Chemist Warehouse Group’s normalised net profit after tax (excluding the impact of any asset sales or any item which is non-cash and non-recurring) for the period commencing on the Reference Accounts Date and ending on the date that the dividend is declared, provided that Chemist Warehouse reasonably believes that the payment of the dividend will not result in the Chemist Warehouse Group’s net debt as at the last day of the month in which the Implementation Date falls exceeding \$300 million.</p> |

13. Glossary continued

| Term | Meaning |
|--|--|
| Chemist Warehouse Permitted Leakage | <ol style="list-style-type: none">any payment that is expressly permitted or required to be done by or under the Merger Implementation Agreement;the Chemist Warehouse Permitted Dividends and the \$100.9 million dividend declared and paid by Chemist Warehouse in October 2023;any payment, performance, elimination or discharge (in whole or part) of any liability or provision provided for, accrued or reserved against (including by way of offset) in the Reference Accounts;the performance of any obligation under, or any step contemplated by, any agreement, arrangement or understanding by a Chemist Warehouse Group Member Fairly Disclosed in the Chemist Warehouse Disclosure Materials (including any repayment or draw down made under existing financing facilities in place as at the date of the Merger Implementation Agreement);any payment, transaction or other action made, entered into or undertaken by a Chemist Warehouse Group Member in the ordinary course of its business, the nature and overall scale of which is consistent with past practices of the Chemist Warehouse Group, including any such payment, transaction or other action relating to:<ul style="list-style-type: none">property lease agreements or arrangements;provision of seed funding and fit out financing to franchisees of the Chemist Warehouse Group; orpayments made by a Chemist Warehouse Group Member that are recharged to stores or franchisees of the Chemist Warehouse Group;without limiting paragraph 5, remuneration, fees, disbursements, and/or other amounts paid or payable by a Chemist Warehouse Group Member (including employment related taxes or similar deductions), under agreements Fairly Disclosed in the Chemist Warehouse Disclosure Materials, to or for the benefit of a director, officer or employee or any of their Affiliates;the procuring of and payment for insurance for a Chemist Warehouse Group Member (and its directors and officers) on market standard terms, in the ordinary course of business and consistent with past practice;any Chemist Warehouse Leakage to the extent that the financial impact on the Chemist Warehouse Group of that Chemist Warehouse Leakage has been reversed, eliminated or reduced prior to the Implementation Date;any Chemist Warehouse Leakage which:<ul style="list-style-type: none">involves an individual amount, benefit or value of an asset less than \$50,000; andoccurs unknowingly, inadvertently or without detection and is not for the purpose of transferring value from the Chemist Warehouse Group to a Chemist Warehouse Shareholder or an Affiliate,provided that the aggregate amount of all Chemist Warehouse Leakage under this paragraph is less than \$2 million; orany payment which is approved in writing by Sigma for the purposes of this definition. |

| Term | Meaning |
|---|--|
| Chemist Warehouse Prescribed Occurrence | <p>other than any matter:</p> <ol style="list-style-type: none"> 1. required or expressly permitted by the Merger Implementation Agreement, the Scheme or the transactions contemplated by any of them; 2. Fairly Disclosed in the Chemist Warehouse Disclosure Materials; 3. Fairly Disclosed in a document lodged with ASIC in the 24 months prior to the date of the Merger Implementation Agreement; 4. required by law or by an order of a court or Government Agency; or 5. which Sigma has previously approved or agreed to in writing, <p>the occurrence of any of the following:</p> <ol style="list-style-type: none"> 6. a member of the Chemist Warehouse Group converting all or any of its shares into a larger or smaller number of shares; 7. a member of the Chemist Warehouse Group resolving to reduce its share capital in any way; 8. a member of the Chemist Warehouse Group: <ul style="list-style-type: none"> • entering into a buy-back agreement; or • resolving to approve the terms of a buy-back agreement under the Corporations Act; 9. a member of the Chemist Warehouse Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property; 10. a member of the Chemist Warehouse Group granting a Security Interest, or agreeing to grant a Security Interest, in the whole, or a substantial part, of its business or property, other than in the ordinary course of business; 11. an Insolvency Event occurs in relation to a member of the Chemist Warehouse Group; 12. any Chemist Warehouse Group Member pays, declares, distributes or incurs a liability to make or pay a dividend, bonus or other share of its profits, income, capital or assets by way of dividend or other form of distribution, other than a Chemist Warehouse Permitted Dividend; 13. any Chemist Warehouse Group Member ceases, or threatens to cease, the whole or a material part of the business of the Chemist Warehouse Group; 14. any Chemist Warehouse Group Member creates any new security-based (or phantom security-based) incentive plan or scheme; or 15. any Chemist Warehouse Group Member directly or indirectly authorises, commits or agrees to take any of the actions referred to in paragraphs 6 to 14 above. |
| Chemist Warehouse Representations and Warranties | the representations and warranties of Chemist Warehouse set out in Schedule 1 of the Merger Implementation Agreement. |
| Chemist Warehouse Retail Holdings | CW Retail Holdings Pty Ltd (ACN 608 416 164). |
| Chemist Warehouse Retail Network | Chemist Warehouse Australian Franchise Network stores, Other Retail Brands stores, New Zealand Retail Network stores, Ireland Retail Network stores, China Retail Network stores and Dubai Retail Network stores. |
| Chemist Warehouse Retail Network Sales | in-store and online sales across the Chemist Warehouse Retail Network, as well as online sales fulfilled directly by Chemist Warehouse. |
| Chemist Warehouse Share | a fully paid ordinary share in the capital of Chemist Warehouse. |
| Chemist Warehouse Share Register | the register of members of Chemist Warehouse maintained by the Chemist Warehouse Share Registry in accordance with the Corporations Act. |
| Chemist Warehouse Share Registry | Computershare Investor Services Pty Limited (ACN 078 279 277). |

13. Glossary continued

| Term | Meaning |
|---------------------------------------|---|
| Chemist Warehouse Shareholder | a person who is registered as the holder of a Chemist Warehouse Share in the Chemist Warehouse Share Register. |
| Chemist Warehouse Shareholders' Deed | the existing shareholders deed between the shareholders of Chemist Warehouse. |
| Chemist Warehouse Superior Proposal | <p>a bona fide, written Chemist Warehouse Competing Proposal of the kind referred to in paragraph 2 of the definition of Chemist Warehouse Competing Proposal not resulting from a breach by Chemist Warehouse of any of its obligations under clause 14 of the Merger Implementation Agreement, which the Chemist Warehouse Board, acting in good faith and in order to satisfy what the Chemist Warehouse Board considers to be the Chemist Warehouse Board's statutory or fiduciary duties (after receiving advice from reputable external legal and financial advisers) determines:</p> <ol style="list-style-type: none"> is reasonably capable of being valued and completed substantially in accordance with its terms within a reasonable timeframe; and would, if completed substantially in accordance with its terms, result in a transaction that is more favourable to Chemist Warehouse Shareholders (taken as a whole) than the Transaction, <p>taking into account all terms, conditions and other aspects of the Chemist Warehouse Competing Proposal and the Transaction, including conditions, the identity, reputation and financial condition of the person making the proposal and all relevant legal, regulatory and financial matters (including the value and type of consideration, funding, any timing considerations, any conditions precedent or other matters affecting the probability of the proposal being completed).</p> |
| China Retail Network | Chemist Warehouse stores operated in China through services agreements with local companies. |
| Closely Related Party | has the meaning given to that term in the Corporations Act. |
| Commonwealth Price | has the meaning given to that term in section 5.5(a)(vii). |
| Completion or Completion of the Offer | Completion in respect of the issuance of Offer Shares in the Offer. |
| Conditions Precedent | the conditions set out in Schedule 3 of the Merger Implementation Agreement. |
| Control | has the meaning given to that term in section 50AA of the Corporations Act, disregarding subsection 50AA(4). |
| Corporations Act | <i>Corporations Act 2001</i> (Cth). |
| Corporations Regulations | <i>Corporations Regulations 2001</i> (Cth). |
| Court | the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Sigma and Chemist Warehouse. |
| CPAs | the community pharmacy agreements between the Federal Government and the Pharmacy Guild. |
| CSO | Community Service Obligations. |
| CSO Deed | a deed of agreement with the Federal Government under which CSO distributors, including Sigma, agree to meet certain obligations in order to receive payments from the CSO funding pool. |
| Debt Commitment Letter | the binding, credit approved, executed debt commitment letter annexing, amongst other things, the agreed form Debt Facility Agreement, from certain banks and other financial institutions addressed to Sigma dated 14 November 2024 (which amended and replaced the previous debt commitment letters dated 11 December 2023 and 6 August 2024). |
| Debt Facility Agreement | a debt facility agreement in respect of the Banking Facilities to be entered into between, amongst others, Sigma and certain banks and financial institutions prior to the Implementation Date. |

| Term | Meaning |
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| Debt Finance Accession Documents | has the meaning given to that term in section 10.4. |
| Debt Finance Documents | the Debt Facility Agreement and related finance documents. |
| Disclosure Documents | <ol style="list-style-type: none"> 1. Scheme Booklet; 2. Sigma Notice of Meeting; and 3. Prospectus. |
| Discount Drugstores or DDS | Discount Drugstores Pty Ltd (ACN 067 616 826). |
| Dollars and \$ | unless the context requires otherwise, Australian currency. |
| Dubai Retail Network | partly owned Chemist Warehouse branded retail pharmacies in Dubai. |
| EBIT | earnings before interest and tax. |
| EBIT Margin | EBIT divided by revenue, expressed as a percentage. |
| EBITDA | earnings before interest, tax, depreciation and amortisation. |
| EBITDA Margin | EBITDA divided by revenue, expressed as a percentage. |
| Effective | when used in relation to the Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Scheme. |
| Effective Date | the date on which the Scheme becomes Effective, currently expected to be 4 February 2025. |
| End Date | 11 December 2024, unless extended in accordance with the Merger Implementation Agreement. |
| Equity Securities | has the meaning given to that term in the Listing Rules. |
| Escrow Arrangements | the voluntary escrow arrangements described in section 12.5. |
| Escrow Period | the applicable period for which Escrowed Shares are subject to the Escrow Arrangements. |
| Escrowed Shareholders | a person holding an Escrowed Share (as set out in section 12.5). |
| Escrowed Shares | the Sigma Shares which are subject to Escrow Arrangements. |
| ESG | environmental, social, and governance. |
| Exclusivity Period | the period from the date of the Merger Implementation Agreement until the earlier of: <ol style="list-style-type: none"> 1. the date of termination of the Merger Implementation Agreement; and 2. the End Date. |
| Existing Related Party Arrangements | has the meaning given to that term in section 10.3(c). |
| Existing Related Persons | has the meaning given to that term in section 10.3. |
| Existing Related Person Franchise Agreement | has the meaning given to that term in section 10.3(f)(i). |
| Existing Related Person Franchisee | has the meaning given to that term in section 10.3(e). |

13. Glossary continued

| Term | Meaning |
|--|--|
| Existing Related Person Leases | has the meaning given to that term in section 10.3(j). |
| Existing Related Person Licences | has the meaning given to that term in section 10.3(j). |
| Existing Related Person Supply Agreement | has the meaning given to that term in section 10.3(f)(ii). |
| Explanatory Memorandum | the explanatory memorandum accompanying this Notice. |
| EYFS | East Yarra Friendly Society Pty Ltd (ACN 087 648 913). |
| Fairly Disclosed | has the meaning given to that term in clause 1.1 of the Merger Implementation Agreement. |
| Financial Assistance | has the meaning given to that term in section 10.4. |
| Financial Assistance Approval | has the meaning given to that term in section 3.2. |
| Financial Information | the Chemist Warehouse Historical Financial Information, the Sigma Historical Financial Information and the Merged Group Pro Forma Historical Financial Information. |
| First Escrow Period | has the meaning given to that term in section 12.4. |
| Fit-out Leases | has the meaning given to that term in section 10.3(l)(iii). |
| FMCG | fast-moving consumer goods. |
| FOS | front of store. |
| FOS product | any product which is not a prescription product or an OTC product and which is of a kind that is typically, or may be, carried in pharmacies and which may also be sold through general retail stores. |
| Franchising Code | Franchising Code of Conduct, a mandatory industry code under the CCA. |
| Future Related Party Dealings | has the meaning given to that term in section 10.3(c). |
| Future Related Party Dealings Framework Period | has the meaning given to that term in section 10.3(c). |
| FY or Financial Year | in relation to the Merged Group or Chemist Warehouse, refers to the 12 months ending 30 June in the relevant year, and in relation to Sigma, refers to the 12 months ending 31 January in the relevant year. |
| general retail store | a retail store that is not a pharmacy and which sells FOS products to consumers. |
| Government Agency | any government or governmental, semi-governmental, administrative, monetary, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world. |
| Guardian Pharmacies | Guardian Pharmacies Australia Pty Ltd (ACN 005 092 839). |
| Head Lease | has the meaning given to that term in section 10.3(j). |
| HIN | holder identification number. |
| HMC Capital | has the meaning given to that term in section 6.6. |
| IASB | International Accounting Standards Board. |
| IFRS | International Financial Reporting Standards as issued by the International Accounting Standards Board. |

| Term | Meaning |
|--|---|
| Implementation | implementation of the Scheme, being the transfer of all of the Scheme Shares to Sigma, and issue of the Scheme Consideration to Scheme Shareholders by Sigma. |
| Implementation Date | the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as agreed in writing by Chemist Warehouse and Sigma or is ordered by the Court or required by ASX, currently expected to be 12 February 2025. |
| Ineligible Foreign Shareholder | a Scheme Shareholder whose address shown in the Chemist Warehouse Share Register on the Scheme Record Date is a place outside Australia and its external territories or New Zealand, unless Sigma (acting reasonably, and after consultation with Chemist Warehouse) determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with Sigma Shares when the Scheme becomes Effective. |
| Insolvency Event | has the meaning given to that term in clause 1.1 of the Merger Implementation Agreement. |
| Investigating Accountant | PricewaterhouseCoopers Securities Ltd. |
| Investigating Accountant's Report | the report prepared by the Investigating Accountant in connection with the Transaction for inclusion in this Explanatory Memorandum, and includes any update, revision, amendment or supplement to that report. |
| Ireland Retail Network | partly owned Chemist Warehouse branded retail pharmacies in Ireland. |
| IT | information technology. |
| Key Management Personnel | has the meaning given to that term in the Accounting Standards. |
| Last Practicable Date | 6 December 2024. |
| Leakage | <ol style="list-style-type: none"> 1. when used in relation to Chemist Warehouse, Chemist Warehouse Leakage; and 2. when used in relation to Sigma, Sigma Leakage. |
| Lenders | the financial institutions as "Lenders" under the Debt Facility Agreement. |
| Lessor | has the meaning given to that term in section 10.3(l)(iii). |
| LFS Plan Rules | has the meaning given to that term in section 12.2(c)(i). |
| Like-For-Like Chemist Warehouse Retail Network Sales Growth | the percentage change of Chemist Warehouse Retail Network Sales generated by a group of stores in the Chemist Warehouse Retail Network in a relevant period, compared to the same set of stores in the Chemist Warehouse Retail Network in the prior corresponding period |
| Loan Agreement | has the meaning given to that term in section 10.3(l)(iii). |
| Loan Funded Share | a Sigma Share acquired under a Sigma Incentive Plan using a loan provided by Sigma. |
| LTI | long term incentive. |
| LTI Right | has the meaning given to that term in section 12.2(c)(ii). |
| LTI Rights Plan | has the meaning given to that term in section 12.2(c)(ii). |
| LTI Rights Plans Rules | has the meaning given to that term in section 12.2(c)(ii). |
| LTI Term | has the meaning given to that term in section 12.2(c)(ii). |
| Meeting | the Extraordinary General Meeting convened by the Notice. |
| Merged Group | the merged Chemist Warehouse Group and Sigma Group formed upon Implementation. |
| Merged Group Board | the board of directors of Sigma immediately following Implementation. |

13. Glossary continued

| Term | Meaning |
|---|---|
| Merged Group Director | a person who will be a director of Sigma immediately following Implementation. |
| Merged Group Pro Forma Historical Financial Information | the Merged Group Pro Forma Historical Income Statements together with the Merged Group Pro Forma Historical Statements of Cash Flows and the Merged Group Pro Forma Historical Statement of Financial Position. |
| Merged Group Pro Forma Historical Income Statements | the Merged Group pro forma historical consolidated income statements for FY22, FY23 and FY24. |
| Merged Group Pro Forma Historical Statement of Financial Position | the Merged Group pro forma historical consolidated statement of financial position as at 30 June 2024. |
| Merged Group Pro Forma Historical Statements of Cash Flows | the Merged Group pro forma historical consolidated cash flow information for FY22, FY23 and FY24. |
| Merger Implementation Agreement | the merger implementation agreement dated 11 December 2023 as amended on 10 December 2024 between Sigma and Chemist Warehouse relating to the Transaction. |
| Merger Undertaking | has the meaning given to that term in section 12.4. |
| My Beauty Spot | has the meaning given to that term in section 10.3(j). |
| NAB | National Australia Bank Limited. |
| New Sigma Share | a Sigma Share to be issued to Scheme Shareholders under the Scheme. |
| New Zealand Retail Network | partly owned Chemist Warehouse branded retail pharmacies in New Zealand. |
| New Zealand Retail Network Sales | in-store and online sales across the Chemist Warehouse New Zealand Retail Network, as well as online sales fulfilled directly by Chemist Warehouse in New Zealand. |
| Notice or Notice of Meeting | the notice of Extraordinary General Meeting contained in Appendix 1 of this Explanatory Memorandum. |
| NSW | New South Wales. |
| NSW Documents | has the meaning given to that term in section 10.3(g). |
| NSW Implementation Date | has the meaning given to that term in section 10.3(g). |
| NSW Occupancy Licence | has the meaning given to that term in section 10.3(g). |
| NSW Services Agreement | has the meaning given to that term in section 10.3(g). |
| NSW Supply Agreement | has the meaning given to that term in section 10.3(g). |
| NSW Trade Mark Licence | has the meaning given to that term in section 10.3(g). |

| Term | Meaning |
|--|---|
| has the meaning given to that term in section 10.3(g). | has the meaning given to that term in section 10.3(j). |
| Occupancy Licence | has the meaning given to that term in section 10.3(f). |
| Offer | the offer of new Sigma Shares by Sigma under the Prospectus. |
| Offer Shares | new Sigma Shares to be issued under the Offer. |
| OHS | occupational health and safety. |
| OIO | Overseas Investment Office. |
| Online Meeting Platform | https://meetings.linkgroup.com/SIGEGM25 . |
| OTC | over the counter. |
| OTC product | a product which can only legally be purchased in a pharmacy and not in a general retail store, but which does not require a prescription. In Australia, this includes products specified in Schedule 2 or Schedule 3 of the Poisons Standard. |
| Other Retail Brands | Ultra Beauty and Optometrist Warehouse. |
| PBS | Pharmaceutical Benefits Scheme. |
| PEL | private and exclusive label. |
| Performance Right | a right to acquire a Sigma Share subject to the satisfaction of any applicable performance hurdles and/or vesting conditions. |
| pharmacy | a retail store at which pharmacists dispense prescription products on prescription, whether or not other products are also sold from the store. |
| pharmacy business | the enterprise which is conducted at a pharmacy or online-only pharmacy. |
| Pharmacy Guild | the Pharmacy Guild of Australia. |
| Pipeline Stores | stores that have been acquired by a pharmacist with the intention of becoming a Chemist Warehouse or My Chemist franchisee in due course, and which will receive services from the Merged Group under a service arrangement until such a time as they enter into a franchise or licence agreement with Chemist Warehouse. |
| Placement Capacity Approval | has the meaning given to that term in section 3.2. |
| Poisons Standard | Standard for the Uniform Scheduling of Drugs and Poisons. |
| PPS Register | register established under the PPSA. |
| PPSA | <i>Personal Property Securities Act 2009</i> (Cth). |
| prescription product | a product which can only legally be purchased where a health practitioner (generally a doctor, senior nurse or dentist) has issued a prescription for the product to a patient. In Australia, this includes products in Schedule 4 or Schedule 8 of the Poisons Standard. |
| Principles | has the meaning given to that term in section 10.3(r). |
| Pro Forma Fit-Out Lease | has the meaning given to that term in section 10.3(l)(iii). |
| Pro Forma Franchise Agreement | the Merged Group pro forma Franchise Agreement between CW Retail Services and a Chemist Warehouse Franchisee. |
| Pro Forma Lease | has the meaning given to that term in section 10.3(j). |

13. Glossary continued

| Term | Meaning |
|-------------------------------------|---|
| Pro Forma Loan Agreement | has the meaning given to that term in section 10.3(l)(iii). |
| Proposed Directors | the persons who will join the Merged Group Board upon Implementation (being Mario Verrocchi, Damien Gance, Jack Gance and Danielle Di Pilla). |
| Prospectus | the prospectus (and includes any supplementary or replacement prospectus) to be issued under Chapter 6D of the Corporations Act by Sigma as required by ASX. |
| Protocols | the protocols governing the membership, operation and responsibilities of the Related Party IBC or Related Party Working Group (as the context requires). |
| Proxy Form | the proxy form accompanying the Notice by way of email where the Sigma Shareholder has elected to receive notices by email, or the personalised proxy form accompanying the postcard circulated by way of post where the Sigma Shareholder has not elected to receive notices by email. |
| Reference Accounts | <ol style="list-style-type: none"> when used in relation to Chemist Warehouse, the audited consolidated balance sheet of the Chemist Warehouse Group on the Reference Accounts Date; and when used in relation to Sigma, the reviewed consolidated balance sheet of the Sigma Group on the Reference Accounts Date. |
| Reference Accounts Date | <ol style="list-style-type: none"> when used in relation to Chemist Warehouse, 30 June 2023; and when used in relation to Sigma, 31 July 2023. |
| Related Body Corporate | has the meaning given to that term in section 50 of the Corporations Act. |
| Related Party | a person identified in Listing Rule 10.1, including directors of Sigma and those persons who hold more than 10% of Sigma Shares. |
| Related Party Arrangements Approval | has the meaning given to that term in section 3.2. |
| Related Party Governance Framework | has the meaning given to that term in section 10.3(n). |
| Related Party IBC | the independent committee of directors established by the Board to oversee the Related Party Arrangements. |
| Related Party Loan | has the meaning given to that term in section 10.3(l)(iii). |
| Related Party Manual | has the meaning given to that term in section 10.3(n). |
| Related Party Transaction | a transaction between a Related Party and the Merged Group requiring approval under Listing Rule 10.1. |
| Related Party Working Group | a group of independent senior management of Sigma, established by the Board, to manage the Related Party Arrangements on a day to day basis. |
| Relevant Interest | has the meaning given to that term in sections 608 and 609 of the Corporations Act. |
| Resolution | has the meaning given to that term in section 3.2. |
| Restricted Securities | has the meaning given to that term in the Listing Rules. |
| Restricted Voter | Key Management Personnel and their Closely Related Parties as at the date of the Meeting. |
| Retail Network | Australian Franchise Network stores, Other Retail Brands stores, New Zealand Retail Network stores, Ireland Retail Network stores, China Retail Network stores and Dubai Retail Network stores. |
| retailing | sale of prescription products, OTC products and FOS products to consumers. |
| Revenue Growth | the period-on-period percentage change in total Merged Group revenue. |

| Term | Meaning |
|------------------------------------|---|
| Scheme | the scheme of arrangement under Part 5.1 of the Corporations Act between Chemist Warehouse and the Scheme Shareholders, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and such other form as agreed to in writing between Chemist Warehouse and Sigma. |
| Scheme Booklet | the document being the explanatory statement in respect of the Scheme, which has been prepared by Chemist Warehouse in accordance with section 412 of the Corporations Act. |
| Scheme Cash Consideration | <p>a cash amount per Scheme Share held by a Scheme Shareholder calculated as follows:</p> $N = \frac{\$700 \text{ million} + A}{B}$ <p>where:</p> <p>N is the cash amount per Scheme Share held by a Scheme Shareholder;</p> <p>A is the net amount of any Leakage calculated in accordance with clause 11 of the Merger Implementation Agreement, provided that:</p> <ol style="list-style-type: none"> 1. if any Sigma Leakage is greater than any Chemist Warehouse Leakage, A will be positive in accordance with clause 11(d)(1) of the Merger Implementation Agreement; and 2. if any Chemist Warehouse Leakage is greater than any Sigma Leakage, A will be negative in accordance with clause 11(d)(2) of the Merger Implementation Agreement; and <p>B is the total number of Scheme Shares.</p> |
| Scheme Consideration | <p>the consideration to be provided by Sigma to each Scheme Shareholder for the transfer to Sigma of each Scheme Share, being:</p> <ol style="list-style-type: none"> 1. the Scheme Cash Consideration; and 2. the Scheme Share Consideration, <p>for each Chemist Warehouse Share held by a Scheme Shareholder as at the Scheme Record Date.</p> |
| Scheme Meeting | the meeting of Chemist Warehouse Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting. |
| Scheme Record Date | 7.00pm on the second Business Day after the Effective Date, currently expected to be 7.00pm (Melbourne time) on 6 February 2025, or such other time and date as Sigma and Chemist Warehouse agree in writing. |
| Scheme Requisite Majorities | <p>a resolution passed by:</p> <ol style="list-style-type: none"> 1. unless the Court orders otherwise, a majority in number (more than 50%) of Chemist Warehouse Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Chemist Warehouse Shareholders, body corporate representative); and 2. at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Chemist Warehouse Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate Chemist Warehouse Shareholders, body corporate representative). |
| Scheme Share | a Chemist Warehouse Share held by a Scheme Shareholder as at the Scheme Record Date. |

13. Glossary continued

| Term | Meaning |
|----------------------------|--|
| Scheme Share Consideration | <p>for each Scheme Share held by a Scheme Shareholder, the number of New Sigma Shares calculated as follows:</p> $N = \frac{0.8575 \times \left(\frac{A}{0.1425}\right)}{B}$ <p>where:</p> <p>N is the number of New Sigma Shares;</p> <p>A is the total number of Sigma Shares on issue on a fully diluted basis (assuming the full conversion of any options, rights or securities that are convertible into Sigma Shares) on the Scheme Record Date, which:</p> <ol style="list-style-type: none"> excludes any options, rights or securities existing as at the date of the Merger Implementation Agreement that are convertible into Sigma Shares in respect of which arrangements have been put in place by the Scheme Record Date for them to be cancelled or otherwise extinguished for nil consideration on or before the Implementation Date; and includes any options, rights or securities existing as at the date of the Merger Implementation Agreement that are fully or partially convertible into Sigma Shares in respect of which arrangements have been put in place by the Scheme Record Date for them to be settled fully or partially for cash consideration; and <p>B is the total number of Scheme Shares.</p> |
| Scheme Shareholder | a Chemist Warehouse Shareholder as at the Scheme Record Date. |
| Second Court Date | the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving the Scheme is heard, currently expected to be on 3 February 2025, or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard with such hearing being the Second Court Hearing . |
| Security Interest | any mortgage, charge, pledge, lien, assignment or other security interest or any other arrangement (including a right of set off or combination) entered into for the purpose of conferring a priority, including any security interest as defined in section 51A of the Corporations Act or in the PPSA. |
| Security Trustee | any person that holds the benefit of the security granted pursuant to the Debt Finance Documents on trust for certain beneficiaries, including the Lenders. |
| Seed Loans | has the meaning given to that term in section 10.3(l)(iii). |
| Sigma | Sigma Healthcare Limited (ACN 088 417 403; ASX:SIG). |
| Sigma Board | the board of directors of Sigma. |

| Term | Meaning |
|---|--|
| Sigma Competing Proposal | <p>any proposal, expression of interest, agreement, arrangement or transaction which, if entered into or completed, would result in a Third Party (either alone or together with any Associate):</p> <ol style="list-style-type: none"> 1. directly or indirectly acquiring a Relevant Interest in, or having a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the Sigma Shares (other than or occurs pursuant to item 9 of section 611); 2. acquiring Control of Sigma; 3. directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a substantial part of the business or assets of the Sigma Group; 4. being directly or indirectly acquired by Sigma for consideration that is or includes Sigma Shares and that results in pre-existing shareholders in the Third Party holding (in aggregate) a Relevant Interest in 20% or more of the Sigma Shares; 5. otherwise directly or indirectly acquiring or merging with Sigma; or 6. requiring Sigma to abandon, or otherwise fail to proceed with, the Transaction, <p>in each case whether by way of takeover bid, members' or creditors' scheme of arrangement, reverse takeover, shareholder approved acquisition, capital reduction, buy-back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement recapitalisation, refinancing or other transaction or arrangement.</p> <p>Each successive material modification or variation of a Sigma Competing Proposal will constitute a new Sigma Competing Proposal.</p> |
| Sigma Constitution | the constitution of Sigma as in force at the date of this document. |
| Sigma Director | a director of Sigma. |
| Sigma Disclosure Materials | has the meaning given to that term in clause 1.1 of the Merger Implementation Agreement. |
| Sigma Franchise Model | the commercial arrangements between Sigma and its franchisees. Refer to section 8.2(e)(ii)(B) for further information. |
| Sigma Franchise Network | Amcal and DDS branded stores. |
| Sigma Group | Sigma and each of its Controlled entities, and a reference to a Sigma Group Member or a member of the Sigma Group is to Sigma or any of its Controlled entities. |
| Sigma Historical Financial Information | the Sigma Historical Income Statements together with the Sigma Historical Statements of Cash Flows and the Sigma Historical Statement of Financial Position. |
| Sigma Historical Income Statements | the Sigma historical consolidated statements of profit or loss for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, and the half years ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024. |
| Sigma Historical Statement of Financial Position | the Sigma historical consolidated statement of financial position as at 31 July 2024. |
| Sigma Historical Statements of Cash Flows | the Sigma historical consolidated cash flow information for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, and the half years ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024. |
| Sigma Incentive Plan | an equity-based incentive plan of Sigma (as described in section 12.2). |

13. Glossary continued

| Term | Meaning |
|--|--|
| Sigma Independent Expert | Grant Thornton Corporate Finance Pty Limited, being the independent expert appointed by Sigma to prepare the Sigma Independent Expert's Report, in accordance with clause 6.3(a) of the Merger Implementation Agreement. |
| Sigma Independent Expert's Report | the report prepared by the Sigma Independent Expert for inclusion in this Explanatory Memorandum opining on whether the Related Party Arrangements are fair and reasonable and the reasons for holding that opinion, and includes any update, revision, amendment or supplement to that report. |
| Sigma Information | the entirety of the information included in this Explanatory Memorandum (or any amendment or supplement) other than the Chemist Warehouse Information, the Sigma Independent Expert's Report, the Investigating Accountant's Report and any other report or opinion prepared by an external adviser to Sigma or Chemist Warehouse. |
| Sigma KMP | Vikesh Ramsunder and Mark Conway. |
| Sigma Leakage | <ol style="list-style-type: none">1. any dividend or other distribution of profits or assets which is paid or made by any Sigma Group Member to or for the benefit of any Sigma Shareholder or any of their Affiliates;2. any payments made by any Sigma Group Member to any Sigma Shareholder or any of their Affiliates in respect of any share or loan capital or other securities of a Sigma Group Member being issued, redeemed, purchased or repaid, or any other return of capital;3. any payment (in cash or in kind) made by or on behalf of Sigma Group Member to or for the benefit of any Sigma Shareholder or any of their Affiliates;4. any incurrence of indebtedness by any Sigma Group Member in favour of any Sigma Shareholder or any of their Affiliates;5. any cancellation, waiver or forgiveness of any amounts or obligations owed to any Sigma Group Member by any Sigma Shareholder or any of their Affiliates;6. any transfer or provision of assets, rights or other benefits by or from any Sigma Group Member to any Sigma Shareholder or any of their Affiliates; or7. any agreement or commitment to do any of the things referred to in 1 to 6 above, but excluding in each case any Sigma Permitted Leakage. |

| Term | Meaning |
|-------------------------------|---|
| Sigma Material Adverse Change | <ol style="list-style-type: none"> <li data-bbox="389 383 1465 667">1. an order, injunction, decision, judgement or decree is issued by any court or Government Agency which: <ul style="list-style-type: none"> <li data-bbox="427 421 735 443">• applies to the Sigma Group; <li data-bbox="427 459 1410 515">• has an impact on the Sigma Group that is materially disproportionate to its application to other participants in the pharmacy industry; <li data-bbox="427 526 1374 600">• has the effect of reasonably requiring a significant adverse change to all or a material part of the Sigma Group's business, structure or operations conducted at the date of the Merger Implementation Agreement; and <li data-bbox="427 611 1465 667">• the adverse effect of which cannot be reasonably and substantially overcome or mitigated by actions that can be taken by the Sigma Group in compliance with all applicable laws; or <li data-bbox="389 696 1465 1673">2. an event, change, condition, circumstance, matter or thing that occurs, is announced, is disclosed or otherwise becomes known to Sigma after the date of the Merger Implementation Agreement, whether it becomes public or not (each a Specified Event) which, whether individually or when aggregated with all such events, changes, conditions, circumstances, matters, or things of a like kind that have occurred, has had or would be considered reasonably likely to have the effect of a diminution on a recurring basis in the value of the earnings before interest and tax of the Sigma Group, taken as a whole, by at least \$20 million against what it would reasonably have been expected to have been but for such Specified Event (based on Sigma's reasonable calculation of financial performance, prepared in good faith and in accordance with Accounting Standards and past practice), determined after taking into account any matters which offset the impact of the Specified Event giving rise to the adverse effect, other than an event, change, condition, circumstance, matter or thing: <ul style="list-style-type: none"> <li data-bbox="427 1003 1406 1059">• required or expressly permitted by the Merger Implementation Agreement, the Scheme or the transactions contemplated by any of them; <li data-bbox="427 1070 1445 1144">• which directly results from the Merger Implementation Agreement, the Scheme or the transactions contemplated by any of them (including all amounts payable to Advisers by the Sigma Group in relation to the Transaction); <li data-bbox="427 1155 1091 1178">• to the extent Fairly Disclosed in the Sigma Disclosure Materials; <li data-bbox="427 1189 1458 1245">• to the extent Fairly Disclosed in an announcement made to ASX or in a document lodged with ASIC in the 24 months prior to the date of the Merger Implementation Agreement; <li data-bbox="427 1256 1453 1312">• to the extent Fairly Disclosed in a publicly available document which would be disclosed in a search of the PPS Register 2 Business Days before the date of the Merger Implementation Agreement; <li data-bbox="427 1323 1445 1397">• arising from changes in economic or business conditions that impact on Sigma and its competitors in a similar manner (including interest rates, general economic, political or business conditions, including disruptions to, or fluctuations in, domestic or international financial markets); <li data-bbox="427 1408 1461 1482">• which Chemist Warehouse has previously approved or agreed to in writing or which arises as a result of a Chemist Warehouse Group Member taking or refusing to take certain action within its control in respect of a Sigma Group Member or its business; <li data-bbox="427 1494 1433 1568">• arising as a result of any applicable change in law, regulation, generally accepted accounting standards or generally accepted accounting principles or the interpretation of any such standards or principles, or policy of a Government Agency; or <li data-bbox="427 1579 1445 1673">• arising from any act of non-cyber terrorism, outbreak or escalation of war (whether or not declared) or major hostilities, an act of God, lightning, storm, flood, fire, earthquake or explosion, cyclone, tidal wave, landslide, other natural disaster or adverse weather conditions or the like. |

13. Glossary continued

| Term | Meaning |
|---------------------------------|--|
| Sigma Permitted Dividend | has the meaning given to that term in the Merger Implementation Agreement. |
| Sigma Permitted Leakage | <ol style="list-style-type: none">any payment that is expressly permitted or required to be done by or under the Merger Implementation Agreement;the Sigma Permitted Dividends;any payment, performance, elimination or discharge (in whole or part) of any liability or provision provided for, accrued or reserved against (including by way of offset) in the Reference Accounts;the performance of any obligation under, or any step contemplated by, any agreement, arrangement or understanding by a Sigma Group Member Fairly Disclosed in the Sigma Disclosure Materials (including any repayment or draw down made under existing financing facilities in place as at the date of the Merger Implementation Agreement);any payment, transaction or other action made, entered into or undertaken by a Sigma Group Member in the ordinary course of its business, the nature and overall scale of which is and consistent with past practices of the Sigma Group, including any such payment, transaction or other action relating to:<ul style="list-style-type: none">property lease agreements or arrangements;provision of seed funding and fit out financing to franchisees of the Sigma Group; orpayments made by a Sigma Group Member that are recharged to stores or franchisees of the Sigma Group;without limiting paragraph 5, remuneration, fees, disbursements, and/or other amounts paid or payable by a Sigma Group Member (including employment related taxes or similar deductions), under agreements Fairly Disclosed in the Sigma Disclosure Materials, to or for the benefit of a director, officer or employee or any of their Affiliates;the procuring of and payment for insurance for a Sigma Group Member (and its directors and officers) on market standard terms, in the ordinary course of business and consistent with past practice;any Sigma Leakage to the extent that the financial impact on the Sigma Group of that Sigma Leakage has been reversed, eliminated or reduced prior to the Implementation Date;any Sigma Leakage which:<ul style="list-style-type: none">involves an individual amount, benefit or value of an asset less than \$50,000; andoccurs unknowingly, inadvertently or without detection and is not for the purpose of transferring value from the Sigma Group to a Sigma Shareholder or an Affiliate,provided that the aggregate amount of all Sigma Leakage under this paragraph is less than \$2 million; orany payment which is approved in writing by Chemist Warehouse for the purposes of this definition. |

| Term | Meaning |
|---|--|
| Sigma Prescribed Occurrence | <p>other than any matter:</p> <ol style="list-style-type: none"> 1. required or expressly permitted by the Merger Implementation Agreement, the Scheme or the transactions contemplated by any of them; 2. Fairly Disclosed in the Sigma Disclosure Materials; 3. Fairly Disclosed in an announcement made to ASX or in a document lodged with ASIC in the 24 months prior to the date of the Merger Implementation Agreement; 4. required by law or by an order of a court or Government Agency; or 5. which Chemist Warehouse has previously approved or agreed to in writing, <p>the occurrence of any of the following:</p> <ol style="list-style-type: none"> 6. a member of the Sigma Group converting all or any of its shares into a larger or smaller number of shares; 7. a member of the Sigma Group resolving to reduce its share capital in any way; 8. a member of the Sigma Group: <ul style="list-style-type: none"> • entering into a buy-back agreement; or • resolving to approve the terms of a buy-back agreement under the Corporations Act; 9. a member of the Sigma Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property; 10. a member of the Sigma Group granting a Security Interest, or agreeing to grant a Security Interest, in the whole, or a substantial part, of its business or property, other than in the ordinary course of business; 11. an Insolvency Event occurs in relation to a member of the Sigma Group; 12. any Sigma Group Member pays, declares, distributes or incurs a liability to make or pay a dividend, bonus or other share of its profits, income, capital or assets by way of dividend or other form of distribution, other than a Sigma Permitted Dividend; 13. any Sigma Group Member ceases, or threatens to cease, the whole or a material part of the business of the Sigma Group; 14. any Sigma Group Member creates any new security-based (or phantom security-based) incentive plan or scheme; or 15. any Sigma Group Member directly or indirectly authorises, commits or agrees to take any of the actions referred to in paragraphs 6 to 14 above. |
| Sigma Representations and Warranties | the representations and warranties of Sigma set out in Schedule 2 of the Merger Implementation Agreement. |
| Sigma Share | a fully paid ordinary share in the capital of Sigma. |
| Sigma Share Register | the register of members of Sigma maintained by the Sigma Share Registry in accordance with the Corporations Act. |
| Sigma Share Registry | <p>Link Market Services Limited (ACN 083 214 537).</p> <p>Link Group is now known as MUFG Pension & Market Services. Over the coming months, Link Market Services will progressively rebrand to its new name MUFG Corporate Markets, a division of MUFG Pension & Market Services.</p> |
| Sigma Shareholder | a person who is registered as the holder of a Sigma Share in the Sigma Share Register. |
| Sigma Shareholder Meeting | the meeting of Sigma Shareholders to be held on 29 January 2025 to consider and vote on the Resolutions and includes any meeting convened following any adjournment or postponement of that meeting. |

13. Glossary continued

| Term | Meaning |
|--------------------------------------|--|
| Sigma Superior Proposal | <p>a bona fide, written Sigma Competing Proposal not resulting from a breach by Sigma of any of its obligations under clause 15 of the Merger Implementation Agreement, which the Sigma Board, acting in good faith and in order to satisfy what the Sigma Board considers to be the Sigma Board's statutory or fiduciary duties (after receiving advice from reputable external legal and financial advisers) determines:</p> <ol style="list-style-type: none"> 1. is reasonably capable of being valued and completed substantially in accordance with its terms within a reasonable timeframe; and 2. would, if completed substantially in accordance with its terms, result in a transaction that is more favourable to Sigma Shareholders (taken as a whole) than the Transaction, <p>taking into account all terms, conditions and other aspects of the Sigma Competing Proposal and the Transaction, including conditions, the identity, reputation and financial condition of the person making the proposal and all relevant legal, regulatory and financial matters (including the value and type of consideration, funding, any timing considerations, any conditions precedent or other matters affecting the probability of the proposal being completed).</p> |
| Sigma Supply Agreement | has the meaning given to that term in section 6.3(b). |
| Sigma Transaction Resolutions | <p>has the following meaning in the Merger Implementation Agreement which, in this Explanatory Memorandum, are referred to as the Transaction Resolutions:</p> <ol style="list-style-type: none"> 1. the ordinary resolution of Sigma Shareholders under ASX Listing Rule 11.1.2 in respect of the significant change to the nature and scale of Sigma's activities; 2. the ordinary resolution of Sigma Shareholders under ASX Listing Rule 7.1 in respect of the approval of the issuance of Sigma Shares in connection with the Scheme; 3. the ordinary resolutions of Sigma Shareholders under ASX Listing Rule 10.1 in respect of the approval of the Existing Related Party Arrangements and the Related Party Governance Framework; 4. the special resolution of Sigma Shareholders for the purposes of section 260B(2) of the Corporations Act to approve the financial assistance to be provided by the Chemist Warehouse Group in connection with the Transaction arising from, amongst other things, their accession to, and their giving of guarantees and security in respect of, the facility under the Debt Facility Agreement; 5. the ordinary resolutions of Sigma Shareholders under clause 3.4 of Sigma's constitution to appoint each of the Chemist Warehouse nominees to the Sigma Board nominated in accordance with clause 11 of Merger Implementation Agreement; and 6. any other resolutions the parties agree are required or desirable in connection with the Transaction. |
| Significant Change Approval | has the meaning given to that term in section 3.2. |
| SRN | securityholder reference number. |
| STI | short term incentive. |
| STI Right | has the meaning given to that term in section 12.2(b). |
| STI Rights Plan | has the meaning given to that term in section 12.2(b). |
| STI Rights Plans Rules | has the meaning given to that term in section 12.2(b). |
| STI Term | has the meaning given to that term in section 12.2(b). |
| Substantial Asset Threshold | has the meaning given in section 10.3(a). |
| Supply Arrangement | has the meaning given to that term in section 10.3(f). |
| TGA | Therapeutic Goods Administration. |

| Term | Meaning |
|-------------------------------------|---|
| Third Party | a person other than Chemist Warehouse, Sigma or their respective Related Bodies Corporate. |
| Transaction | the merger of Chemist Warehouse and Sigma by way of the acquisition of all the Scheme Shares by Sigma through the implementation of the Scheme in accordance with the terms of the Merger Implementation Agreement. |
| Transaction Resolutions | has the meaning given to that term in section 3.2. |
| Transaction Information Line | 1300 103 401 (within Australia) or +61 2 9066 4063 (outside Australia), open between 9.00am and 5.00pm (Melbourne time), Monday to Friday (excluding public holidays). |
| VWAP | volume weighted average price. |
| Westpac | Westpac Banking Corporation. |
| WholeLife Pharmacy | WholeLife Pharmacy Pty Ltd (ACN 631 496 190). |
| wholesaling | sale of prescription products, OTC products and FOS products by any business other than a manufacturer of the product (including by an importer of the product) to any customer other than a consumer. |
| Working Group Protocols | has the meaning given to that term in section 10.3(n). |

Appendix 1. Notice of Extraordinary General Meeting

Sigma Healthcare Limited

ABN 15 088 417 403

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Sigma Healthcare Limited ABN 15 088 417 403 will be held at 2.00pm (Melbourne time) on 29 January 2025 at the Sofitel, 25 Collins Street, Melbourne Victoria 3000 and online at <https://meetings.linkgroup/SIGEGM25>.

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Extraordinary General Meeting, including instructions on how to vote.

AGENDA

The purpose of the Extraordinary General Meeting is to consider and, if thought fit, to pass the Resolutions set out below. Information on the Resolutions is set out below and in the Explanatory Memorandum (of which this Notice of Meeting forms a part).

Resolution 1 – Significant Change Approval

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to Implementation occurring and for the purpose of Listing Rule 11.1.2 and for all other purposes, approval is given for Sigma to make a significant change to the nature and scale of its activities resulting from Implementation of the Transaction under the Merger Implementation Agreement on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statement for Resolution 1

In accordance with Listing Rule 14.11, Sigma will disregard any votes cast in favour of Resolution 1 by or on behalf of:

- (a) Chemist Warehouse, and a person who will sell Chemist Warehouse Shares under the Scheme;
- (b) any other person who will obtain a material benefit as a result of the Transaction (except a benefit solely by reason of it being a holder of ordinary securities in Sigma); or
- (c) an Associate of those persons.

However, this does not apply to a vote cast in favour of Resolution 1 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with the directions given to the proxy or attorney to vote on Resolution 1 in that way;
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with a direction given to the Chair to vote on Resolution 1 as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on Resolution 1; and
 - (ii) the holder votes on Resolution 1 in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 2 – Placement Capacity Approval

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to Implementation occurring and for the purpose of Listing Rule 7.1 and for all other purposes, approval is given for Sigma to issue the New Sigma Shares on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statement for Resolution 2

In accordance with Listing Rule 14.11, Sigma will disregard any votes cast in favour of Resolution 2 by or on behalf of:

- (a) Chemist Warehouse;
- (b) a Chemist Warehouse Group Member;
- (c) a person who is expected to participate in, or who will obtain a material benefit as a result of, the Transaction or the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in Sigma or Chemist Warehouse); or
- (d) an Associate of those persons.

However, this does not apply to a vote cast in favour of Resolution 2 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on Resolution 2, in accordance with the directions given to the proxy or attorney to vote on Resolution 2 in that way;
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 2, in accordance with a direction given to the Chair to vote on Resolution 2 as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on Resolution 2; and
 - (ii) the holder votes on Resolution 2 in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 3 – Related Party Arrangements Approval

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to Implementation occurring, for the purposes of ASX Listing Rule 10.1 and for all other purposes (other than for the purposes of Chapter 2E), approval is given for the Related Party Arrangements and Future Related Party Dealings.”

Voting exclusion statement for Resolution 3

In accordance with Listing Rule 14.11, Sigma will disregard any votes cast in favour of Resolution 3 by or on behalf of:

- (a) Mario Verrocchi, Jack Gance, Damien Gance, Danielle Di Pilla, Sam Gance, Sasha Robertson and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the entity); or
- (b) an Associate of those persons, including CW Retail Holdings Pty Ltd, Goat Properties Pty Ltd and Di Pilla Superannuation Pty Ltd as trustee for Di Pilla Superannuation Fund.

However, this does not apply to a vote cast in favour of Resolution 3 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on Resolution 3, in accordance with directions given to the proxy or attorney to vote on Resolution 3 in that way;
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 3, in accordance with a direction given to the Chair to vote on Resolution 3 as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on Resolution 3; and
 - (ii) the holder votes on Resolution 3 in accordance with directions given by the beneficiary to the holder to vote in that way.

Appendix 1. Notice of Extraordinary General Meeting continued

Sigma Independent Expert's Report: Shareholders should carefully consider the Sigma Independent Expert's Report prepared by the Sigma Independent Expert for the purposes of the Sigma Shareholder approval required under Listing Rule 10.1. The Sigma Independent Expert's Report comments on the fairness and reasonableness of the Existing Related Party Arrangements and Future Related Party Dealings to the non-associated Sigma Shareholders.

The Sigma Independent Expert has determined the Existing Related Party Arrangements and Future Related Party Dealings are FAIR AND REASONABLE to the non-associated Sigma Shareholders.

The Sigma Independent Expert's Report is included at Appendix 2 to the Explanatory Memorandum which this Notice accompanies.

Resolution 4 – Financial Assistance Approval

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, subject to Implementation occurring and for the purposes of section 260B(2) of the Corporations Act, approval is given for:

- (a) the Financial Assistance (as described and defined in the Explanatory Memorandum) to be provided by some or all of the Chemist Warehouse Group Members, of which Sigma is or will be the listed holding company, from time to time in connection with the Transaction, any refinancing of all or any of the facilities, and the amendment, restatement or replacement of the Debt Finance Documents detailed in the Explanatory Memorandum;
- (b) any transaction (or element of any transaction) described or contemplated in the Explanatory Memorandum which may constitute the giving of financial assistance for the purposes of section 260A of the Corporations Act; and
- (c) Sigma and some or all of the Chemist Warehouse Group Members entering into and giving effect to the documents required to implement any transaction and the giving of financial assistance described or contemplated in the Explanatory Memorandum."

Resolution 5 – Election of Mr Jack Gance as a Sigma Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, subject to Implementation occurring and with effect from the Implementation Date and for the purpose of rule 3.4 of the Sigma Constitution and for all other purposes, approval is given for Mr Jack Gance to be appointed to the Sigma Board on the terms and conditions set out in the Explanatory Memorandum."

Resolution 6 – Election of Mr Mario Verrocchi as a Sigma Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, subject to Implementation occurring and with effect from the Implementation Date and for the purpose of rule 3.4 of the Sigma Constitution and for all other purposes, approval is given for Mr Mario Verrocchi to be appointed to the Sigma Board on the terms and conditions set out in the Explanatory Memorandum."

Resolution 7 – Election of Mr Damien Gance as a Sigma Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, subject to Implementation occurring and with effect from the Implementation Date and for the purpose of rule 3.4 of the Sigma Constitution and for all other purposes, approval is given for Mr Damien Gance to be appointed to the Sigma Board on the terms and conditions set out in the Explanatory Memorandum."

Resolution 8 – Election of Ms Danielle Di Pilla as a Sigma Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, subject to Implementation occurring and with effect from the Implementation Date and for the purpose of rule 3.4 of the Sigma Constitution and for all other purposes, approval is given for Ms Danielle Di Pilla to be appointed to the Sigma Board on the terms and conditions set out in the Explanatory Memorandum."

Resolution 9 – Increase in the non-executive Sigma Director fee pool

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to Implementation occurring and pursuant to and in accordance with Listing Rule 10.17, Rule 10.2 of the Sigma Constitution and for all other purposes, the total maximum aggregate Sigma Directors’ fees payable to non-executive Sigma Directors be increased from \$1,500,000 per annum to \$2,500,000 per annum.”

Voting exclusion statement for Resolution 9

In accordance with Listing Rule 14.11, Sigma will disregard any votes cast in favour of Resolution 9 by or on behalf of:

- (a) a Sigma Director (or, in the case of a trust, a director of the responsible entity of the trust); or
- (b) an Associate of those persons.

However, this does not apply to a vote cast in favour of Resolution 9 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on Resolution 9, in accordance with the directions given to the proxy or attorney to vote on Resolution 9 in that way;
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 9, in accordance with a direction given to the Chair to vote on Resolution 9 as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 9; and
 - (ii) the holder votes on Resolution 9 in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 10 – Cancellation of Performance Rights

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to Implementation occurring and the passing of resolution 11, under and for the purposes of ASX Listing Rules 6.23.2 and for all other purposes, approval is given for the Company to cancel Performance Rights issued under the EEG Plan on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statement for Resolution 10

In accordance with Listing Rule 14.11, Sigma will disregard any votes cast in favour of Resolution 10 by or on behalf of:

- (a) a person who holds a Performance Right issued under the EEG Plan; or
- (b) an Associate of those persons.

However, this does not apply to a vote cast in favour of Resolution 10 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on Resolution 10, in accordance with the directions given to the proxy or attorney to vote on Resolution 10 in that way;
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 10, in accordance with a direction given to the Chair to vote on Resolution 10 as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 10; and
 - (ii) the holder votes on Resolution 10 in accordance with directions given by the beneficiary to the holder to vote in that way.

Appendix 1. Notice of Extraordinary General Meeting continued

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That, subject to Implementation occurring and the passing of resolution 10, under and for the purposes of ASX Listing Rules 6.23.4 and for all other purposes, approval is given for the Company to agree to make shares issued or transferred on exercise of Performance Rights issued under the EEG Plan subject to disposal restrictions and forfeiture conditions, as set out in the Explanatory Memorandum.”

Voting exclusion statement for Resolution 11

In accordance with Listing Rule 14.11, Sigma will disregard any votes cast in favour of Resolution 11 by or on behalf of:

- (a) a person who holds a Performance Right issued under the EEG Plan; or
- (b) an Associate of those persons.

However, this does not apply to a vote cast in favour of Resolution 11 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on Resolution 11, in accordance with the directions given to the proxy or attorney to vote on Resolution 11 in that way;
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 11, in accordance with a direction given to the Chair to vote on Resolution 11 as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 11; and
 - (ii) the holder votes on Resolution 11 in accordance with directions given by the beneficiary to the holder to vote in that way.

Details of the definitions and abbreviations used in this Notice are set out in the Glossary to the Explanatory Memorandum.

By order of the Board



Kara McGowan
Company Secretary

Dated: 18 December 2024

How to vote

Sigma Shareholders can vote by either:

- appointing a proxy to attend and vote on their behalf online at <https://investorcentre.linkgroup.com>; or
- appointing a proxy to attend and vote on their behalf using the Proxy Form accompanying this Notice and by submitting their proxy appointment and voting instructions, by post or by facsimile; or
- attending the Meeting and voting in person or by attorney or, in the case of corporate Sigma Shareholders, by appointing a corporate representative to attend and vote; or
- attending the Meeting and voting in person; or
- virtually via the online platform at <https://meetings.linkgroup/SIGEGM25>.

Shareholders: When you log into the online platform, you will need to provide your details (including SRN/HIN and postcode) to be verified as a shareholder in order to register to vote or ask a question.

Proxyholders: When you log into the online platform, you will need your 'Proxy Number', which will be provided to you by the Sigma Share Registry before the AGM in order to register to vote or ask a question. Shareholders may submit written questions via the online platform or phone questions via the dedicated shareholder question line. Further information on how to do so is outlined in the Virtual Meeting Online Guide.

Voting in person (or by attorney)

Sigma Shareholders, or their attorneys, who plan to attend the Meeting in person are asked to arrive at the venue 30 minutes prior to the time designated for the Meeting, if possible, so that their holding may be verified and their attendance recorded. To be effective, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by Sigma's share registry in the same manner, and by the same time as outlined for proxy forms below.

Please note that an attorney has no power to act for a Sigma Shareholder at the Meeting if the Sigma Shareholder is present in person (in the case of an individual) or by representative (in the case of a body corporate).

Questions at the Meeting

Sigma Shareholders who are entitled to vote at the Meeting may submit a written question to Sigma in advance of the Meeting and are encouraged to do so by either:

- returning the Question Form accompanying this Notice; or
- online at <https://investorcentre.linkgroup.com>.

We ask that all pre-submitted questions be received by Sigma no later than 5.00pm (Melbourne time) on 22 January 2025.

You may also ask questions by attending the meeting in person or virtually via the online platform at <https://meetings.linkgroup/SIGEGM25>.

The Chair of the Meeting will endeavour to respond to the key themes arising from the pre-submitted questions at the Meeting.

Voting by a Corporation

A Sigma Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by proxy

A Sigma Shareholder entitled to attend and vote is entitled to appoint not more than two proxies.

Each proxy will have the right to vote on a poll and also to speak at the Meeting.

The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the Sigma Shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (ie where there are two proxies, each proxy may exercise half of the votes).

A proxy need not be a Sigma Shareholder.

The proxy can be either an individual or a body corporate.

Appendix 1. Notice of Extraordinary General Meeting continued

If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit. However, where a Restricted Voter is appointed as a proxy, the proxy may only vote on the resolutions in accordance with a direction on how the proxy is to vote.

Should any resolution, other than those specified in this Notice, be proposed at the Meeting, a proxy may vote on that resolution as they think fit.

If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Sigma Shareholder's behalf on the poll and the Shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their Proxy Forms with a direction how to vote, but who do not nominate the identity of their proxy, will be taken to have appointed the Chair of the Meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the Meeting, the Chair of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chair of the Meeting, the secretary or any Sigma Director that do not contain a direction how to vote will be used, where possible, to support each of the Resolutions proposed in this Notice, subject to the voting exclusion rules which apply to some of the proposed Resolutions. These rules are explained in this Notice.

To be effective, proxies must be received by 2.00pm (Melbourne time) on 27 January 2025. Proxies received after this time will be invalid.

Proxies may be lodged using any of the following methods:

By mail:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

By hand:

Link Market Services Limited
Paramatta Square, Level 22, Tower 6
10 Darcy Street, Paramatta NSW 2150

By facsimile:

+61 2 9287 0309

Online:

at www.linkmarketservices.com.au.

The Proxy Form must be signed by the Sigma Shareholder or the Sigma Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the Power of Attorney, or the power itself, must be received by Sigma at the above address, or by facsimile, and by 2.00pm (Melbourne time) on 27 January 2025. If facsimile transmission is used, the Power of Attorney must be certified.

Please note that a proxy has no power to act for a Sigma Shareholder at the Meeting if the Sigma Shareholder is present in person (in the case of an individual), by representative (in the case of a body corporate) or by attorney.

Sigma Shareholders who are entitled to vote

In accordance with paragraphs 7.11.37 and 7.11.38 of the Corporations Regulations, the Board has determined that a person's entitlement to vote at the Extraordinary General Meeting will be the entitlement of that person set out in the Sigma Share Register as at 7.00pm (Melbourne time) on 27 January 2025.

Appendix 2. Sigma Independent Expert's Report



Sigma Healthcare Limited

Independent Expert's Report and Financial Services Guide

18 December 2024

Appendix 2. Sigma Independent Expert's Report continued



Directors
Sigma Healthcare Ltd
Level 6, 2125 Dandenong Road
Clayton VIC 3168

18 December 2024

Grant Thornton Corporate Finance Pty Ltd
Level 26, 225 George Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230
T +61 2 8297 2400

Introduction

All capitalised terms in this report are defined in section 2.

- 1.1 Sigma is a national full-line pharmaceutical wholesaler and distributor of PBS prescription medicines, OTC products and FOS products to over 3,500 community pharmacies nationally. Further, Sigma provides retail pharmacy franchisor services to a branded network of 313¹ pharmacies predominantly operating under the Amcal and Discount Drug Stores brands and third-party logistics services to pharmaceutical manufacturers and other supplier partners. Sigma is listed on the ASX and as at the Last Practicable Date had a market capitalisation of c. A\$4.5 billion².
- 1.2 Chemist Warehouse is an unlisted public company and a leading Australian retail pharmacy franchisor to 573 trading pharmacies in Australia as at the Last Practicable Date comprising of 527 Chemist Warehouse branded pharmacies, 25 My Chemist branded pharmacies and 21 pipeline/unbranded stores. The Chemist Warehouse and My Chemist brands are owed by CWG. As a retail pharmacy franchisor, Chemist Warehouse's principal activities in Australia consist of the provision of intellectual property and support services as well as the supply of goods to a network of franchised pharmacies. As of 30 June 2024, Chemist Warehouse also partly owns 50 retail pharmacies in New Zealand, 10 retail pharmacies in Ireland and one retail pharmacy in Dubai³. A further 10 retail stores are operated in China through services agreements with local companies.
- 1.3 On 11 December 2023, Sigma announced that it had entered into a MIA with Chemist Warehouse under which it is proposed that Sigma will acquire 100% of the Chemist Warehouse shares by way of a scheme of arrangement with the consideration comprising:
 - 1.3.1 Cash for A\$700 million (subject to any leakage adjustments); and
 - 1.3.2 The number of Sigma Shares which result in Chemist Warehouse Shareholders owning 85.75% of the Merged Group⁴.
- 1.4 The Transaction is subject to a number of conditions precedent which are outlined in detail in Section 3.1 of the Explanatory Memorandum. One of these conditions include that the Independent Expert appointed by Sigma issues a report which concludes that certain Related Party Arrangements are fair and reasonable or not fair but reasonable to

¹ As at 30 June 2024 (excluding PharmaSave).

² Market capitalisation has been calculated by multiplying the closing price of Sigma shares of A\$2.88 by Sigma shares outstanding of 1.57 billion as at the Last Practicable Date.

³ As of 14 November 2024.

⁴ Including 126,947,040 Sigma Shares already agreed to be issued to a Chemist Warehouse Group Member on 31 August 2023 in conjunction with the New Chemist Warehouse Supply Agreement. In conjunction with entering into the MIA, Sigma and CWG have agreed to defer the issuance of 126,947,040 Sigma shares already agreed to be issued to CWG on 31 August 2023 in conjunction with the New Chemist Warehouse Supply Agreement commenced on 1 July 2024. If the Transaction is completed, these shares will not be issued whereas if the MIA is terminated, they will be issued no later than 20 days after termination of the MIA.



the Non-Associated Sigma Shareholders and the Independent Expert does not change or withdraw his opinion before the Second Court Date as defined in the NOM.

- 1.5 The Sigma Directors unanimously recommend that Sigma Shareholders vote in favour of the resolutions to implement the Transaction in the absence of a superior proposal and subject to the Sigma Independent Expert continuing to conclude that the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable or not fair but reasonable to Non-Associated Sigma Shareholders

Existing Related Party Arrangements and Future Related Party Dealings

- 1.6 If the Transaction is implemented, the following will become Related Parties of the Merged Group under ASX Listing Rule 10.1: 1) Mario Verrocchi and Jack Gance because they will both be Sigma Directors and because they will be substantial (10%+) holders in Sigma; 2) Damien Gance and Danielle Di Pilla, because they will be Sigma Directors; 3) Sam Gance, because he will be a substantial (10%+) holder in Sigma; and 4) Sasha Robertson, the spouse of Damien Gance (Damien Gance will be a Director of Sigma).
- 1.7 As at the Last Practicable Date, there are 573 trading pharmacies, comprised of 527 CW Banner pharmacies, 25 MYC Banner pharmacies and 21 pipeline or unbranded stores which the Chemist Warehouse Group supports with services but which do not carry a licensed Chemist Warehouse Group's brand. The Related Parties have an interest in 180 of these 573 pharmacies. We note that for the majority of these pharmacies, the Related Party is a limited partner. Of these 573 as at the Last Practicable Date, 123 are located in properties owned by the Related Parties, which are leased to Chemist Warehouse Group and then licenced to franchisees.
- 1.8 CWG undertakes, and is expected to continue undertaking, significant business and transactions with the Related Parties via a series of Related Party Arrangements which are summarised as follows:
- 1.8.1 Existing Related Party Arrangements: A series of agreements in which Chemist Warehouse Group receives payment from the Related Parties in exchange for, amongst other things, franchise services, the supply of goods and occupation of property. These agreements include:
- a) *Existing Related Party Franchise Agreement*: A franchise agreement based on the Pro Forma Franchise Agreement between a Related Party as franchisee, and Chemist Warehouse Group as franchisor.
 - b) *Existing Related Party Supply Agreement*: A supply agreement under which Chemist Warehouse Group supplies goods to a pharmacy. The franchisee pays for goods supplied under the agreement and for any services.
 - c) *Existing Related Party Trading Terms*: An agreement under which Sigma supplies PBS medicines, non-PBS medicines, OTC products and some FOS products directly to pharmacies. The Related Parties were not related parties of Sigma at the time this agreement was entered into but will become related parties of Sigma when the Transaction is implemented.
 - d) *Existing Related Party Lease Agreements*: Lease agreements between a Related Party, as the owner of a property in which a pharmacy is located, who receives rent payments from Chemist Warehouse Group, as lessee, who passes this cost on to franchisees via an Occupancy Licence Agreement. Additionally, CWG Management have identified one distribution centre and two office spaces owned by Related Parties and leased to CWG.



- 1.8.2 Future Related Party Dealings: being 1) the entry into new arrangements with Related Parties or 2) an amendment or renewal of an Existing Related Party Arrangement. The Related Party Manual sets out 11 Categories of Future Related Party Dealings.

Purpose of the Report

- 1.9 ASX Listing Rule 10.1 regulates the purchase or acquisition of substantial assets from, among other groups, related parties and substantial shareholders and requires the entity to obtain approval from non-associated shareholders before the entity can purchase or acquire substantial assets from related parties or substantial shareholders.
- 1.10 ASX Guidance Note 24 specifies that an agreement by an entity to buy/sell goods/services from a related party or substantial shareholder over an extended term meets the Listing Rule 10.1 requirements to obtain Non-Associated Sigma Shareholders' approval. Based on ASX Guidance Note 24, Sigma requires shareholder approval, pursuant to ASX Listing Rule 10.1, in relation to certain Related Party Arrangements between the Merged Group and the Related Parties. Accordingly, the Sigma Board has requested Grant Thornton Corporate Finance to prepare an independent expert's report stating, whether in its opinion:
- 1.10.1 the Related Party Arrangements (as a whole) are both fair and reasonable / not fair but reasonable;
- 1.10.2 the Future Related Party Dealings, are both fair and reasonable / not fair but reasonable; and
- 1.11 In preparing this independent expert's report, Grant Thornton Corporate Finance has had regard to ASIC Regulatory Guide 111 Content of expert reports (RG 111) and ASIC Regulatory Guide 112 Independence of experts (RG 112) and ASIC Regulatory Guide 76 Related party transactions. The independent expert's report will also include other information and disclosures as required by ASIC.
- 1.12 This IER and our opinion excludes certain Related Party arrangements which, we have been instructed, do not require approval for the purposes of Chapter 10 of the ASX Listing Rules. Certain of these arrangements are set out in the Explanatory Memorandum.

Summary of opinion

- 1.13 **Grant Thornton Corporate Finance has concluded that the Existing Related Party Arrangements and the Future Related Party Dealings are FAIR AND REASONABLE to the Non-Associated Sigma Shareholders.**

Fairness Assessment

Approach to the fairness

- 1.14 Given the Related Party Arrangements refer to the purchase of goods and services, the traditional fairness approach to compare the value of the assets acquired/disposed of by the Related Party to the consideration paid/received, is not feasible. However, the principles that guide the assessment of a related party transaction should still be followed in this Report. Those principles are:
- 1.14.1 A Related Party Arrangement must be in the best interests of Sigma Shareholders as a whole.
- 1.14.2 A Related Party Arrangement must be on terms that would be reasonable in the circumstances if Sigma and the Related Party were dealing at arm's length or less favourable to the Related Party.



- 1.14.3 A Related Party Arrangement must be substantively on the same terms as an equivalent arrangement with a third party who is not a Related Party, or on terms more favourable overall to Sigma.
- 1.15 Based on the above, in the fairness assessment, we have reviewed the Related Party Arrangements that govern the relationship between the Chemist Warehouse Group and a Related Party, and we have identified commercial and non-commercial factors that may require testing to assess whether or not a financial benefit is provided to the Related Party. These factors include:
- 1.15.1 *Commercial factors:* These broadly consist of the financial terms in the agreements comprising all the different fees that franchisees pay to Chemist Warehouse Group. We have, however, excluded from our analysis 1) those fees that may be included in the terms of the franchise agreements, but they are not actually charged by Chemist Warehouse Group to the Related Party or Non-Related Party; and 2) the fees that are pass-through costs for Chemist Warehouse.
- 1.15.2 *Non-commercial factors:* These include a review of the non-financial terms in the agreements, such as renewal or termination rights, which could reasonably be perceived to have the potential to provide a benefit to a Related Party.
- 1.16 We have assessed the commercial and non-commercial factors in the Existing Related Party Arrangements through a comparison with the equivalent Existing Non-Related Party Arrangements to verify that they are substantially, and in all material respects, on the same basis. We have also performed external market benchmarking of the Existing Related Party Arrangements to verify that the fees that Related Party franchisees pay to Chemist Warehouse are materially in line with other similar operations.
- 1.17 For the commercial factors, our testing has focused on comparing the aggregate fees paid by a pharmacy to CWG by Related Party and Non-Related Party franchisees, as a percentage of the respective pharmacy's sales⁵. We have focused on the aggregate fees paid on the basis that historically Chemist Warehouse has negotiated fees with franchisees on a case-by-case basis including being amenable to franchisees regarding the contribution of fees they wish to be fixed and variable in nature. Therefore, a franchisee's fees are bespoke and tailored individually for each franchise (Related Party and Non-Related Party).
- 1.18 Our assessment of the Future Related Party Dealings, which can be disaggregated into 1) renewals and amendments to Existing Related Party Arrangements and 2) new related party arrangements, focused on the design effectiveness of the Related Party Governance Framework, a framework to be implemented by the Merged Group should the Transaction be implemented, to manage the Related Party Arrangements going forward to ensure they remain fair and reasonable to the Non-Associated Sigma Shareholders.
- 1.19 Chemist Warehouse Group intends to request the majority of NSW franchisees, including Related Party pharmacies in NSW, to bring about the early expiry of their existing Franchise Agreement, Supply Agreement and Occupancy Licence Agreement, and enter into a separate services agreement, trade mark licence and a new occupancy licence (which will be a version of the Occupancy Licence tailored for NSW). On the basis no pharmacy as at the date of this Report is operating under this structure in NSW, we have incorporated the Related Party pharmacies in NSW in our testing of the current Franchise Arrangements disregarding the future new structure for the NSW franchisees. The transition into the new arrangements is regulated under the Related Party Governance Framework. The proposed new

⁵ It is noted that it is generally not permissible in pharmacy for a supplier to set its fees as a percentage of sales revenue of the store. We have calculated aggregate fees expressed as percentage of sales as part of our methodology and, based on the documents and information we have reviewed, the fees were not set by reference to a proportion of sales. Due to their variability, the percentages we calculated are not consistent with CWG following a practice of setting its fees as a percentage of sales revenue.



arrangements are intended to reflect the arrangements which are currently being regularly approved for proprietor pharmacists in NSW.

- 1.20 As with the Franchise Arrangements, the documents offered to Related Party pharmacies will be identical to the documents offered to Non-Related Party pharmacies. CWG has confirmed that although the allocation as between different fees and charges will change under the new NSW documents, the overall economics of the relationship between CWG and the franchisee will not change. Accordingly, this pending change does not affect the analysis undertaken for the purposes of this Report.

Fairness assessment

Existing Related Party Franchise Arrangements - Commercial factors

- 1.21 In our assessment, we have compared the average aggregate fees paid by Related Parties and Non-Related Parties by total sales and by State⁶. Our assessment identified the instances in which the average aggregate fee paid by Related Party pharmacies is lower than the average aggregate fees paid by Non-Related Party pharmacies by 0.25% of sales or more and inquired further of CWG Management to understand the drivers of this variance. However, we are of the opinion that this analysis on a standalone basis may be misleading, on the basis that it does not take into account 1) the variability in fees within a sub-group⁷ which we have measured using standard deviation⁸, and 2) the materiality in terms of the AUD\$ impact of the average aggregate fee percentage difference.
- 1.22 In summary, we have concluded that the Existing Related Party Arrangements are FAIR to the Non-Associated Shareholders based on the following:
- 1.22.1 In FY24, Related Party pharmacies paid an average aggregate fee that was 0.3% higher than that of Non-Related Party pharmacies across all states and store sales groups. Whilst we have investigated in the body of the IER the sub-groups in which Related Party pharmacies paid lower aggregate fees on average, we note this impact is ultimately more than offset by Related Party pharmacies paying higher aggregate fees in other sub-groups.
- 1.22.2 Our analysis indicates that the difference in the aggregate fees paid by Related Party versus Non-Related Party pharmacies across all sub-groups is lower than the standard deviation in the aggregate fees paid by pharmacies within that sub-group. This provides us with comfort that the difference in the aggregate fees between the pharmacies is largely immaterial and within the range expected in light of the variability in aggregate fees observable across pharmacies. The only exception is the NSW sub-group in which pharmacies generate sales between A\$5 million to A\$10 million where the average difference in aggregate fees paid between Related Party and Non-Related Party pharmacies was 3.8% of sales vs a standard deviation for the sub-group of 3.2% of sales. Within this sub-group there are five Related Party pharmacies and 11 Non-Related Party pharmacies. Four of the five Related Party pharmacies paid aggregate fees between 0.0% and 1.1% of sales. We inquired of Chemist Warehouse Management who explained that, whilst these pharmacies generated sales comparable to the wider sub-group, the aggregate fee structure reflects an underperformance in light of the pharmacies size and location. Accordingly, their fees were reduced as these pharmacies were yet to realise the associated benefits of being part of the Chemist Warehouse network. This aligns with our understanding that Chemist Warehouse offers support to underperforming pharmacies which we have observed in other sub-groups. We therefore consider the

⁶ Note that our analysis has focused on the fees in which CWG derives a financial benefit and does not consider any fees that are a pass through. For example, this analysis does not consider the rent that franchisees pay to CWG via an Occupancy License Agreement as these costs are passed on by CWG, in totality, to the lessor of the property. We however sought to test this as part of our testing of the Existing Related Party Lease Agreements.

⁷ Sub-group refers to our disaggregation of CWG franchises via banner, state, and revenue group.

⁸ In layman's terms, the standard deviation measures the variability in the fees paid by a sub-group of individual pharmacies about the average fees paid by the same sub-group of pharmacies.



variance in the fees paid within this sub-group has a commercially reasonable explanation. We also note that the variance equates to an aggregate fee differential of A\$1.5 million per annum, which compares to Chemist Warehouse's total revenue of A\$3.3 billion in FY24 and is therefore highly immaterial for the purposes of our assessment.

- 1.22.3 We have also benchmarked whether the Existing Related Party Franchise Arrangements (and by extension the Existing Non-Related Party Franchise Arrangements) are paying aggregate fees as % of sales in line with that observable elsewhere in the market by similar businesses operating in the industry. We have identified four comparable franchise businesses. At a high level, we observe that that the fee range paid in the market appears to be c. 4.0% to 5.0%, in line with the average 4.7% aggregate fees paid by Chemist Warehouse franchisees. Particularly, we note that the franchise fee of Jean Coutu Group⁹, which we believe represents the most comparable franchise to Chemist Warehouse, is largely supportive of the average aggregate fees observed in our analysis of 4.7%.

Existing Related Party Franchise Arrangements - Non-commercial factors

- 1.23 The identification and assessment of non-commercial factors which may give rise to benefits to the Related Parties is subjective in nature and also poses challenges as certain factors may not be immediately observable and there could be a large number of non-commercial factors for which a person could hypothesise a scenario where the Related Party franchisee could derive a benefit. Based on a review of the agreements and discussions with CWG Management, we have identified three key non-commercial factors being:

- 1.23.1 *Identification Process for New franchisees:* This is to ensure there is no advantage to the Related Parties in the identification and opening of new pharmacies. Based on the information provided and discussions with Management, there is no evidence of a financial benefit being provided to Related Party due to the following:
- a) Chemist Warehouse Management have explained that Chemist Warehouse has a policy of looking internally within its pharmacy network for suitable franchisees to open a new pharmacy and it is common for an existing franchisee to recommend an individual working with them for franchisee candidacy. Once the franchisee candidate has been assessed and ultimately approved, they will meet with a CWG Business Development Manager to discuss areas in which CWG may be able to support a profitable franchise business including where a pharmacy could be opened.
 - b) All Related Parties are not only experienced pharmacists but have a wealth of experience in running successful pharmacies within the Chemist Warehouse franchise network. Accordingly, we consider it likely, in most circumstances, they would be the most appropriate or at least an appropriate franchise candidate for a new pharmacy.
 - c) This risk is further mitigated by the limits various regulations impose on the number of pharmacies an individual pharmacist can own, which varies between four and six depending on the state (there are no such restrictions in NT and ACT). Most of the Related Parties have already reached this limit in NSW, Victoria and Queensland and accordingly, there will be limited opportunities going forward for Related Parties to open further stores, at least in these states.

⁹ Jean Coutu is the second largest pharmacy franchisor in Canada, and the largest in Quebec. Similar to the CWG franchise arrangement 1) franchisees operate their own pharmacies and 2) franchisees purchase goods directly from Jean Coutu, which also operates as a wholesale distributor much like CWG franchisees acquire some of their goods directly from Sigma. As an aside, similar to Australian pharmacy regulation, the regulatory framework in Quebec requires that only licenced pharmacists can own a pharmacy.



1.23.2 *Franchise Term:* The term of a franchise agreement typically aligns with the term of the Related Party or Non-Related Party lease agreement applicable to the pharmacy's location, and if that premises can be secured for a further term franchise renewal is generally offered for the same period. This is standardised across both Related Party and Non-Related Party franchise agreements.

1.23.3 *Renewal and Termination Conditions:* Chemist Warehouse Management has advised that as of the date of this Report, every franchise agreement has been renewed when they have reached maturity and they have never terminated a franchise agreement before maturity. This negates the risk of there being a difference in treatment of Related Party and Non-Related Party franchisees.

Existing Related Party Lease Agreements

- 1.24 The Existing Related Party Lease Agreements are the leases between Chemist Warehouse, as the lessee, and a Related Party, as the lessor, and they form the basis of our review in this section of the Report. At the Last Practicable Date, there were c. 133 properties owned or controlled by a Related Party that are leased to Chemist Warehouse (123 being pharmacies located in Australia, 7 being pharmacies located in New Zealand, one being a distribution centre located in Australia, and two being offices located in Australia). Of these 133 properties, 123 (one is a distribution centre, two are offices and seven are pharmacy operators in New Zealand) are leased to Chemist Warehouse and sub-licensed to the franchisee via an Occupancy Licence Agreement. We have not performed an assessment of the Occupancy Licence Fee on the basis that this is a full pass through to the ultimate lessor of the property which in some cases is owned by a Related Party. We have also performed an assessment of the two office spaces on a similar basis as the pharmacy premises (notwithstanding no applicable Occupancy Licence Agreement).
- 1.25 The key commercial factors in the Existing Related Party Lease Agreements are the base rent and the rent indexation. To determine the base rent for an Existing Related Party Lease Agreements, CWG Management engage an independent property advisory firm to perform a market rent review of the property. As part of our procedures, we requested and were provided with detailed breakdown of all lease arrangements and from this we have selected a sample of seven Existing Related Party Lease Agreements (five pharmacies and two offices) and requested their corresponding market rent assessments performed and the Occupancy Licence Agreements (for the pharmacy premises) and we have concluded the following:
- 1.25.1 In all cases the rent of the pharmacy spaces in the corresponding Occupancy Licence Agreement was in line with the Base Rent quoted in the Related Party Licence Agreement. Accordingly, we are comfortable that the rent expense of a pharmacy is a pass-through cost.
- 1.25.2 We have tested the Base Rent against the market rent assessed by the independent property advisory firm and in seven out of the seven samples, the Base Rent was within the range independently assessed.
- 1.25.3 We have cross-checked the indexation prescribed in the Related Party Lease Agreement, and have recalculated the indexed rent amount, using the original market rent assessment by the independent property advisory firm against the current rent costs as provided in the detailed breakdown provided by Chemist Warehouse Management, with no discrepancies identified.
- 1.25.4 Additionally, we have reviewed the two provided office space market rent assessments and identified that the rent paid to the respective Related Party owners is in line with the range assessed by CKC.
- 1.26 We have also undertaken a review of the non-commercial factors, mainly reverting around lease term and lease renewal optionality, and we have not identified any evident benefits provided to the Related Parties.



Other Related Party Arrangements

- 1.27 We are also required, in accordance with ASX Listing Rules Chapter 10, to provide an opinion on six My Beauty Spot kiosks owned by Related Parties being a chain of small fragrance kiosks which operate predominantly in shopping centres and purchase goods from CWG and pay a small administration fee.
- 1.28 We assessed the Other Related Party Arrangements by comparing their aggregate fees to the aggregate fees paid by CWG franchisees (Related Party and non-Related Party). The aggregate fee paid as a percentage of revenue by My Beauty Spot kiosks is not dissimilar to the aggregate fee paid by franchisees (Related Party and Non-Related Party) under the CWG brand receiving support which CWG was observed to provide to underperforming franchises (Related Party and Non-Related Party).
- 1.29 We were unable to compare commercial and non-commercial factors between Related Party and Non-Related Party owned My Beauty Spot kiosks due to the absence of Non-Related Party owned kiosks. Whilst we have performed an assessment as required, we consider these arrangements to be highly immaterial to CWG in light of 1) there being only six My Beauty Spot kiosks and 2) these stores being in run-down. Accordingly, we consider our assessment methodology to be appropriate on this basis.

Future Related Party Dealings - RPGF

- 1.30 We consider the Related Party Governance Framework is effectively designed to monitor Related Party Arrangements going forward. The framework is structured as we consider typical for frameworks for this nature and the Related Party Manual strikes an appropriate balance between 1) the inclusion of prescribed requirements, particularly in relation to the commercial factors and 2) overarching guidelines (the Principles) which govern the spirit and substance in which the Related Party Manual should be interpreted and applied, particularly in circumstances where there is the presence of subjectivity.

Fairness conclusion

- 1.31 **Based on our assessment and analysis outlined above, which also includes obtaining various representations from Chemist Warehouse Management, we have concluded that the Existing Related Party Arrangements and the Future Related Party Dealings are FAIR to the Non-Associated Shareholders.**

Reasonableness Assessment

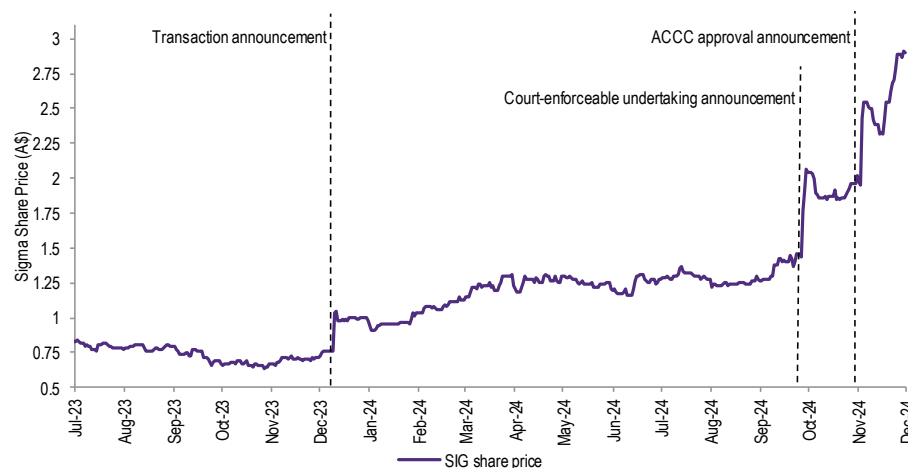
- 1.32 Under RG 111, the Existing Related Party Arrangements and the Future Related Party Dealings are reasonable if they are fair. Given that **we have concluded that the Existing Related Party Arrangements and the Future Related Party Dealings are FAIR, they are also REASONABLE.**
- 1.33 We have also outlined below some of the key advantages and disadvantages for Sigma Shareholders.

Advantages

- 1.34 The approval by the Non-Associated Sigma Shareholders of the Related Party Arrangements and the Future Related Party Dealings is one of the conditions for the overall Transaction to be implemented. If this approval is not obtained, the Transaction will not proceed. Since the announcement of the Transaction, there has been a significant re-rating of the trading prices of Sigma shares on the ASX as set out in the graph below.



Figure 1: Sigma share price performance



Source: S&P Global, GTCF Analysis.

- 1.35 The trading prices of Sigma have increased by c. 274% from c. A\$0.77 immediately before the announcement of the Transaction on 6 December 2023 to a closing share price c. A\$2.88 as at the Last Practicable Date. If Resolution 3 not approved and as a result the Transaction is not implemented, it is likely that the trading prices of Sigma will reduce materially from the current level and the Non-Associated Sigma Shareholders will forgo a significant value uplift in their investments. In our opinion, it is unlikely that Sigma on a stand-alone basis will trade at a level in line with the current trading prices, all other things being the same.
- 1.36 Other advantages which are expected to be realised if the Transaction is implemented (indirect benefits being derived from the approval of Resolution 3), are briefly summarised below:
- 1.36.1 *Scale of the Merged Group* - Following implementation of the Transaction, the Merged Group will provide services to a combined network of c. 880¹⁰ franchised pharmacies across Australia mainly via a core suite of four franchise brands – Chemist Warehouse, My Chemist, Amcal and Discount Drug Stores. The scale of the Merged Group will be many times larger than Sigma on a stand-alone basis. The Transaction will bring together Sigma's extensive national full-line wholesale and distribution capabilities and the strong retail and franchising presence of Chemist Warehouse Group.
- 1.36.2 *Future growth opportunities* - Since opening its first pharmacy in 2000, the Chemist Warehouse brand has become one of the strongest and best-known brands in the sector allowing the trading pharmacy count to grow significantly to 573 as at the Last Practicable Date in Australia as set out in Figure 5. This excludes international expansion to New Zealand, China, Ireland and Dubai. The roll out of Chemist Warehouse stores domestically and internationally is expected to continue upon implementation of the Transaction which should enhance the growth opportunities for the Merged Group and expose the current Sigma Shareholders to the higher profit margin generated by the Chemist Warehouse Group.
- 1.36.3 *Cost synergies* - Upon completion of the integration of the two businesses, the Merged Group has identified potential cost synergies of c. A\$60 million per annum expected to be achieved four years post completion. This will provide Sigma Shareholders with exposure to greater profitability which may have been difficult to achieve otherwise with Sigma remaining as a stand-alone business.

¹⁰ As at 30 June 2024.



- 1.36.4 *Related Party insight* - The Related Parties bring with them a wealth of knowledge of the retail pharmaceutical industry which could be leveraged in helping Sigma's existing franchise network to grow.

Disadvantages

- 1.37 Whilst in our opinion the advantages of approving Resolution 3 materially outweigh the disadvantages, the disadvantages for Sigma Shareholders are mainly associated with the following:
- 1.37.1 *Increased corporate governance* - The dealings with the Related Parties will require additional and enhanced corporate governance and procedures for the Merged Group which may reduce the operational flexibility of the business and increase regulatory compliance requirements. Whilst the RPGF has been designed and established for dealings with the Related Parties Arrangements in an expedited and objective manner, the time imposed on CWG Management and the independent directors of the Merged Group for dealing with these matters is likely to increase going forward.
- 1.37.2 *Reduced takeover contestability* - Following completion of the Transaction, given that Related Parties will hold greater than 50% of the shares in the Merged Group, the takeover contestability of the Merged Group will reduce compared with Sigma on a stand-alone basis before the Transaction. Accordingly, the ability of the current Sigma Shareholders to receive a premium for control in the future will decrease upon implementation of the Transaction. Nonetheless, we note that the Sigma trading prices have appreciated by c. 274% since the announcement of the Transaction¹¹ which is significantly in excess of the average premium for control paid in Australia for successful transactions of between 20% and 40%.

Overall conclusion

- 1.38 **After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Existing Related Party Agreements and the Future Related Party Dealings are FAIR AND REASONABLE to the Non-Associated Sigma Shareholders.**

Other matters

- 1.39 Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.
- 1.40 In preparing this report we have considered the interests of Sigma Shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

JANNAYA JAMES
Director

¹¹ From c. A\$0.77 immediately before the announcement of the Transaction on 6 December 2023 to a closing share price c. A\$2.88 as the Last Practicable Date.



Financial Services Guide

Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 26, 225 George Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Sigma to provide general financial product advice in the form of an independent expert's report in relation to the Related Party Arrangements. This report is included in the Notice of Meeting and Explanatory Memorandum to be dispatched to Sigma Shareholders.

Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we provide, information about us, our dispute resolution process and how we are remunerated.

General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from Sigma a fixed fee of A\$350,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.



Independence

Grant Thornton Corporate Finance is required to be independent of Sigma and Chemist Warehouse in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Sigma and CWG (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Related Party Arrangements.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 "Independence of expert" issued by the ASIC."

Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Compliance Authority (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Compliance Authority who can be contacted at:

Australian Financial Compliance Authority
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

Appendix 2. Sigma Independent Expert's Report continued



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2. Key terms and glossary

Key Terms

- 2.1 The below list of key terms and definitions will aid the reader in understanding our Report as numerous definitions which may, prima facie, appear synonymous but there are nuances between them.
- 2.2 Any instance in which any of the below labelled as a 'Related Party' agreement are discussed in our report as a 'Non-Related Party' agreement, it can be assumed that the equivalent agreements are identical in all aspects other than Related Party status.

Appendix 2. Sigma Independent Expert's Report continued



Figure 2: Key Agreements and Key Definitions

| Key Agreements | |
|---|---|
| Term | Definition |
| <i>Existing Related Party Franchise Agreement</i> | A franchise agreement based on the Pro Forma Franchise Agreement between a Related Party as franchisee, and CWG as franchisor. |
| <i>Existing Related Party Occupancy Licence</i> | An occupancy licence, under which CWG, being the tenant of a lease agreement with the property owner, licences the relevant premises to a Related Party to use the property to operate their pharmacy. |
| <i>Existing Related Party Supply Agreement</i> | A supply agreement, under which CWG supplies goods to a pharmacy, at cost plus margin and arranges for the supply of goods from third party suppliers. The franchisee pays for goods supplied under the agreement and for any specific services provided. |
| <i>Existing Related Party Trading Terms</i> | An agreement in which Sigma supplies PBS medicines, non-PBS medicines, OTC products and some FOS products direct to pharmacies. |
| Key Definitions | |
| Term | Definition |
| <i>Chemist Warehouse Group, CWG or Chemist Warehouse</i> | Refers to CW Group Holdings Limited the unlisted public company, and its subsidiaries. |
| <i>CW Banner and MYC Banner</i> | Refers to Chemist Warehouse and My Chemist as pharmacy brand banners respectively. |
| <i>Existing Related Party Arrangements</i> | Means the: <ul style="list-style-type: none"> • Existing Related Party Franchise Arrangements and Existing Related Party Lease Agreements; and • When used in the context of our opinion, includes the Other Related Party Arrangements. |
| <i>Existing Related Party Franchise Arrangement</i> | The set of agreements which governs the relationship between CWG and a pharmacy owner who is a Related Party, comprising the Existing Related Party Franchise Agreement, the Existing Related Party Supply Agreement, the Existing Related Party Trading Terms and the Existing Related Party Occupancy Licence. |
| <i>Existing Related Party Lease Agreements</i> | Lease agreements between a Related Party, as the owner of a property in which a pharmacy is located, who receives rent payments from CWG, as lessee, who passes this cost on to franchisees via an Occupancy Licence Agreement. |
| <i>Existing Related Party Occupancy Licence Franchise Agreement</i> | An Occupancy Licence Agreement between CWG and a Related Party. |
| <i>Franchise Arrangement</i> | The franchise agreement currently in use between CWG and franchisees including both Existing Related Party Franchise Agreements and Existing Non-Related Party Franchise Agreements. The set of agreements which governs the relationship between CWG and a pharmacy owner, comprising the Franchise Agreement, the Supplier Agreement, the Trading Terms and the Occupancy Licence. |
| <i>Future Related Party Dealings</i> | The entry into new arrangements with Related Parties or an amendment to or renewal of an Existing Related Party Arrangement or a Future Related Party Dealing. |
| <i>Occupancy Licence Agreement</i> | The agreement in which CWG sub-licences the property in which a store is located to a franchisee which may be a Related Party or Non-Related Party as the licensee. |
| <i>Other Related Party Arrangements</i> | 1) 6 My Beauty Spot kiosks owned by Related Parties being a chain of small fragrance kiosks which operate predominantly in shopping centres; 2) CWG's Preston Distribution Centre which is Related Party owned and leased to CWG; 3) Two Related Party owned office spaces leased to CWG. |
| <i>Related Party Arrangements</i> | The Existing Related Party Arrangements and Future Related Party Dealings. |
| <i>Related Party Governance Framework ("RPGF")</i> | The governance framework which governs the basis on which Future Related Party Dealings and amendments to, or renewals of, the Existing Related Party Arrangements, may occur. |
| <i>Related Party IBC</i> | The independent committee of directors established by the Board to oversee the Related Party Arrangements. |
| <i>Related Party or Related Parties</i> | Means: <ul style="list-style-type: none"> • In the case of the Existing Related Party Arrangements, Mario Verrocchi, Jack Gance, Damien Gance, Danielle Di Pilla, Sam Gance, and Sasha Robertson; or • In the case of the Future Related Party Dealings, a party captured by Listing Rule 10.1 or Chapter 2E in the future. |
| <i>Related Party Working Group</i> | A group of independent senior management of Sigma, established by the Board, to manage the Related Party Arrangements on a day to day basis |
| <i>Supply Agreement</i> | A supply agreement under which Chemist Warehouse Group supplies goods to a pharmacy. The franchisee pays for goods supplied under the agreement and for any services. |
| <i>Trading Terms</i> | An agreement in which Sigma supplies PBS medicines, non-PBS medicines, OTC products and some FOS products direct to pharmacies. |

Source: GTCF analysis



Glossary

| | |
|---|--|
| \$ or A\$ | Australian Dollar |
| US\$ | United States Dollar |
| APES 225 | Accounting Professional and Ethical Standard 225 "Valuation Services" |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange |
| Chapter 2E | Chapter 2E of the Corporations Act |
| CKC | Charter Keck Cramer |
| Corporations Act | Corporations Act 2001 (Cth) |
| CWG Management | The Management of CWG |
| Chemist Warehouse Shares | Shares in Chemist Warehouse Group |
| CYxx | Calendar Year 20xx |
| EM | Explanatory Memorandum |
| EYFS | East Yarra Friendly Society Pty Ltd |
| FOS | Front of Stores |
| FSG | Financial Services Guide |
| FYxx | 31 January 20XX |
| GN24 | ASX Guidance Note 24 |
| GTCF, Grant Thornton, or Grant Thornton Corporate Finance | Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987) |
| Hx FYXX | 31 July 20XX |
| IBC | Independent Board Committee |
| IER or Report | This Independent Expert's Report prepared by Grant Thornton Corporate Finance |
| MBS | My Beauty Spot |
| Last Practicable Date | 6 December 2024 |
| Merged Group | Merged entity consisting of Sigma and CW |
| MIA | Merger Implementation Agreement |
| MID | Merger Implementation Agreement with Chemist Warehouse |
| MYC | My Chemist |
| NOM | Notice of Meeting |
| Non-Associated Sigma Shareholders | Shareholders of the Merged Group not associated with the Related Parties |
| Non-Related Party or Non-Related Parties | Individual(s) who are not a Related Party or Related Parties |
| OTC | Over-the-counter |
| PBS | Pharmaceutical Benefits Scheme |
| PCNSW | Pharmacy Council of NSW |
| Pro Forma Franchise Agreement | A template franchise agreement used by CWG to agree a franchise agreement with a franchisee A manual to provide 1) guidance to the Related Party IBC and Related Party Working Group and 2) a framework for the administration of the Related Party Arrangements by the Board, the Related Party IBC and the Related Party Working Group to ensure that the Related Party Arrangements comply with the Related Party Arrangement Approval, ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act |
| Related Party Manual | |
| Resolution 3 | The resolution put to Sigma Shareholders for approval of the Existing Related Party Arrangements and Future Related Party Dealings |
| RG | Regulatory Guide |
| RG 111 | ASIC Regulatory Guide 111 "Contents of expert reports" |
| RG 112 | ASIC Regulatory Guide 112 "Independence of experts" |

Appendix 2. Sigma Independent Expert's Report continued



| | |
|--|--|
| Trading Terms | An agreement in which Sigma supplies PBS medicines, non-PBS medicines, OTC products and some FOS products direct to pharmacies |
| Transaction | The acquisition by Sigma of 100% of CWG for a cash consideration of A\$700 million and Sigma Shares representing 85.75% of the Merged Group issued capital |
| Sigma Board, Sigma Directors, or the Directors | Sigma Directors or the Directors |
| Sigma or the Company | Sigma Healthcare Limited |
| Sigma Shares or Shares | Ordinary shares of Sigma |
| Sigma Shareholders or Shareholders | Shareholders of Sigma |



3. Overview of Related Party Arrangements

- 3.1 If the Transaction is implemented, the following will become Related Parties of the Merged Group under ASX Listing Rule 10.1:
- 3.1.1 Mario Verrocchi and Jack Gance because they will both be Sigma Directors and because they will be substantial (10%+) holders in Sigma;
 - 3.1.2 Damien Gance and Danielle Di Pilla, because they will be Sigma Directors;
 - 3.1.3 Sam Gance, because he will be a substantial (10%+) holder in Sigma; and
 - 3.1.4 Sasha Robertson, because she is the spouse of Damien Gance who will be a Director of Sigma.
- 3.2 As at the Last Practicable Date, there are 573 trading pharmacies in Australia, comprising of 527 CW Banner pharmacies, 25 MYC Banner pharmacies and 21 pipeline or unbranded stores which the Chemist Warehouse Group supports with services but which do not carry a licensed Chemist Warehouse Group's brand. The Related Parties have an interest in 180 of these pharmacies representing 31.4% of the total. For the majority of these pharmacies, the Related Party is a limited partner. Of those 573 trading pharmacies, 123 are located in properties owned by Related Parties, which are leased to CWG and then licenced to franchisees. Additionally, CWG Management have identified one distribution centre and two office spaces owned by Related Parties and leased to CWG, included in our assessment.
- 3.3 CWG undertakes, and is expected to continue undertaking, significant business and transactions with the Related Parties via a series of Related Party Arrangements which can summarised as follows:
- 3.3.1 Existing Related Party Arrangements¹²: Those related party arrangements that are in-effect as of the date of this Report; and
 - 3.3.2 Future Related Party Dealings: being 1) the entry into new arrangements with Related Parties (Future Related Party Arrangements) or 2) an amendment to or renewal of an Existing Related Party Arrangement or a Future Related Party Dealing. The Related Party Manual sets out 11 categories of Future Related Party Dealing.
- 3.4 We have also been advised that ASX Listing Rules Chapter 10 requires us to provide an opinion on certain Other Related Party Arrangements, namely My Beauty Spot and CWG's Preston Distribution Centre which is Related Party owned and leased to CWG.

Existing Related Party Arrangements

- 3.5 In their capacity as franchisees and owners of properties where pharmacies are located, the Related Parties are engaged in the following Existing Related Party Arrangements with CWG:

¹² We note that the scope of our Report focuses on the material Existing Related Party Arrangements and excludes certain Related Party arrangements which, we have been instructed, do not require approval for the purposes of Chapter 10 of the ASX Listing Rules. Certain of these arrangements are set out in the Explanatory Memorandum.



- 3.5.1 Existing Related Party Franchise Arrangements: A series of agreements in which CWG receives payment from the Related Parties in exchange for, amongst other things, franchise services, the supply of goods and occupation of property.
- 3.5.2 Existing Related Party Lease Agreements: Lease agreements between a Related Party, as the owner of a property in which a pharmacy is located, who receives rent payments from CWG, as lessee, who passes this cost on to franchisees via an Occupancy Licence Agreement. Additionally, CWG Management have identified one distribution centre and two office spaces owned by Related Parties and leased to CWG.

Existing Related Party Franchise Arrangements

- 3.6 The Related Parties have an interest in 180 of the 573 trading pharmacies in Australia, representing 31.4% of the total as at the Last Practicable Date. For the majority of these pharmacies, the Related Party is a limited partner.

Figure 3: Summary of pharmacies owned by each Related Party by state

| Stores owned by Related Parties at the Last Practicable Date | | | | | | | | | |
|--|------------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|
| | Australia | NSW | VIC | QLD | WA | SA | TAS | ACT | NT |
| Mario Verrocchi | 36 | 5 | 1 | 5 | 4 | 5 | 4 | 4 | 8 |
| Jack Gance | 24 | 5 | 1 | 5 | 4 | 5 | 4 | 0 | 0 |
| Samuel Gance | 37 | 5 | 5 | 5 | 4 | 5 | 0 | 4 | 9 |
| Damien Gance | 20 | 5 | 5 | 5 | 4 | 0 | 1 | 0 | 0 |
| Sasha Robertson | 19 | 5 | 5 | 5 | 4 | 0 | 0 | 0 | 0 |
| Danielle Di Pilla | 17 | 5 | 5 | 5 | 2 | 0 | 0 | 0 | 0 |
| EYFS | 43 | 0 | 43 | 0 | 0 | 0 | 0 | 0 | 0 |
| Eliminations | (16) | 0 | (2) | 0 | 0 | (2) | 0 | (4) | (8) |
| Total | 180 | 30 | 63 | 30 | 22 | 13 | 9 | 4 | 9 |

Source: CWG Management

Note (1): EYFS refers to East Yarra Friendly Society Pty Ltd, of which Mario Verrocchi and Jack Gance have a 50% ownership interest each.

Note (2): The total is lower than the aggregate of each Related Party's individual number of stores because some stores have more than one Related Party owner.

- 3.7 Apart from 24 pharmacies (two of which are partly owned by a Related Party)¹³, as at the date of this Report, all relationships between CWG and pharmacies, regardless of whether they are Related Party or Non-Related Party owned, are governed by the same agreements, which collectively we refer to as the Franchise Arrangements.
- 3.8 The Franchise Arrangements¹⁴ comprise the following agreements, and the relationship between CWG and all Related Party pharmacies (other than the two referred to in paragraph 3.7) are currently governed by the following agreements:
- 3.8.1 *Existing Related Party Franchise Agreement*: A franchise agreement based on the Pro Forma Franchise Agreement between a Related Party as franchisee, and CWG as franchisor. The Pro Forma Franchise Agreement is the template franchise agreement (one for the CW Banner and

¹³ A small number of pharmacies in NSW, being pharmacies which have recently opened or had a change of ownership, use a different form of agreements. Two of these are partly owned by a Related Party. As with the Standard Franchise Agreements, the form of agreements used for these NSW pharmacies are the same for both Related Parties and other franchisees. CWG intends to ask NSW franchisees to change from the Standard Franchise Arrangements to new agreements after the date of this Report.

¹⁴ CWG also offers seed capital loans and equipment and fit-out leases to franchisees as an alternative to franchisees using commercial lending.



one for the MYC Banner) that CWG use as a basis for agreeing the franchise agreement with franchisees;

3.8.2 *Existing Related Party Supply Agreement:* A supply agreement, under which CWG supplies goods to pharmacies. The franchisee pays for goods supplied under the agreement and for any services; and

3.8.3 *Existing Related Party Trading Terms:* An agreement under which Sigma supplies PBS medicines, non-PBS medicines and OTC products and some FOS products direct to pharmacies. The Related Parties were not related parties of Sigma at the time this agreement was entered into but will become related parties of Sigma when the Transaction is implemented.

3.9 CWG Management have provided us with two different Pro Forma Franchise Agreements, one for each of the CW and MYC Banner pharmacies. Whilst we have performed a comparison, CWG Management have confirmed to us that the terms within the agreements are substantively the same except for the fees that are charged which vary from store to store.

3.10 Whilst the franchise agreements are based on a Pro Forma Franchise Agreement, CWG Management have confirmed that there can be variability for example in the fees charged and the term of the agreement. Accordingly, we have treated all the agreements as bespoke for the purposes of our assessment.

3.11 CWG intends to request all NSW franchisees, including Related Party pharmacies in NSW, to bring about the early expiry of their existing Franchise Agreement, Supply Agreement and Occupancy Licence Agreement, and enter into a separate services agreement, trade mark licence and a new occupancy licence (which will be a version of the Occupancy Licence tailored for NSW). As with the Franchise Arrangements, the documents offered to Related Party pharmacies will be identical to the documents offered to non-Related Party pharmacies. CWG has confirmed that although the allocation as between different fees and charges will change under the new NSW documents, the overall economics of the relationship between CWG and the franchisee will not change. Accordingly, this pending change does not affect the analysis undertaken for the purposes of this Report.

3.12 We note that pharmacies, including the Related Party owned pharmacies, also enter into an Occupancy License Agreement with CWG in which a fee aligned to the rental cost CWG is charged by the lessor of the property in which the pharmacy is located is charged. As we discuss later in our report, this fee is passed through, in totality, to the lessor of the property. As part of our assessment of the Existing Related Party Lease Agreements, in which we have selected a sample of leases between CWG and the lessor of a pharmacy property, we also requested their corresponding Occupancy License Agreements to verify the rental fee is a pass through with no discrepancies noted.

Existing Related Party Lease Agreements

3.13 In Figure 4 we summarise the properties owned by Related Parties that are leased to CWG, of the 573 trading pharmacies as at the Last Practicable Date, 123 are located in Australian-based properties owned by Related Parties and 7 are located New Zealand-based properties owned by Related Parties. The additional 3 properties in Australia, which brings the total to 126, relate to the Preston Distribution Centre and two office spaces that are leased to CWG.



Figure 4: Summary of properties owned by a Related Party which are leased to CWG.

| Properties owned by Related Parties at the Last Practicable Date | | | | | | | | | | | |
|--|------------|------------|-----------|-----------|-----------|----------|----------|----------|----------|----------|----------|
| | Total | Australia | NSW | VIC | QLD | WA | SA | TAS | ACT | NT | NZL |
| Mario Verocchi | 127 | 120 | 23 | 64 | 18 | 6 | 7 | 1 | 1 | 0 | 7 |
| Jack Gance | 131 | 124 | 23 | 67 | 19 | 6 | 7 | 1 | 1 | 0 | 7 |
| Samuel Gance | 131 | 124 | 23 | 67 | 19 | 6 | 7 | 1 | 1 | 0 | 7 |
| Damien Gance | 102 | 99 | 21 | 49 | 17 | 5 | 6 | 1 | 0 | 0 | 3 |
| Sasha Robertson | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Danielle Di Pilla | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Eliminations | (358) | (341) | (67) | (178) | (54) | (17) | (20) | (3) | (2) | 0 | (17) |
| Total | 133 | 126 | 23 | 69 | 19 | 6 | 7 | 1 | 1 | 0 | 7 |

Source: CWG Management

Note (1): The total is lower than the aggregate of each Related Party's individual number of stores because some stores have more than one Related Party owner.

Note (2): Of the 126 Australian based Related Party properties, one is used as a distribution centre and two are office spaces (i.e. are not a pharmacy).

- 3.14 The Related Party properties used as pharmacy premises are first leased to CWG (the Existing Related Party Lease Agreement) who then licences the property to franchisees via an Occupancy Licence Agreement. We refer to the Occupancy Licence Agreements entered into between CWG and a Related Party as an Existing Related Party Occupancy Licence.

Preston Distribution Centre

- 3.15 CWG's Preston Distribution Centre is Related Party owned and leased to CWG. CWG Management have provided us with the latest lease agreement entered into in October 2022 and explained that the c. A\$1.0m per annum rental charge is based on a market rent assessment performed for a previous lease agreement indexed for inflation. We note that the rent review clause contained in the lease appeared to provide the optionality for the Related Party, as lessor, and CWG, as lessee, to agree the rental charge without the need of a third party independent valuer. CWG Management have confirmed that the original lease agreement included a market rental assessment and the rental charge included in subsequent leases agreements has only been adjusted for indexation. Going forward CWG Management have confirmed that a market rent assessment will be obtained should the rental charge be adjusted for anything more than inflation.

Office locations

- 3.16 There are two Related Party owned office spaces that are leased to CWG. CWG Management have provided us with the latest lease agreements for each alongside the market rent assessments performed by CKC that were used to benchmark the rental charge.

Future Related Party Dealings

- 3.17 As set out in paragraph 3.3.2, these arrangements include 1) the entry into new arrangements with Related Parties (Future Related Party Arrangements) or 2) an amendment to or renewal of an Existing Related Party Arrangement or Future Related Party Dealing.
- 3.18 Given the nature and number of the Related Party Arrangements, and the need for the Merged Group to be able to continue conducting its business operations after the Transaction without having to frequently seek the approval of Sigma Shareholders, Sigma and Chemist Warehouse have developed the RPGF.



- 3.19 The intention of the RPGF is to ensure that a Future Related Party Dealing can, subject to meeting all applicable conditions set out in the RPGF, be undertaken without the approval of the Merged Group Shareholders. It is expected that the Merged Group Shareholders will be asked to re-approve the RPGF, including any amendments to the previous version at or prior to every 6th AGM of the Merged Group Shareholders.
- 3.20 We provide further details of the contents of the RPGF as part of our assessment in Section 12.

Other Related Party Arrangements

- 3.21 We are also required, in accordance with ASX Listing Rules Chapter 10, to provide an opinion on Six My Beauty Spot kiosks owned by Related Parties being a chain of small fragrance kiosks which operate predominantly in shopping centres and purchase goods from CWG and pay a small administration fee. CWG Management has confirmed that these stores have only ever been owned by Related Parties.
- 3.22 CWG Management has explained that the My Beauty Spot brand and its associated kiosks are currently in run-down, with all kiosks in the process of being closed and the underlying leases terminated. However, this is not expected to occur before the planned implementation of the Transaction and therefore six My Beauty Spot kiosks, all of which are ultimately owned by Mario Verrocchi and Jack Gance, will continue operating for the remaining duration of their current kiosk leases. The final My Beauty Spot is expected to be closed permanently on or around mid-2026.



4. Purpose and scope of the report

Purpose

Chapter 10 of the ASX Listing Rules

- 4.1 This Independent Expert Report is to accompany a notice of meeting and explanatory memorandum to be sent to Sigma Shareholders in relation to the Related Party Arrangements to comply with the requirements of ASX Listing Rules Chapter 10 "*Transactions with persons in a position of influence*".
- 4.2 ASX Listing Rule 10.1 regulates the purchase or acquisition of substantial assets from, among other groups, related parties and substantial shareholders and requires the entity to obtain approval from non-associated shareholders before the entity can acquire or dispose of substantial assets from related parties or substantial shareholders. ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5.0% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX ("Substantial Asset"). Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest or had a relevant interest at any time in the six months before the Offer, in at least 10.0% of the voting power of the company.
- 4.3 ASX Guidance Note 24 ("GN24") specifies that an agreement by an entity to buy/sell goods/services from a related party or substantial shareholder over an extended term meet the Listing Rule 10.1 requirements to obtain Non-Associated Shareholders' approval. To determine the value of those goods/services, ASX will typically look at the total purchase price payable for the goods under the agreement over its term (including any option to renew) to determine whether or not it equals or exceeds 5% of the equity interests of the entity, as set out in the latest accounts given to ASX. If it does, ASX will regard the goods/services as a substantial asset and the transaction will require security holder approval under Listing Rule 10.1.
- 4.4 Listing Rule 10.1 is based on the premise that a related party or substantial shareholder is likely to be in a position to influence whether the entity acquires a substantial asset from them, or disposes of a substantial asset to them, as well as the terms on which the acquisition or disposal takes place. The purpose of LR10.1 is to protect the non-associated shareholders if the related parties or substantial shareholders attempt to favour themselves at detriment of the entity.
- 4.5 Listing Rule 10.1 operates in conjunction with Chapter 2E of the Corporations Act 2001, which also regulates transactions with related parties and requires the entity to seek shareholders' approval before providing a financial benefit to a related party (unless certain exceptions apply). The main differences between LR10.1 and Chapter 2E is that the former only applies to the acquisition or disposal of substantial assets whereas the latter to all form of financial benefits provided to a related party.
- 4.6 Based on GN24, Sigma requires shareholder approval, pursuant to ASX Listing Rule 10.1, in relation to certain Related Party Arrangements between the Merged Group and the Related Parties. These are set out in detail in Section 3.
- 4.7 Under ASX Listing Rule 10.5.10, the notice of meeting for non-associated shareholders to approve a transaction regulated under 10.1 must include a report on the transaction by an independent expert which states the expert's opinion as to whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes in favour of the transaction are not to be disregarded under listing rule 14.11, which we describe as the non-associated shareholders.



- 4.8 Accordingly, Grant Thornton Corporate Finance has been requested to prepare an independent expert's report stating, whether in its opinion:
- 4.8.1 the Existing Related Party Arrangements (as a whole) are both fair and reasonable / not fair but reasonable;
 - 4.8.2 the Future Related Party Dealings entered into in accordance with the Related Party Governance Framework, is both fair and reasonable / not fair but reasonable; and
 - 4.8.3 accordingly, whether the Existing Related Party Arrangements and Future Related Party Dealings are both fair and reasonable / not fair but reasonable to Sigma Shareholders whose votes on the relevant resolution are not to be disregarded.
- 4.9 ASX Listing Rule 10.5.10 requires that the Notice of Meeting to approve the related party transaction must display prominently an expert's opinion as to whether the transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes are not to be disregarded.

Basis of assessment

- 4.10 Grant Thornton Corporate Finance has had regard to RG 111 in relation to the content of independent experts reports and RG 76 in relation to related party transactions. RG 76 largely refers to RG111 in relation to the approach to related party transactions.
- 4.11 RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG 111 also regulates IERs prepared for related party transactions in clauses 52 to 63.
- 4.12 RG 111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.
- 4.13 We note that RG111 clause 56 states the following:
- Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions (RG 76) at RG 76.106–RG 76.111 for further details).*
- 4.14 RG 111 notes that a related party transaction is:
- 4.14.1 Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.
 - 4.14.2 Reasonable, if it is fair, or, despite not being fair, after considering other significant factors.



- 4.15 Given the Related Party Arrangements refer to the purchase of goods and services associated with the franchise agreements, the supply agreement and the lease agreements, a traditional approach to the assessment of the financial benefits where the value of the assets acquired/disposed is compared with the consideration paid/received is not feasible. However, the principles that guide the assessment of the related parties transactions should still be followed in the fairness assessment. Those principles are:
- 4.15.1 A Related Party Arrangement must be in the best interests of Sigma Shareholders as a whole.
- 4.15.2 A Related Party Arrangement must be on terms that would be reasonable in the circumstances if Sigma and the Related Party were dealing at arm's length or less favourable to the Related Party.
- 4.15.3 A Related Party Arrangement must be substantively on the same terms as an equivalent arrangement with a third party who is not a Related Party, or on terms more favourable overall to Sigma.
- 4.16 We have assessed the fairness of the Existing Related Party Arrangements to the Non-Associated Sigma Shareholders by:
- 4.16.1 Comparing the Existing Related Party Arrangements with the Existing Non-Related Party Arrangements to verify that they are substantially and in all material respects on the same basis. In undertaking this analysis, we have considered both commercial and non-commercial factors where appropriate which includes consideration of the fees paid by the Related Parties in addition to softer terms such as the term and renewal of the agreements.
- 4.16.2 Comparing the terms of the Existing Related Party Arrangements with market benchmarks.
- 4.17 We have assessed the fairness of the Future Related Party Dealings by reviewing the RPGF and its ability to manage Related Party Arrangements going forward.

Independence

- 4.18 Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100.0% subsidiary of Grant Thornton Australia Limited) considered its independence with reference to RG 112 issued by ASIC.
- 4.19 Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Related Party Agreements other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.
- 4.20 Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the approval of the Related Party Agreements.
- 4.21 In our opinion, Grant Thornton Corporate Finance is independent of Sigma, CWG and its Directors, and all other relevant parties.



Compliance with APES 225 Valuation Services

- 4.22 This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time.



5. Industry overview and profile of Sigma and CWG

- 5.1 Grant Thornton has undertaken a review of the Australian pharmacy industry and the profiles of Sigma and CWG for the purpose of preparing this IER. However, considering the significant information contained in the NOM and EM in relation to the industry and the profile of the two businesses, including detailed financial information, Grant Thornton has omitted the presentation of them in the IER.
- 5.2 This approach ensures that the IER provides Sigma Shareholders with clear and concise information and it only includes information directly relevant for the purpose of our opinion on the Related Party Arrangements.
- 5.3 Nonetheless, Grant Thornton has reviewed the industry and profile sections of Sigma and CWG included in the EM. Whilst Grant Thornton is not responsible for the preparation of any sections of the NOM and EM and it has not signed-off or verified the information, we do not have any objections on the content and materials provided to Sigma Shareholders in relation to the overview of the industry and of the two businesses of Sigma and CWG.

6. Methodology

6.1 In this section we set out the methodology employed in performing our assessment of the Existing Related Party Relationships, Future Related Party Dealings and Other Related Party Arrangements.

Existing Related Party Arrangements

Existing Related Party Franchise Arrangements

6.2 We have reviewed the related party agreements that govern the relationship between CWG and a franchisee to identify commercial and non-commercial factors that may require assessment. We defined these factors as follows:

6.2.1 *Commercial factors:* These broadly consist of the financial terms in the agreements comprising all the different fees that franchisees pay to CWG. We have excluded from our analysis 1) those fees that may be included in the terms of the franchise agreements, but they are not actually charged by CWG to the Related Party or Non-Related Party; and 2) the fees that are pass through cost for CWG.

6.2.2 *Non-commercial factors:* These include a review of the non-financial terms in the agreements, such as renewal or termination rights, which could reasonably be perceived to have the potential to provide a benefit to a Related Party.

6.3 We have then designed and performed bespoke testing procedures for the commercial and non-commercial factors which may pose a hypothetical risk of providing a financial benefit to the Related Parties above that of Non-Related Parties, before concluding on their fairness including consideration of materiality threshold where applicable.

6.4 We have assessed the commercial and non-commercial factors through a comparison with the equivalent Existing Non-Related Party Arrangements to verify that they are substantially, and in all material respects, on the same basis. We have also performed external market benchmarking of the Existing Related Party Arrangements to verify that the fees Related Party franchisees pay to CWG are materially in line with other similar operations.

6.5 For the commercial factors, our testing has focused on comparing the aggregate fees paid by a pharmacy to CWG by Related Party and Non-Related Party franchisees, as a percentage of the respective pharmacy's sales. Some of the fee elements are fixed (with annual escalation), whereas others vary with the volume of goods or services acquired from CWG. We have focused on the fees paid on the basis that historically CWG has negotiated all fee elements 'as a package' with franchisees, largely enabling franchisees to determine whether they prefer higher fixed fees and lower volume-variable fees; or vice versa.

6.6 It is noted that it is generally not permissible in pharmacy for a supplier to set its fees as a percentage of sales revenue of the store. We have calculated aggregate fees expressed as percentage of sales as part of our methodology and, based on the documents and information we have reviewed, the fees were not set by reference to a proportion of sales. Due to their variability, the percentages we calculated are not consistent with CWG following a practice of setting its fees as a percentage of sales revenue.



- 6.7 We identified two parameters which lead to variation in the fees a pharmacy pays, being 1) the trading status of pharmacy and 2) the brand or banner under which the pharmacy operates. We also found that the size of the pharmacy is correlated with the level of fees (that is, our analysis indicated that pharmacies with higher sales revenue tend to pay higher fees, however see our comments in paragraph 6.6 in this regard), and the fees also vary based on the state in which the pharmacy operates. Later in our report, we provide a further explanation of each of these, and how they correlate to variation in commercial and non-commercial factors. To control for these parameters, we have disaggregated the pharmacies into sub-groups or strata before performing our relative assessment in order to isolate any variances in the aggregate fees paid as a result of these parameters.
- 6.8 Despite controlling for these parameters, we continued to observe volatility of varying magnitudes in the fees paid within our identified sub-groups. We have factored this into our analysis by:
- 6.8.1 Assessing the materiality of identified variances in the fees paid by Related Party and Non-Related Party pharmacies through comparison of the average fees paid by Related and Non-Related Parties within the sub-groups.
- 6.8.2 Identification and investigation of outliers identified as Related Party pharmacies whose fees are less than the sub-group's average fee paid less the sub-group's standard deviation of fees.
- 6.9 As part of our market benchmarking, we have also compared the fees paid, as a percentage of pharmacy sales, to third party market benchmarks. In performing this benchmarking, we have sought to ensure 1) the types of fees included in the market benchmarks align with that of the fees paid by franchisees, and 2) the basis on which the fees have been calculated (for example percentage of gross sales, percentage of sales etc.) is sufficiently comparable in order to perform a reliable assessment.

New NSW documents

- 6.10 On the basis that no pharmacy as at the date of this Report is operating under the new NSW documents, there is no fee data available to perform an assessment of the commercial factors applicable to the new NSW documents. CWG Management have attested that the fees paid by pharmacies under the new NSW documents, despite varying in how they break down by fee type, will be similar on an aggregate basis to the aggregate fees pharmacies are currently paying. We have been provided with anecdotal information from CWG Management that appears to demonstrate this but we are relying on their attestation in the absence of other evidence.
- 6.11 On the basis 1) we are also testing the commercial factors under the existing arrangements on an aggregate fees basis, and 2) CWG Management's aforementioned attestation, we consider we can leverage the results of our assessment of the commercial factors applicable to the current Existing Related Party Franchise Arrangements to the commercial factors applicable to the new NSW documents. However, we are not able to verify the aggregate fee that will effectively be paid by the franchisees in NSW when they transition into the new NSW documents.
- 6.12 In relation to the non-commercial factors, we consider the assessment to be the same across both the current Existing Related Party Franchise Arrangements and the new NSW documents and can therefore also leverage our assessment of the agreements applicable to the current Existing Related Party Franchise Arrangements. CWG Management have also confirmed that the agreements comprising the new NSW documents will be identical for Related Parties and Non-Related Parties and that although the documents comprising the new NSW documents are different to the current Existing Related Party



Franchise Arrangements, there is no material difference in non-commercial factors across the current Existing Related Party Franchise Arrangements and new NSW documents. We have relied on CWG Management's representation.

Existing Related Party Lease Agreements

- 6.13 As we have explained in paragraph 3.13, some pharmacies are located in properties that are owned by Related Parties which are first leased to CWG and then licenced to franchisees via an Occupancy Licence Agreement on a pass-through basis. We have tested the Occupancy Licence Agreement as part of our testing of the Existing Related Party Franchise Arrangements. Here we deal with the Existing Related Party Lease Agreements being the lease agreements between a Related Party, in their capacity as a property owner and CWG. Additionally, CWG Management have identified one distribution centre and two office spaces owned by Related Parties and leased to CWG.
- 6.14 In relation to commercial factors, we have focused on the Base Rent (including the indexation of this Base Rent) which CWG pays under the leases. In assessing both of these commercial factors, we have focused on a comparison to contemporaneous third-party market rent assessments. CWG Management have explained to us that these were obtained prior to when all the Existing Related Party Lease Agreements were entered in to and provide an appraisal on the market rent and increase expected for the property in question.
- 6.15 For the non-commercial factors, these are key decisions that CWG Management make including initial lease term and renewal optionality incorporated into the arrangements. Our assessment has focused on the comparison of these across the Related Party and Non-Related Party arrangements including a commercial reasonableness assessment for any differences identified.

Preston Distribution Centre and Offices

- 6.16 Similar to our assessment of the Existing Related Party Lease Agreements our commercial factor testing focuses on assessing whether CWG is paying a rental cost including indexation that is substantially in line with what a lessee would pay if the owner of the Preston Distribution Centre and/or the office spaces leased by CWG from Related Parties was a third party. We have relied on the third party market rent assessment provided in order to do this.
- 6.17 In relation to non-commercial factors, such as term and renewal optionality, whilst we have not been provided with any other lease arrangements with other distribution centres or offices, we consider the risk of a Related Party deriving any unreasonable benefit to be highly unlikely. This is on the basis that, given the leases relate to a distribution centre and offices, CWG would likely want to enter into sufficiently long leases to provide protection over its distribution infrastructure and operations.

Future Related Party Dealings

- 6.18 These dealings include 1) the entry into new arrangements with Related Parties or 2) an amendment to or renewal of an Existing Related Party Arrangement or a Future Related Party Dealing.
- 6.19 Given the nature and number of the Related Party Arrangements, and the need for the Merged Group to be able to continue conducting its business operations should the Transaction be implemented, Sigma and Chemist Warehouse have developed the RPGF to alleviate having to frequently seek the approval of Sigma Shareholders.



- 6.20 The RPGF sets out 11 categories of Future Related Party Dealings and have set out approaches and conditions which must be adhered to otherwise shareholder approval is required. These are set out in detail in Section 12.
- 6.21 Our assessment has focused on the 1) The structure of the RPGF; 2) The roles of the Related Party IBC and Related Party Working Group; and 3) The Related Party Manual, specifically the Principles and the conditions and approaches attached to each category of Future Related Party Dealing.

Other Related Party Arrangements

- 6.22 We set out our understanding of the Other Related Party Arrangements relating to My Beauty Spot from paragraph 3.21.

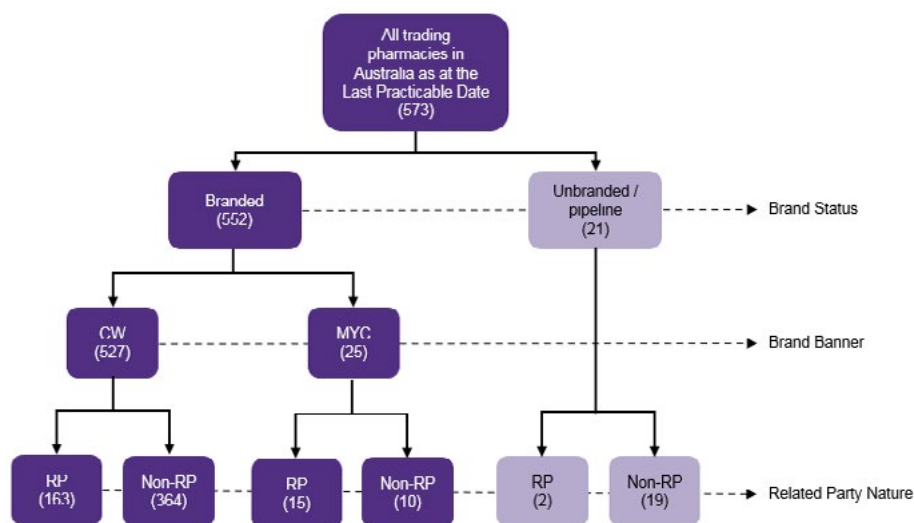
My Beauty Spot

- 6.23 We have assessed these Other Related Party Arrangements by requesting a breakdown of the aggregate fees paid by the stores in order to compare these to CWG franchisees.
- 6.24 We have been unable to perform a relative comparison of commercial and non-commercial factors between Related Party owned My Beauty Spot kiosks and Non-Related Party owned My Beauty Spot kiosks on the basis that there have never been any Non-Related Party owned My Beauty Spot kiosks.
- 6.25 Whilst we have performed an assessment as required, we consider these arrangements to be highly immaterial to CWG in light of 1) there being only six My Beauty Spot kiosks and 2) these stores being in run-down. Accordingly, we consider our assessment methodology to be appropriate on this basis.

7. Stratification of pharmacies

- 7.1 In order to perform a more reliable comparison between Non-Related Parties and Related Parties franchisee arrangements, we consider it necessary to control for certain parameters which (according to our analysis) correlate to a variation in the fees paid between two franchisees irrespective of whether they are a Related Party or not, by disaggregating CWG's pharmacies in different sub-groups or strata.
- 7.2 Based on our discussions with CWG Management, we have sub-divided the pharmacies based on the following parameters, 1) whether the store is branded or unbranded / pipeline, and 2) if the former, the brand or "banner" they operate under. Figure 5 provides a breakdown by these parameters, in addition to the number of Existing Related Party/ Existing Non-Related Party pharmacies within each sub-group or strata.

Figure 5: Breakdown of CWG pharmacies in Australia by key parameter



Source: Related Party Data provided by CWG Management, GTCF analysis

Trading Status

- 7.3 Pharmacies unbranded / pipeline refers to all pharmacies trading under a non-CWG brand and pipeline pharmacies within the franchise network. These pharmacies do not pay franchise fees at a comparable level to branded pharmacies and therefore it would not be practical to include both groups within the same dataset. We understand from CWG Management that the fees charged to unbranded / pipeline pharmacies relate to basic administrative services.

Brand Banner

- 7.4 Pharmacies operate under either the CW or MYC Banner and there is variability in the fees paid. We therefore consider it appropriate to disaggregate the pharmacies into those trading under the CW and MYC Banners to control for this variance in fees.



Pharmacy size and location

- 7.5 After disaggregating the population of pharmacies by the parameters above, we further identified 1) a positive correlation between the size of the pharmacy, as measured by pharmacy sales, and the fees that pharmacy pays and 2) that there appears to be variability in the fees a pharmacy pays depending on the State that pharmacy operates in. Accordingly, we have controlled for these two parameters also in performing our assessment of the fees paid by Related Party and Non-Related Party pharmacies.
- 7.6 Analysis of the average fee paid by all trading CW and MYC Banner pharmacies broken down by size and location in terms of State demonstrates 1) there is a positive relationship between the size of the pharmacy, as measured by pharmacy sales, and the fees that pharmacy pays and 2) there appears to be variability in the fees a pharmacy pays depending on the state that pharmacy operates.
- 7.7 The positive relationship between a pharmacy's size and the fees it pays is due to one of the fee components tending to be higher for pharmacies with higher sales revenue.
- 7.8 We understand from CWG Management that the variability in fees across State is due to state-based nuances in regards to customer purchasing behaviour and basket of purchased goods leading to nuanced wholesale purchasing by the pharmacy.
- 7.9 We note that the relationship between pharmacy size and the fees paid is more clearly observed when one looks at the analysis of all pharmacies across all states, and the states in which there are large number of pharmacies, namely NSW, VIC and QLD. Whilst the relationship still exists in the other states, the lower number of pharmacies is leading to the analysis being more greatly distorted by outliers.



8. Assessment of Existing Related Party Franchise Arrangements - Commercial factors

Identification of Commercial factors

- 8.1 We have received the applicable agreements that govern the Existing Related Party Franchise Arrangements to identify the commercial and non-commercial factors before determining which ones require assessment. Under these agreements, Chemist Warehouse charges its franchisees:
- 8.1.1 A margin on the goods it supplies; and
 - 8.1.2 Fees for the provision of a range of services and use of intellectual property.
- 8.2 Subject to differences amongst jurisdictions for local compliance requirements, wholesale loyalty rebate arrangements may apply where loyalty thresholds are met based on agreed parameters. Fees are considered net of any applicable rebates in this report.
- 8.3 Fees are also included in the Occupancy Licence Agreement, but CWG Management have confirmed are a full pass through and accordingly they are not considered in our analysis of the commercial factors.
- 8.4 Additionally, if the franchisee has an equipment and fit-out lease from CWG, in which they are charged a corresponding fit-out and equipment fee linked to the cost of the fit-out spread over the term of the lease. CWG Management have confirmed that this fee is a full pass-through in which CWG derives no financial benefit.
- 8.5 Prima facie, one might consider these commercial factors, particularly those in which CWG derives a payment, to be prescribed in nature and accordingly, any variability in these fees is simply a byproduct of how the commercial factors are defined. However, CWG Management has historically negotiated all fee elements "as a package" with franchisees, largely enabling franchisees to determine whether they prefer higher fixed fees and lower volume-variable fees; or vice versa. Furthermore, CWG Management have also explained to us that they are amenable to charging materially discounted fees in the early years after a pharmacy is established, or if the pharmacy would have difficulties paying fees at the level which would otherwise be usual. In some cases, this can result in pharmacies not paying any fees or receiving a rebate from CWG. Consequently, CWG Management tend to focus on the aggregate fees a pharmacy has paid (net of any rebate) in assessing the arrangements which should be offered to pharmacies initially or when arrangements are renegotiated.
- 8.6 Commercially, we do not consider CWG Management's approach to fees unreasonable. We do however consider their approach requires us to also focus on the aggregate fees paid by franchisees. Focusing on individual fees is likely to result in us identifying a high number of false positives being variances in fees paid by franchisees at the individual fee type level that otherwise net off at the bundled fee level. The aggregated fee level, net of rebates, reflects 1) the fee structure preferences of franchisees (fixed versus variable) and 2) any fee concessions awarded to pharmacies to assist with start-up or temporary difficulties. However, where necessary, we have analysed the composition of individual fees paid by a franchisee as part of our testing procedures.



Testing of commercial factors

- 8.7 CWG Management has advised that when assessing the aggregate fees paid by a franchisee, they only focus on the fees from which CWG derives a margin (pass through fees are excluded). As explained in Section 6, our assessment focuses on investigating differences in the average fees paid by Related Party and Non-Related Party owned pharmacies and obtaining evidence that any differences have a commercially reasonable rationale.
- 8.8 We have performed an assessment of 1) the 517¹⁵ pharmacies which operated at any point in FY23/24 under the CW Banner, and 2) the 21¹⁶ pharmacies which operated at any point in FY23/24 under the MYC Banner. For both of these, our analysis includes disaggregating the pharmacies by size and State as we consider necessary per our explanation provided from paragraph 7.5.

Testing of CW Banner pharmacies operating under the current Franchise Arrangements

- 8.9 We have broken down the percentage difference in the average fee paid by Related Party and Non-Related Party CW Banner trading pharmacies split by size and location as set out in the figure below.

Figure 6: Percentage difference in the average fee paid by Related Party and Non-Related Party CW Banner trading pharmacies split by size and location

| Difference in average fee (all CW Banner trading stores) | All States | NSW | VIC | SA | QLD | NT | TAS | WA | ACT |
|--|---------------|-------------|---------------|---------------|---------------|----|---------------|---------------|-------------|
| Store sales up to A\$5,000,000 | (1.0%) | | (0.2%) | | (3.3%) | | (3.3%) | 1.2% | |
| Store sales between A\$5,000,000 and A\$10,000,000 | 0.6% | 3.8% | 1.2% | (1.4%) | (1.7%) | | (1.9%) | | |
| Store sales between A\$10,000,000 and A\$15,000,000 | (0.0%) | 1.2% | (0.0%) | (0.0%) | 0.3% | | (2.8%) | (0.4%) | |
| Store sales between A\$15,000,000 and A\$20,000,000 | (0.0%) | 1.1% | 0.9% | (4.9%) | (1.1%) | | | (0.6%) | |
| Store sales between A\$20,000,000 and A\$25,000,000 | (0.1%) | 0.6% | (0.6%) | | (0.1%) | | | 1.7% | (0.1%) |
| Store sales between A\$25,000,000 and A\$30,000,000 | 0.6% | 0.3% | 1.7% | | 0.5% | | | | |
| Store sales over A\$30,000,000 | (0.9%) | 0.5% | | | (5.0%) | | | | |
| Total average | (0.3%) | 0.9% | (0.1%) | (1.1%) | (1.3%) | | (1.4%) | (0.7%) | 0.7% |

Source: FY24 Related Party Data provided by CWG Management, GTCF analysis

Note (1): Certain cells are highlighted grey owing to there being no pharmacies with the applicable combination of size and location.

Note (2): A negative difference indicates that, on average, the Related Party pharmacies are paying a higher fee than the Non-Related Party pharmacies within the same sub-group.

- 8.10 In Figure 6 we have highlighted all instances in which the average fee paid by Related Party is lower than the average fee paid by Non-Related Party CW Banner pharmacies by 0.25% or more. We have used this analysis in selecting a sample of outlier pharmacies in which we have performed additional testing procedures as discussed from paragraph 8.20.

¹⁵ The store count in this section differs from other references within the Report as it references data from the FY23/24 period, while other sections use figures as of the Last Practicable Date.

¹⁶ Ibid.



- 8.11 However, we consider it appropriate to highlight that in FY24, Related Party pharmacies paid an average fee that was 0.3% higher than that of Non-Related Party pharmacies across all states and store sales groups. Whilst we consider it appropriate to investigate the sub-groups in which Related Party pharmacies paid lower fees on average, we note this impact is ultimately more than offset by Related Party pharmacies paying higher fees in other sub-groups.
- 8.12 We inquired of CWG Management as to why Related Party pharmacies in NSW were paying lower fees on average across all size categories. CWG Management have stated that there is nothing unusual in NSW relative to other states and that they believe the higher fees paid by Non-Related Party pharmacies is primarily a function of the unusual performance when compared to the average. Management advises that it is due to the impact of the particular basket of goods purchased by these pharmacies.
- 8.13 In our opinion, as a standalone analysis, Figure 6 may be misleading, on the basis that it does not take into account 1) the variability in fees within a sub-group which we have measured using standard deviation, and 2) the materiality in terms of the AUD\$ impact of the average fee percentage difference. We have provided these details in Figure 7 and Figure 8 respectively.

Figure 7: Standard deviation of the fees paid by CW trading pharmacies split by size and location

| Standard Deviation of fees | All States | NSW | VIC | SA | QLD | NT | TAS | WA | ACT |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Store sales up to A\$5,000,000 | 2.7% | 3.3% | 2.9% | | 2.0% | - | 2.2% | 0.9% | |
| Store sales between A\$5,000,000 and A\$10,000,000 | 2.7% | 3.2% | 2.6% | 3.3% | 2.5% | 1.3% | 1.8% | 2.1% | |
| Store sales between A\$10,000,000 and A\$15,000,000 | 2.1% | 2.6% | 2.0% | 0.9% | 1.9% | 0.2% | 1.9% | 1.3% | |
| Store sales between A\$15,000,000 and A\$20,000,000 | 2.0% | 2.1% | 2.1% | 2.3% | 1.7% | | | 1.2% | |
| Store sales between A\$20,000,000 and A\$25,000,000 | 1.7% | 1.6% | 1.2% | | 1.1% | | | 1.8% | 0.1% |
| Store sales between A\$25,000,000 and A\$30,000,000 | 1.8% | 1.2% | 2.2% | | 1.5% | | | | 0.0% |
| Store sales over A\$30,000,000 | | | | | | | | | |
| Total Average | 2.8% | 2.9% | 2.7% | 1.9% | 2.6% | 2.3% | 2.6% | 2.7% | 0.9% |

Source: GTAL analysis

Note (1):

We have assessed the standard deviation using the Sample Standard Deviation formula being:

$$\text{Sample Standard Deviation} = \sqrt{\frac{\sum(x_i - \bar{x})^2}{N-1}}$$

Where:

x_i = fee paid by a specific pharmacy in the sub-group,

\bar{x} = mean fee paid by all pharmacies in the sub-group

N = total number of pharmacies within the sub-group



Figure 8: Monetary difference in the average fee paid by Related Party and Non-Related Party CW trading pharmacies split by size and location

| Materiality of CWH stores differentials (A\$m) | All States | NSW | VIC | SA | QLD | NT | TAS | WA | ACT |
|---|------------|-----|-----|----|-----|----|-----|-----|-----|
| Store sales up to A\$5,000,000 | | | | | | | | 0.0 | |
| Store sales between A\$5,000,000 and A\$10,000,000 | 1.3 | 1.5 | 0.8 | | | | | | |
| Store sales between A\$10,000,000 and A\$15,000,000 | | 0.6 | | | 0.2 | | | | |
| Store sales between A\$15,000,000 and A\$20,000,000 | | 2.1 | 1.5 | | | | | | |
| Store sales between A\$20,000,000 and A\$25,000,000 | | 0.6 | | | | | | 1.9 | |
| Store sales between A\$25,000,000 and A\$30,000,000 | 1.5 | 0.1 | 1.4 | | 0.3 | | | | |
| Store sales over A\$30,000,000 | | 0.6 | | | | | | | |

Source: GTAL analysis

Note (1): Certain cells are highlighted grey owing to there being no pharmacies with the applicable combination of size and location.

Note (2): A negative difference indicates that, on average, the Related Party pharmacies are paying a higher fee than the Non-Related Party pharmacies within the same sub-group.

Note (3): For clarity, we have quantified this monetary difference as the total sales of Related Party pharmacies in the applicable sub-group multiplied by the difference in the average fee paid by Related Party and Non-Related party pharmacies within the applicable sub-group.

- 8.14 Our analysis indicates that the difference in the fees paid by Related Party versus Non-Related Party pharmacies across all sub-groups is lower than the standard deviation in the fees paid by pharmacies within that sub-group. This provides us with comfort that the difference in fees between the pharmacies is largely immaterial and within the range expected in light of the variability in fees observable across pharmacies.
- 8.15 The only exception is the NSW sub-group in which pharmacies generate sales of A\$5 million to A\$10 million. The average difference in fees paid between Related Party and Non-Related Party pharmacies was 3.8% as set out in Figure 6 which compares to the sub-groups standard deviation of 3.2% as set out in Figure 7.
- 8.16 Within this sub-group there are five Related Party pharmacies and 11 Non-Related Party pharmacies. Four of the five Related Party pharmacies paid fees equating to between 0.0% and 1.1% of their sales revenue. We inquired of CWG Management who explained that, whilst these pharmacies generated sales comparable to the wider sub-group, this reflected an underperformance in light of the pharmacy's size and strategic location. These pharmacies were yet to realise the associated benefits with being part of the network. This aligns with our understanding that the CWG does provide support for underperforming pharmacies which we have observed in other sub-groups. We therefore consider the variance in the fees paid within this sub-group has a commercially reasonable explanation.
- 8.17 We also note that the variance within this sub-group equates to fees differential of A\$1.5 million per annum, which compares to CW's total revenue of A\$3.3 billion in FY24 and is therefore highly immaterial for the purposes of our assessment.



- 8.18 Despite controlling for multiple parameters that we understand drive variability in the fees paid by pharmacies, there remains fee variability within our identified sub-groups as demonstrated by Figure 6. We have inquired of CWG Management who have explained this variability is driven by the following:
- 8.18.1 *Fixed fee component:* The fees payable under the Franchise Agreement includes a fixed fee component which is negotiated pharmacy-by-pharmacy. As the fee is not linked to a pharmacy's sales, it is to be expected that there will be variability in fees paid across pharmacies as a percentage of that pharmacy's sales.
 - 8.18.2 *Volume variable elements:* The margin on goods supplied and fees for services provided under the Supply Agreement are volume-variable and depend upon the purchasing patterns of pharmacies (both product mix and product volume). This does not equate to sales revenue.
 - 8.18.3 *Franchisee preference:* We understand from CWG Management that franchisees are able to determine whether they prefer higher fixed fees and lower volume-variable fees; or vice versa, provided that the fees paid by the pharmacy to CWG remain in line with comparable pharmacies on an aggregate basis. Pharmacies which opt for a higher fixed component and lower volume variable components will experience a cost saving in years when they buy more goods and services from CWG, and pharmacies which opt for higher volume variable fees and lower fixed component fees will experience a cost saving in years when they buy less goods and services from CWG. Accordingly, the way pharmacies choose to "weight" their fees may result in their fees being higher or lower compared to their sales revenue across a range of performance scenarios.
 - 8.18.4 *Underperformance:* We understand from CWG Management that pharmacies who are considered to have not received sufficient benefit from operating within the CWG franchise network may have their fees reduced until the situation is resolved.
- 8.19 Despite this variability, we note in all instances the difference in the average fee paid between Related Party and Non-Related Party pharmacies within each sub-group, is lower than that sub-group's standard deviation except one which we discuss above. This provides us with comfort that there is no meaningful or otherwise material difference in fees paid by Related Party and Non-Related Party pharmacies.
- 8.20 We do note however, this assessment could be somewhat self-fulfilling in that the standard deviation of each sub-group could be elevated as a result of Related Party pharmacies hypothetically paying lower fees. Accordingly, we have also sought to identify and investigate any outliers. We have identified outliers as being Related Party pharmacies whose fees, when calculated by us as a percentage of sales, are less than the sub-group's average fee less the standard deviation of the same sub-group. We have then focused on the outliers that sit within the sub-groups that had an average difference in fee greater than 0.25%. This yielded nine Related Party pharmacies of which we detail the sub-groups they fall within below.



Figure 9: Related Party outlier CW trading pharmacies split by size and location

| Outlier Stores | All States | NSW | VIC | SA | QLD | NT | TAS | WA | ACT |
|---|------------|----------|----------|----|----------|----|-----|----------|-----|
| Store sales up to A\$5,000,000 | | | | | | | | | |
| Store sales between A\$5,000,000 and A\$10,000,000 | 1 | 1 | | | | | | | |
| Store sales between A\$10,000,000 and A\$15,000,000 | 2 | 2 | | | | | | | |
| Store sales between A\$15,000,000 and A\$20,000,000 | 2 | 2 | | | | | | | |
| Store sales between A\$20,000,000 and A\$25,000,000 | 2 | 1 | | | | | | 1 | |
| Store sales between A\$25,000,000 and A\$30,000,000 | 2 | | 1 | | 1 | | | | |
| Store sales over A\$30,000,000 | | | | | | | | | |
| Total | 9 | 6 | 1 | | 1 | | | 1 | |

Source: FY24 Related Party Data provided by CWG Management, GTCF analysis

Note: Certain cells are highlighted grey owing to there being no pharmacies with the applicable combination of size and location.

Testing of MYC Banner pharmacies

- 8.21 We have performed a similar analysis for the MYC Banner pharmacies as for the CW pharmacies above. We note from CWG Management there were only 21¹⁷ trading pharmacies under the current Franchise Arrangements with the MYC Banner as at 30 June 2024, 15 of which are owned by at least one Related Party. On the basis this banner represents a small portion of CWG's total pharmacy count (c. 3.7% of all 567 trading pharmacies as of 30 June 2024¹⁸), we consider this assessment to be largely immaterial. The small number of pharmacies poses challenges to our assessment on the basis that small data sets are typically more distorted or otherwise impacted by outliers. Nonetheless we have performed our analysis in line with our assessment of CW Banner pharmacies.
- 8.22 In summary, of the two sub-groups in which there were Related Party and Non-Related MYC Banner pharmacies, the difference in fees was within the standard deviation of the sub-group and therefore we consider these differences to be immaterial.

Assessment of Unbranded pharmacies

- 8.23 We understand from CWG Management that there were 29 unbranded trading pharmacies¹⁹ as of 30 June 2024.

¹⁷ The store count in this section differs from other references within the Report as it references data from the FY23/24 period, while other sections use figures as of the Last Practicable Date.

¹⁸ This includes 1 Chemist Warehouse branded pharmacy and 1 pipeline / unbranded store which was temporarily closed as of 30 June 2024, store figure varies to other sections of the Report due to timing.

¹⁹ This includes 1 pipeline / unbranded store which was temporarily closed as of 30 June 2024, store figure varies to other sections of the Report due to timing.



- 8.24 Of these 29 unbranded pharmacies, the Related Parties have an interest in 3 unbranded trading pharmacies which have paid the same fixed fee amount which we understand from CWG Management relates to basic administrative services.
- 8.25 We understand from CWG Management that pharmacies on occasion remain unbranded for a temporary period due to them being an opportunistic acquisition of a PBS approval (which are subject to geographic restrictions) in a desirable suburb but in premises which are not suitable to be a CW Banner store, generally because the premises are too small. The PBS location rules impose time limits on how long a pharmacy needs to be at its current location before it can move. The stores remain 'unbranded' while waiting out this period, then suitable premises are leased and the pharmacy moves to that location and adopts CW branding.
- 8.26 The fees paid by the Related Party pharmacies is broadly comparable to the remaining 26 unbranded trading pharmacies, with 11 out of the 26²⁰ pharmacies paying an identical amount of fees to the 3 Related Party unbranded trading pharmacies. We have not identified any reason to suspect the fees being paid by the Related Party pharmacies is not fair and reasonable.

²⁰ The store count in this section differs from other references within the Report as it references data from the FY23/24 period, while other sections use figures as of the Last Practicable Date.



9. Assessment of Existing Related Party Franchise Arrangements - Non-commercial factors

Identification of non-commercial factors

- 9.1 The identification and assessment of non-commercial factors which may give rise to benefits to the Related Parties is subjective in nature largely due to it being inherently more challenging to draw any linkage between a non-commercial factor and a perceived benefit to a Related Party franchisee over and above a Non-Related Party franchisee assuming a benefit exists.
- 9.2 The subjective nature of the identification of non-commercial factors also poses challenges from a completeness perspective in two key ways:
- 9.2.1 Certain factors may not be immediately observable in the agreements that form the Franchise Arrangements.
- 9.2.2 There could be a large number of non-commercial factors for which a person could hypothesise a scenario where the Related Party franchisee could derive a benefit. We have applied a pragmatic approach to this issue and focussed on factors that a reasonable person would consider require assessment on the basis that 1) they provide a reasonable opportunity for a Related Party to derive a hypothetical benefit, 2) this benefit is material and 3) it is reasonably possible to establish a linkage between this factor and the aforementioned hypothetical benefit the Related Party is receiving.
- 9.3 In line with the above, we have identified the following Non-commercial factors:
- 9.3.1 *Identification Process for new franchisees:* To ensure there is no advantage to Related Parties in the identification and opening of new pharmacies we have considered the process of identifying potential locations and process of opening a new Chemist Warehouse or My Chemist pharmacy. An example of a potential Related Party benefit that may arise during the identification process of a new franchisee is the provision of favourable pharmacy locations to Related Parties over Non-Related Parties which has potential to generate higher levels of revenue.
- 9.3.2 *Franchise Term:* The initial term and number of years a franchisee can operate under the original franchise agreement.
- 9.3.3 *Renewal Conditions:* The optionality for the franchisee to renew their agreement following the expiry of the initial franchise term.
- 9.3.4 *Termination:* Termination refers the termination or expiration of the Franchise Agreement as per the rules outlined within the respective document suite.

Testing of non-commercial factors

- 9.4 Based on our conversations with CWG Management, we consider there is no variation in how these non-commercial factors are considered across the parameters we use to disaggregate the pharmacies into strata or sub-groups for the purposes of testing our identified commercial factors. Accordingly, we have



performed individual review of the non-commercial factors without undertaking the same stratification adopted for the commercial factors.

New franchise pharmacies joining the network

- 9.5 This factor relates to the principles, approaches and processes CWG Management adopt to add new pharmacies to the network. CWG Management have explained that CWG has a policy of looking internally within its pharmacy network for suitable franchisees who may wish to open a new pharmacy which can then be offered the Franchise Arrangements. These individuals could either be franchisees in their own right (at one or more other locations) or will be registered pharmacists currently employed by another pharmacist who is an existing franchisee. For employee pharmacists, it is common for the employer franchisee to recommend the individual for franchisee candidacy.
- 9.6 Once the franchisee candidate has been assessed and ultimately approved, they will meet with a CWG Business Development Manager to discuss areas in which CWG may be able to support a profitable franchise business including where a pharmacy could be opened. CWG can advise the pharmacist in relation to the identification of a suitable location for the candidate franchisee to open a pharmacy.
- 9.7 As part of our assessment of CWG opening pharmacies in this manner we have considered:
- 9.7.1 The risk of CWG Management selecting a Related Party to run a pharmacy instead of a more suitable Non-Related Party;
 - 9.7.2 The risk of CWG Management advocating for a less strategically advantageous location because the property available is owned by a Related Party;
 - 9.7.3 The risk of CWG Management choosing not to open a new pharmacy in a strategically advantageous position because it may risk to cannibalising sales from a Related Party pharmacy.
- 9.8 In relation to the first item, we recognise that all Related Parties are not only experienced pharmacists but have a wealth of experience in running successful pharmacies within the CWG franchise network. Accordingly, we consider it likely, in most circumstances, they would be the most appropriate or at least an appropriate franchise candidate for a new pharmacy. We therefore consider it unlikely that opening a new pharmacy with a Related Party franchisee poses a risk to the management and financial performance of that pharmacy and, accordingly, the fees that pharmacy generates for CWG and ultimately the Sigma Shareholders post Transaction.
- 9.9 Furthermore, we note that this risk is further mitigated by the limits various regulations impose on the number of pharmacies an individual pharmacist can own, which varies between four and six depending on the state. In light of this, we requested that CWG Management provide us with an analysis of the number of pharmacies each Related Party is able to open in each state before they reach their regulatory imposed limit, where one exists, which we refer to as a Related Party's "headroom". This analysis is provided in Figure 10 below.



Figure 10: Analysis of Related Party headroom

| Headroom for opening new stores for each RP by state | | | | | | | | |
|--|-----|-----|-----|----|----|-----|-----|----|
| RP | NSW | VIC | QLD | WA | SA | TAS | ACT | NT |
| RP 1 | 0 | 0 | 0 | 0 | 1 | 0 | na | na |
| RP 2 | 0 | 0 | 0 | 0 | 1 | 0 | na | na |
| RP 3 | 0 | 0 | 0 | 0 | 1 | 4 | na | na |
| RP 4 | 0 | 0 | 0 | 0 | 6 | 3 | na | na |
| RP 5 | 0 | 0 | 0 | 0 | 6 | 4 | na | na |
| RP 6 | 1 | 0 | 0 | 2 | 6 | 4 | na | na |
| Total | 1 | 0 | 0 | 2 | 21 | 15 | na | na |

Source: CWG Management

Note (1): "na" relates to those states where there is no regulatory limit on the number of pharmacies an individual pharmacist can own.

9.10 In relation to the table above, we note the following:

9.10.1 RP 1 to RP 5 cannot open any new pharmacies in NSW, VIC, QLD and WA;

9.10.2 RP 6 can open a maximum of 1 additional pharmacy in NSW and 2 in WA.

9.10.3 Circa 90% of all Australian based CWG pharmacies are located in NSW, VIC, QLD and WA and these are the states in which CWG has experienced the greatest pharmacy growth.

9.11 All things being equal, this suggests that CWG's new pharmacies are more likely to be owned by Non-Related Party franchisees, something which CWG Management have verified. We consider this further reduces the risk of CWG Management selecting a Related Party to run a pharmacy instead of a more suitable Non-Related Party.

9.12 In relation to point 2, CWG Management has indicated that this risk is minimal as 1) the franchisee ultimately selects the site 2) CWG would be worse off to the extent the store performs worse and therefore purchases less stock and 3) the relocation regulations make this scenario unlikely.

9.13 In relation to point 3, CWG Management has indicated that in these circumstances, regardless of whether the existing franchisee is a Related Party or not, CWG Management would hold discussions with the existing franchisee to understand their views on whether they consider there would a cannibalisation impact or any other detrimental impact on their pharmacy. Should it be determined that there may be a specific negative impact on the existing franchise, but the incorporation of the potential new pharmacy into the franchise network is beneficial to CWG, then a negotiation would occur with the existing franchisee to ensure that they are commensurately compensated. We understand from CWG Management that pharmacies are generally not researched and approached by Chemist Warehouse Group to join Chemist Warehouse, rather Chemist Warehouse Group is more likely to support a candidate franchisee to buy a pharmacy as is and subsequently convert this pharmacy to a Chemist Warehouse.

Franchise term, renewal and termination

9.14 *Franchise term* - This non-commercial factor relates to how CWG Management determine the term of a franchise agreement and the risk this decision could in some way benefit a Related Party at the expense of Sigma Shareholders. CWG Management have indicated that the term of a franchise agreement typically aligns with the term of the Related Party or Non-Related Party lease agreement applicable to the pharmacy's location, and that if a premises can be secured for a further term renewal is generally available



on current terms. This practice in relation to renewals is standardised across both Related Parties and Non-Related Parties. We ultimately have not identified any hypothetical scenarios whereby the term of a franchise agreement could provide a financial benefit to Related Party at the expense of Sigma Shareholders.

- 9.15 *Franchise agreement renewal and termination* - This relates to the decision-making process regarding the renewal of a franchise agreement or termination of a franchise agreement and the risk this decision could in some way benefit a Related Party at the expense of Sigma Shareholders, for example in the case of a non-performing franchisees. CWG Management has advised that as at of the date of this Report, every franchisee agreement has been renewed when they have reached maturity (provided that renewal is also available for the underlying premises²¹) and they have never terminated a franchise agreement before maturity. This negates the risk of there being a difference in treatment of Related Party and Non-Related Party franchises. Furthermore, given the experience of the Related Party franchisees, we consider a scenario whereby CWG Management renews or decides to terminate a poorly performing pharmacy due to the franchisee being a Related Party to be an unlikely occurrence.

²¹ If lease renewal is not available, Chemist Warehouse Group and the franchisee generally work together to identify another suitable location.



10. Market benchmarking of franchisee fees

- 10.1 For the purposes of our opinion, we have also benchmarked whether the Existing Related Party Franchise Arrangements (and by extension the Existing Non-Related Party Franchise Arrangements) are paying fees in line with that observable elsewhere in the market by similar businesses operating in the industry.
- 10.2 In performing our research to identify market benchmarks we have first focused on franchise operations operating within the pharmacy sector in Australia which we subsequently expanded globally owing to a low number of search results. Whilst this yielded a number of benchmarks, many of the benchmarks were either very latent or related to franchise arrangements that were significantly smaller in scale and were not for franchise arrangements for a household name like Chemist Warehouse.
- 10.3 In Figure 11, we summarise the benchmarks we have identified and consider sufficiently comparable to the CWG franchise arrangements. We have identified four highly comparable franchise agreements, which we have classified as tier 1, with the balance classified as tier 2. At a high level, we observe that that the typical tier 1 fee range paid in the market appears to be c. 4.0% to 5.0% of sales revenue, in line with the average 4.7% of sales revenue represented by the aggregate fees paid by Chemist Warehouse Group franchisees to Chemist Warehouse Group, according to our calculations (noting that Chemist Warehouse Group does not set fees as a percentage of revenue). Particularly, we note that the franchise fee of Jean Coutu Group, which we believe represents the most comparable franchise to CWG (as discussed in further detail below), is largely supportive of the average aggregate fee relative to sales revenue observed in our analysis of 4.7%. Accordingly, this provides us with a degree of comfort that the fee paid by CWG franchisees is in line the market rate.
- 10.4 We have focused on benchmarking the CWG fees as a whole. In our opinion this is not unreasonable in light of the benchmarks we have identified, particularly the tier 1 benchmarks, which are mainly pharmacy franchise networks. Accordingly, the fee benchmarks we have identified, despite being described as a "royalty rate" are likely to be comprised of similar fee types that form the aggregate fees which Chemist Warehouse Group charges its franchisees.
- 10.5 We note there are however some comparability limitations in terms of 1) what fee types form the overall fee benchmark, 2) the basis of fee (being sales, gross revenue etc.), 3) sector and company comparability and 4) latency. We consider these in our detailed assessment of each benchmark below. Notwithstanding these variances we believe our analysis remains reliable and provides us with comfort that CWG franchisees, including Related Party franchisees, are paying fees in line with that of the market.



Figure 11: Summary of franchise fee market benchmarks

| Type of agreement | Licensor | Basis of fee | Fee (low) | Fee (High) |
|-------------------------------------|---|--------------|-------------|-------------|
| Franchise | Chemist Warehouse Group | Sales | 4.7% | 4.7% |
| Pharmacy and Health - tier 1 | | | | |
| Franchise | APOLLO HEALTH & LIFESTYLE LTD | Sales | 4.0% | 4.0% |
| Franchise | JEAN COUTU GROUP (PJC) INC. | Sales | 4.0% | 4.0% |
| Franchise | MEDICAP PHARMACY | Undisclosed | 3.9% | 3.9% |
| Franchise | SAFESCRIPT PHARMACIES INC | Sales | 4.0% | 4.0% |
| Franchise | MEDICINE SHOPPE INTERNATIONAL INC | Net sales | 5.0% | 5.0% |
| High | | | 5.0% | 5.0% |
| Average | | | 4.2% | 4.2% |
| Median | | | 4.0% | 4.0% |
| Low | | | 3.9% | 3.9% |
| Pharmacy and Health - tier 2 | | | | |
| Trademark | DIVERSIFIED PHARMACEUTICAL SERVICES, INC. | Sales | 2.0% | 4.0% |
| Trademark | GENERAL NUTRITION COS | Sales | 2.5% | 5.0% |
| Trademark | VITAMIN SHOPPE INDUSTRIES INC | Net sales | 1.0% | 5.0% |
| Trademark | GOLD'S GYM INTERNATIONAL INC | Net sales | 7.0% | 7.0% |
| Franchise | NATIONSRX INC | Net sales | 2.0% | 2.0% |
| Franchise | RTIN HOLDINGS INC | Sales | 4.0% | 4.0% |
| High | | | 7.0% | 7.0% |
| Average | | | 3.1% | 4.5% |
| Median | | | 2.3% | 4.5% |
| Low | | | 1.0% | 2.0% |

Source: Royalty Source, Royalty Range, GTCF analysis

Note (1): in relation to the definition in the table above as "sales / revenue", we note that whilst some sources adopt the term "sales" and some other adopt the term "revenue", based on our own research, there appears to be no practical difference between the two definitions. We have however continued to distinguish between sales (or revenue) and net sales.

Apollo Health & Lifestyle Ltd

- 10.6 This franchise agreement relates to a network of clinics providing healthcare services, including consultation, diagnostics, check-ups, in addition to retail pharmacy and telemedicine services across India. Apollo Health's market penetration within India is comparable to that of CWG within Australia.
- 10.7 Notwithstanding 1) the broader more diverse suite of services provided by Apollo Health, compared to CWG pharmacies, and 2) the reality that Apollo Health operates in India we consider this network to be highly comparable to that of CWG and accordingly, consider the franchise fee of 4% of sales to be supportive of the average Chemist Warehouse Group aggregate fees equating to 4.7% of sales revenue being in line with the market.

Jean Coutu Group (PJC) Inc

- 10.8 Jean Coutu is the second largest pharmacy franchisor in Canada, and the largest in Quebec. Similar to the CWG franchise arrangement 1) franchisees operate their own pharmacies and 2) franchisees purchase goods directly from Jean Coutu, which also operates as a wholesale distributor much like how CWG franchisees acquire some of their goods directly from Chemist Warehouse Group. Similar to Australian



pharmacy regulation, the regulatory framework in Quebec requires that only licenced pharmacists can own a pharmacy.

- 10.9 Although we note this agreement dates back to May 2006, and notwithstanding the differences between the Canadian and Australian retail pharmacy industry, we are of the opinion this franchise agreement represents a comparable agreement in our analysis and, as such, we find the fee of 4% of sales to be supportive of the average Chemist Warehouse Group aggregate fees equating to 4.7% of sales revenue.

Medicap Pharmacy

- 10.10 This franchise agreement dates back to 1993 and comprises of franchisee pharmacies which derive c. 90% of their revenue through the sales of prescription medicines. Despite a significant presence in Iowa and a number of locations across other US states, Medicap does not have a comparable market penetration in the US as CWG does in Australia. However, we also note that the market size in the US is significantly larger than the Australian market. Accordingly, we consider this franchise agreement to be comparable to CWG due to the similarities in the underlying business model. Accordingly, we are of the opinion that Medicap's fee of 3.9% of revenue supports the average Chemist Warehouse Group aggregate fees equating to 4.7% of sales revenue observed in our analysis.

SafeScript Pharmacies Inc

- 10.11 This agreement dates back to May 2003 and relates to the granting of exclusive rights to operate pharmacies in California, Oregon, Washington and Alaska. Similarly to Medicap as mentioned in paragraph 10.10, we note that SafeScript operates at a smaller scale, in relative terms, than CWG in its respective region. However, having regard to the different market size between the US and Australia, we are of the opinion it represents a broadly reasonable benchmark for the purpose of our analysis. As such, we consider the fee of 4% on gross revenue to be supportive of the average aggregate fees paid by CWG franchisees.

Medicine Shoppe International Inc

- 10.12 This franchisor has a network of over a thousand community pharmacies across the US, Canada and Taiwan. Although details about the franchisees are not disclosed, we understand the pharmacies under this franchise agreement are owner-operated and follow a community-based model. Under this agreement, the franchisees pay a fee of 2% of their revenue for the first two months, 3% of revenue for the following six months, and 5% of revenue thereafter. Although we note there are limitations in accessing detailed information in relation to this agreement, we are of the opinion that it is, from a high-level overview, broadly comparable to the CWG Franchise Arrangements model and, accordingly, presents a certain degree of meaningfulness for the purpose of our benchmarking analysis. Having regard to the limitations mentioned, we find the 5% fee to be in line with the average aggregate fees charged to the franchisees in the CWG franchise network.

Diversified Pharmaceutical Services, Inc.

- 10.13 This trademark agreement dates back to October 1996 and allows for the use of certain trademarks owned by Diversified Pharmaceutical Services. Having regard to the fact that a trademark agreement only relates to the use of the trademark and hence typically warrants a lower royalty than a franchise, we are of the opinion the fee range of between 2% and 4% of revenue provides reasonable support that the terms of the CWG Franchise Arrangements are on a reasonable basis.



General Nutrition Cos

- 10.14 This trademark agreement relates to the use of the underlying trademark by international independent health food and nutrition pharmacies. We understand that General Nutrition charges 2.5% of revenue for technical assistance and another 2.5% of revenue for the use of the trademark. General Nutrition, with over 6,100 locations, is one of the largest specialty retailers of health and wellness products and whilst also CWG also generates a significant share of its revenue through the sales of nutrition supplements, the overall retail pharmacy industry differs from general health food and nutrition industry due to a much more stringent regulatory environment. Notwithstanding the noted differences due to the main industry in which General Nutrition operates, we are of the opinion that this agreement, in light of the brand presence of General Nutrition, still provides a valid benchmark and, accordingly, we find the 5% of revenue fee to be broadly supportive of the average aggregate CWG fees observed in our analysis.

Vitamin Shoppe Industry Inc

- 10.15 This trademark agreement relates to the use of the underlying licensor's trademark by licensees worldwide. We understand the fee prescribed by this trademark are charged at 5% of revenue for revenue up to US\$25 million, with the fee (as a portion of revenue) gradually decreasing as revenue increases, down to a floor of 1% of revenue for revenue equal to or over US\$100 million. Vitamin Shoppe has a significant presence in the US with pharmacies across most states and a large offering of wellness products, including supplements, vitamins, weight loss non-prescription products and other similar products. Whilst we note a partial crossover in terms of offering between Vitamin Shoppe and CW, we also consider the presence in its own region to be significant and, accordingly, we believe Vitamin Shoppe to provide a valid benchmark for the purpose of our analysis. As such, we find the 5% of revenue fee to be broadly supportive of the average aggregate CWG fees observed in our analysis.

Gold's Gym International Inc

- 10.16 This trademark agreement, dated March 1999, relates to the use of the Gold's Gym logo for the use of manufacture, marketing and sales of nutritional supplements bearing the logo. We note that whilst this is an agreement relating to a trademark, which typically warrants a lower fee than a franchise, Gold's Gym has a global reputation compared to Chemist Warehouse, which has a strong leading presence however limited to Australia, and, as such, we do not find the fee of 7% of net sales to be unreasonable. Notwithstanding this and having regard to the different industry of Gold's Gym, we consider this agreement to be broadly supportive of the average aggregate CWG fees observed in our analysis.

Nationsrx Inc

- 10.17 This agreement dates back to 2003 and relates to the licensing of patents and trademark for the use of the licensor's proprietary technology aimed at pharmacy benefits management services. Accordingly, we are of the opinion this agreement does not represent a meaningful benchmark of comparison for the purpose of our analysis.

Rtin Holdings Inc

- 10.18 This agreement, which dates back to March 2022, grants the licensee the right to use the technology developed to provide digital prescriptions. Although adjacent to the retail pharmacy industry, we do not consider this agreement to be relevant for the purpose of our benchmarking analysis and, as such, we have placed no reliance on it.



11. Assessment of Existing Related Party Lease Agreements

11.1 The properties in which pharmacies operate are owned by either Related Parties or Non-Related Parties and we note the following arrangements:

11.1.1 The Existing Related Party Lease Agreements are the leases between CW, as the lessee, and a Related Party, as the lessor, and they form the basis of our review in this section of the Report. As at the Last Practicable Date, there were 133 properties owned or controlled by a Related Person that are leased to the Chemist Warehouse Group.

11.1.2 Each pharmacy property leased to CWG is licensed to a franchisee via the Occupancy Licence Agreement. As noted in paragraph 1.24 we have not performed an assessment of the Occupancy Licence Fee on the basis that this is a fee passed through to the ultimate lessor of the property which in some cases is owned by a Related Party.

11.1.3 Apart from the licensed premises to franchisees, we note one distribution centre and two additional office buildings are leased to CWG and owned by Related Parties. As the one distribution centre and two office buildings are treated on a similar basis to the pharmacy premises (notwithstanding the lack of an Occupancy Licence Agreement) we have included their analysis within the same section.

Commercial factors

11.2 We have identified the following commercial factors that in our view require assessment:

11.2.1 *Base Rent:* The Base Rent refers to the rent payable by CWG to the lessor as at the commencement date of the respective lease as outlined in each of the individual lease agreement.

11.2.2 *Rent Indexation:* Rent indexation refers to the increase in the Base Rent and the periodicity of these increases.

11.3 We understand from our discussions with CWG Management the following process is followed in relation to each commercial factor:

11.3.1 *Base Rent:* When negotiating all Related Party Lease Agreements, CWG Management engage an independent property advisory firm, currently being CKC, to perform a market rent review of the property in question. This is to ensure that the rent ultimately agreed between CWG and the Related Party is in line with the rent that would reasonably be agreed between two unrelated parties negotiating on an arm's length basis. CWG Management have explained to us that they may also engage CKC when negotiating a new lease with a third party but not always and CKC's input may be more informal in nature.

11.3.2 *Rent indexation:* CWG Management have stated that the lease arrangements either include a fixed percentage increase or a variable increase pegged to CPI. Where the rent review mechanism differs from this construct CKC is typically engaged to provide input regardless of whether the lessor is a Related Party or not.



- 11.4 As part of our procedures, we requested and were provided with a detailed breakdown of all lease arrangements, including pharmacy and lease ID, pharmacy name, franchisee, address, lease start and end dates, any optionality, current rent and whether or not the lessee is a Related Party. From this we selected a sample of seven Related Party Lease Agreements (five pharmacies and the two office spaces) and requested their corresponding market rent assessments performed by CKC and also a copy of the Occupancy Licence Agreements (i.e. the sub-licence agreement between CWG and the franchise pharmacy owner where applicable for the five pharmacies).
- 11.5 We note, for context, that the market rent assessments provided include the following:
- 11.5.1 A description of the subject property and typical commercial terms including lease commencement date, term, optionality, rent review terms, base rent, total SQM, and permitted use of the space.
- 11.5.2 Qualitative discussion of the respective property including location (including suburb and locality, proximity to CBD, frontages, and access points, as well as positioning with respect to shopping centres) discussion on the furnishings and pharmacy fit out including recency and timing of potential refurbishments of both the building and pharmacy (where applicable), position on a shopping centre strip if applicable including frontage and entry points with respect to advantages to potential trading activity.
- 11.5.3 Comparative rental evidence used to provide an indicative assessment of the current market rental of the subject property, including quantitative and qualitative discussion of several comparable properties (similar to the discussion of the subject property and includes details of the lessee, rent payable, commencement date, options, term, rent reviews, and a similar qualitative description of the comparable property) following by a comparison to the subject property which discusses the superiority or inferiority of the quantitative and qualitative points mentioned, and CKC's opinion of comparability.
- 11.5.4 A conclusion of the current market rental assessment, in which an indicative rental value range is provided, this may be current rent basis, net face rental rate in line with the proposed lease, or on a 'as if complete' basis relating to refurbishments to be completed by CWG.
- 11.6 We have reviewed the five pharmacy market rent assessments and identified that in all cases the rent in the corresponding Occupancy Licence Agreement was in line with the Base Rent quoted in the Related Party Licence Agreement. Accordingly, we are comfortable that the rent expense of a pharmacy is a pass-through cost.
- 11.7 Additionally, we have reviewed the two provided office space market rent assessments and identified that the rent paid to the respective Related Party owners is in line with the range assessed by CKC.
- 11.8 In relation to the testing of the Base Rent against the market rent assessed by CKC, in seven out of the seven samples, the Base Rent was within the range assessed by CKC.
- 11.9 In relation to the sample selected, we have also cross-checked the indexation prescribed in the Existing Related Party Lease Agreement, and have recalculated the indexed rent amount, using the original market rent assessment from the CKC assessments, against the current rent costs as provided in the detailed breakdown provided by CWG Management, with no discrepancies identified.



11.10 We note that Figure 4 sets out that the Related Parties own 7 properties located in NZ that are leased to pharmacy operators via CWG. CWG Management have confirmed that whilst a market rent assessment was not obtained for these properties, valuation advice was obtained at the time. CWG Management have committed to engaging independent rental valuations for these 7 properties prior to the implementation of the Transaction. If these valuations reveal that the rent is in excess of the market, the relevant Related Parties have committed to rent reductions in order to match the rent per the independent market rent assessment. In our opinion this provides reasonable comfort that these leases were agreed on an arm's length basis, and in any case they were not, Related Parties will be required to adjust the rent accordingly. For the avoidance of doubt, CWG Management also confirmed that whilst CWG sits in the middle of the Related Party lessor and the Non-Related Party pharmacy operator, the rental cost is a full pass through.

Identification of the Non-Commercial Factors

11.11 We have identified the following non-commercial factors that in our view require assessment:

11.11.1 Initial lease term: Refers to the initial term of the lease arrangement.

11.11.2 Lease renewal optionality: Refers to optionality incorporated within the lease agreement to renewal or otherwise extend the initial lease term.

11.12 We understand from CWG Management that the initial lease term of a Related Party or Non-Related Party lease in Australia is typically for a six-year term, we note this applies both across the pharmacies and office premises. We understand this is due to:

11.12.1 A five or six-year term being the standard initial term as per the market. We have observed this through several of the comparable pharmacies (and office spaces where applicable) as per the independent advisor market rent reports provided by CWG Management.

11.12.2 The pharmacy location rules. Particularly that a pharmacy can only relocate after it has traded from the site for a minimum of five years, with a six-year initial term to allow franchisee time to decide their intention to renew.

11.13 Whilst there is a hypothetical risk of Related Party lessors being offered a longer lease term than that of Non-Related Parties, which may not be commercially beneficial to CW, we note that 1) on average Related Party Lease Agreements have a lower initial lease term as set out in Figure 12; and 2) a longer lease term is unlikely to be commercially detrimental to CWG on the basis that, as set out in paragraph 9.15, franchise arrangements are typically renewed and therefore CWG likely value the stability of knowing the property is available to be used as a pharmacy.

11.14 We understand from CWG Management that the option clause contained with the Existing Related Party Lease Agreements and Non-Related Party lease agreements is the result of negotiation. We have been informed by CWG Management that for third party lessors this is a discussion with the lessor. For Related Party lessors, it is a combination of advice from the valuer as to the market in the area/property and broader market and the type of tenancy (e.g. shopping centres are different to strip malls).

11.15 On the basis that it is the lessee (i.e. Chemist Warehouse Group) that has the option to extend the term of the lease, the hypothetical risk of providing a benefit to a Related Party is similar to the initial term of the lease, in that options for long lease extensions could be incorporated into Related Party Lease Agreements, which may not be commercially beneficial to Chemist Warehouse Group, but beneficial to a



Related Party lessor, does not arise - that is, long potential extension periods exercisable by Chemist Warehouse Group are favourable to Chemist Warehouse Group.

- 11.16 As set out in Figure 12, whilst the average optionality included within Related Party Lease Agreements is longer than Non-Related Party lease agreements by c. 1 year, the overall hypothetical lease term, being the initial lease term plus the total additional term available from any options incorporated into the lease, is longer in the Non-Related Party lease Agreements which we consider mitigates any risk of providing a benefit to the Related Parties.

Figure 12: Analysis of initial lease term and options to extend

| Lease Agreement Length | Related Party | Non Related Party | Variance |
|--------------------------------|---------------|-------------------|----------|
| Average Initial Term | 5.5 | 6.8 | 23.9% |
| Average Optionality Period | 7.1 | 6.2 | (13.1%) |
| Average Total Franchise Period | 12.6 | 13.0 | 3.0% |

Source: GTCF analysis

Note (1): This does not include the two identified office spaces.

Preston Distribution Centre

- 11.17 As we explain in paragraph 3.15, whilst there have been multiple lease arrangements for this property, we have been provided with the latest lease agreement entered into in October 2022. CWG Management have explained that the c A\$1.0 million per annum rental charge paid to the Related Party is based on a market rent assessment performed for a previous lease agreement on the property indexed for inflation. CWG Management also provided the aforementioned market rent assessment, performed by CKC, the same third party that perform the market rent assessments for the Existing Related Party Lease Agreements as mentioned in paragraph 11.3.
- 11.18 We have been able to start with rental charge included in the market rental assessment and recalculate the rental charge included in the latest October 2022 lease agreement with the difference relating to indexation adjustments either prescribed in the market rent assessment itself or agreed between CWG and the Related Party. We note that the CWG and the Related Party agreed a 3% indexation increase as part of negotiating the October 2022 lease which we do not consider unreasonable and is in line with the indexation we have observed in our assessment of the Existing Related Party Lease Agreements.
- 11.19 Accordingly, we do not consider the rental charge unreasonable and appears to be in line with the rental charge that CWG would pay should the distribution centre be owned by a third party.

Offices

- 11.20 As we have set out in paragraph 3.16, we have been provided with the latest lease agreements and the market rent assessments used to benchmark the rental charge included in these lease agreements. We have crosschecked these and consider that the rental charges included in the lease agreements aligns with that of the independent market rent assessment performed by CKC.
- 11.21 Accordingly, we do not consider the rental charge unreasonable and appears to be in line with the rental charge that CWG would pay should the offices have been owned by a third party.

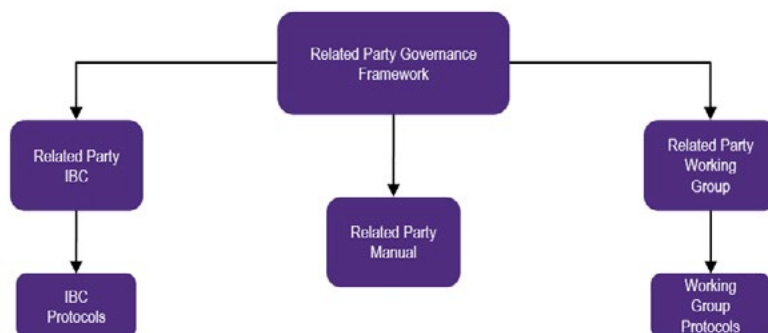


12. Assessment of RPGF

Overview of RPGF

12.1 In this section we set out our assessment of the RPGF which has been designed and implemented to ensure Future Related Party Dealings are fair and reasonable to the Non-Associated Sigma Shareholders. Figure 13 summarises the structure of the RPGF.

Figure 13: RPGF Diagram



Source: GTCF analysis.

12.2 The RPGF is comprised of the following components:

12.2.1 **Related Party IBC:** As delegated by the Sigma Board, the Related Party IBC (as a formal committee of the Sigma Board to help discharge its duties in relation to the overseeing the RPGF) has overall responsibility for and oversight over the RPGF and its effectiveness in ensuring the Future Related Party Dealings remain on equal or more beneficial terms to Non-Related Party arrangements. Members of the Related Party IBC will be required to maintain effective oversight over the Related Party Manual and the Related Party Working Group including 1) ensuring the RPGF remains fit for purpose and 2) ensuring compliance with the RPGF, Listing Rule 10.1, and Chapter 2E. The Related Party IBC must have three members who are not CWG nominee directors to Sigma's Board, recent Related Parties, associates of Related Parties, or those with current material business relationships with Related Parties.

12.2.2 **Related Party Working Group:** The Related Party Working Group, who reports into the Related Party IBC, is responsible for the day-to-day management of Future Related Party Dealings in accordance with the Related Party Manual. They will also perform any other delegated responsibilities from the Related Party IBC as permitted by the RPGF. The Related Party Working Group must have 3-5 senior Sigma Management members, excluding recent Related Parties, their associates, or those with current material business relationships with Related Parties.

12.2.3 **Related Party Manual -** A manual to provide 1) guidance to the Related Party IBC and Related Party Working Group and 2) a framework for the administration of the Related Party Arrangements by the Board, the Related Party IBC and the Related Party Working Group to



ensure that the Related Party Arrangements comply with the Related Party Arrangement Approval²², ASX Listing Rule 10.1 and Chapter 2E.

- 12.3 For completeness, and to aid understanding, we have provided a largely factual summary of the Related Party IBC, the Related Party Working Group and the Related Party Manual. However, on the basis that the specific procedures in which Future Related Party Dealings are to be managed going forward by the Related Party IBC and the Related Party Working Group are set out in the Related Party Manual, we consider this document to be the key focus point of our assessment of the RPGF.
- 12.4 CWG anticipates that NSW franchisees (both Related Parties and Non-Related Parties) will be using a different form of agreements for their franchise relationship and accordingly treats the 'NSW Documents' as a separate category of agreements. See paragraph 3.11 for more information.

Related Party Manual

- 12.5 The Related Party Manual details the Principles and processes that both the Board, the IBC and Related Party Working Group are required to comply with when discharging their responsibilities in relation to the management of Related Party Arrangements.
- 12.6 In discharging their responsibilities, including interpreting the Related Party Manual, the Board, the IBC and the Related Party Working Group must adhere to the following principles (the Principles) set out in the Related Party Manual:
- 12.6.1 Principle 1: a Related Party Arrangement must be in the best interests of Sigma Shareholders as a whole.
- 12.6.2 Principle 2: a Related Party Arrangement must be on terms that would be reasonable in the circumstances if Sigma and the Related Party were dealing at arm's length or less favourable to the Related Party.
- 12.6.3 Principle 3: without limiting Principle 2, a Related Party Arrangement must be substantively on the same terms as an equivalent arrangement with a third party who is not a Related Party, or on terms more favourable overall to Sigma.
- 12.7 The Related Party Manual then sets out procedures for the management of 11 categories of Related Party Arrangements, five types of Related Party Franchise Arrangements, one type of Sigma Supply Agreements with franchisees, four types of Related Party Lease Agreements and one type of Financing Arrangement as summarised in Figure 14.

²² Being the approval of the Existing Related Party Arrangements and Future Related Party Dealings by Sigma Shareholders by Resolution 3.



Figure 14: Categories of Related Party Arrangement as defined in the Related Party Manual

| Category | Category of Related Party Arrangement |
|-------------------------|--|
| Franchise arrangements | |
| Category 1 | Exercise of an option to extend a franchise agreement that is approved as an Existing Related Party Arrangement or Future Related Party Dealing. |
| Category 2 | Renegotiation of commercial and non-commercial terms of Existing Related Person Franchise Agreements (in states other than NSW) or Existing Related Party Arrangements under the NSW Documents; and Changing or entering into new franchise agreements (in states other than NSW) or new NSW Documents with a Related Party. |
| Category 3 | Acquisition of a new franchise pharmacy or a part interest in a franchise pharmacy from either a Related Party or a non-related party (without renegotiation). |
| Category 4 | Changes to commercial or non-commercial term of franchise arrangements in either NSW or other states and territories initiated by Sigma (other than regulatory changes discussed in item 5). |
| Category 5 | Changes to overall or particular franchise arrangements in either NSW or other states and territories in response to regulatory changes. |
| Sigma supply agreements | |
| Category 6 | Renewing, amending, or entering into new Supply Arrangements. |
| Lease arrangements | |
| Category 7 | Exercise of an option to extend a lease that is approved as an Existing Related Party Arrangement. |
| Category 8 | Entering into future leases, renewals and amendments to Existing Related Person Leases. |
| Category 9 | Acquisition by a Related Party of a property leased to the Chemist Warehouse Group. |
| Category 10 | Entering into future licences, renewals and amendments to Existing Related Person Licences. |
| Financing Arrangements | |
| Category 11 | Entering into financing arrangements with franchisees, including renewals and amendments to the financing arrangements approved as Existing Related Party Arrangements. |

Source: Related Party Manual

- 12.8 The RPGF will be in effect for the Future Related Party Arrangements Framework Period, which is defined by the Related Party Manual as *"the period the close of the 6th AGM of Sigma Shareholders following the Sigma AGM or Extraordinary General Meeting at which Sigma Shareholders approve the ability to enter into Future Related Party Dealings."*
- 12.9 The RPGF sets out separate approval conditions in relation to "commercial" and "non-commercial" factors. Whilst the Related Party Manual does not define these, we understand the intention is for them to have similar meaning to our definitions as set out in paragraph 6.2.

Assessment of the Related Party Manual

- 12.10 We have structured our assessment by first providing our opinion of the three principles set out in paragraph 12.6, before setting out our views on the conditions and approach documented in the Related Party Manual to manage the different categories of Related Party Arrangement as summarised in Figure 14.

Assessment of the Principles

- 12.11 In our view, in line with what we observe to be typical of documents of a similar nature to the Related Party Manual, the Principles are intended to govern the spirit, and the substance of the manner in which the Related Party Manual should be complied with. They are also designed and intended to be used as a



guide when the Related Party Manual is silent, or it is otherwise unclear, on the appropriate decision to make in relation to a given situation.

- 12.12 In our opinion, the Principles, collectively, are effectively designed and drafted in the sense they are 1) sufficiently broad in nature to capture all potential future scenarios and eventualities yet are 2) sufficiently absolute in their requirements that Related Party Arrangements are in the best interests of the Non-Associated Sigma Shareholders. This combination of characteristics, in our opinion, ensures that the Related Party Manual and therefore the RPGF as a whole will be effective in ensuring the interests of the Non-Associated Sigma Shareholders remain the highest priority going forward.

Assessment of the Related Party Manual conditions and approaches

- 12.13 On the basis the Related Party Manual sets out separate conditions and approaches against each category of Related Party Arrangement, as summarised in Figure 14, we consider it logical to set out our assessment in a similar structure. Therefore, for each category of Related Party Arrangement, we first summarise the conditions and approaches set out in the Related Party Manual and then set out our assessment of them.
- 12.14 In performing our assessment, we have considered the commercial and non-commercial factors we identified as part of our assessment of the Existing Related Party Arrangements as set out in Section 8 and Section 9 and other additional factors we have identified and believe to be relevant.

Category 1: Exercise of an option to extend a franchise agreement that is approved as an Existing Related Party Arrangement or Future Related Party Dealing

- 12.15 The Related Party Manual sets out that there are no approval conditions required for this category.
- 12.16 We consider this appropriate on the basis:
- 12.16.1 The Existing Related Party Arrangements, assuming the Transaction is implemented, would have already been approved by the Sigma Shareholders; and
 - 12.16.2 The Future Related Party Dealings are assumed to have already been agreed in accordance with the RPGF, including the optionality to extend, and therefore no further approvals would be required.
- 12.17 In Sections 8 and 9, we have set out our assessment of the Existing Related Party Franchise Arrangements, including the options to extend.

Category 2: Framework for renegotiation of and entering into new franchise agreements

- 12.18 As summarised in Figure 14, this category relates to:
- 12.18.1 Renegotiation of commercial and non-commercial terms of Existing Related Person Franchise Agreements (in states other than NSW) or Existing Related Party Arrangements under the NSW Documents; and
 - 12.18.2 Changing or entering into new franchise agreements (in states other than NSW) or new NSW Documents with a Related Party.



12.19 The Related Party Manual sets out the following conditions and approach²³:

- *In respect of a change to a commercial term of 1) an Existing Related Person Franchise Agreement or 2) a NSW Document, the change:*
 - *conforms to the then-current Sigma Board approved Standard Pricing for franchisees or is more favourable to Sigma;*
 - *is consistent with the Principles; and*
 - *is approved by the Related Party IBC.*
- *In respect of a change to a non-commercial term of 1) an Existing Related Person Franchise Agreement or 2) a NSW Document, the change:*
 - *substantively conforms to 1) the form of the Pro Forma Franchise Agreement or 2) the relevant pro forma document in use for the NSW Documents from time to time;*
 - *is consistent with the Principles; and*
 - *is approved by the Related Party IBC.*
- *In respect of the entry into 1) a new franchise agreement or 2) a new NSW Document with a Related Party, the new franchise agreement or NSW Document:*
 - *conforms to the then-current Sigma Board approved Standard Pricing for franchisees or is more favourable to Sigma;*
 - *substantively conforms to 1) the form of the Pro Forma Franchise Agreement or 2) the relevant pro forma for the NSW Document;*
 - *is consistent with the Principles; and*
 - *is approved by the Related Party IBC.*

It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters outlined in this row (which delegation may be withdrawn by the Related Party IBC).

Renegotiation of commercial and non-commercial terms of Existing Related Person Franchise Agreements (in states other than NSW) or Existing Related Party Arrangements under the NSW Documents

Commercial terms

12.20 The Related Party Manual requires that any change to an Existing Related Party Franchise Agreement or Existing Related Party Arrangements under the NSW Documents to conform to the contemporaneous Standard Pricing which has been approved by the Board. CWG Management have stated that Board

²³ Note that the NOM sets out these conditions separately for *Existing Related Person Franchise Agreement and NSW Documents*. Here we have aggregated these as they are in substance the same. The text provided here therefore is not a direct quotation from the *Related Party Manual*.



approved Standard Pricing for new stores does not yet exist and hence we have not been able to review it. CWG Management have stated that the intention is that the Standard Price List will be approved by the Related Party IBC (or by the Board without any Related Party voting), as a post-Implementation financial policy of the Merged Group. We understand the intention therefore is for the approval of the initial and subsequent Standard Price Lists to be governed by the RPGF. We consider the design of the RPGF capable of dealing with this issue.

- 12.21 In our opinion, the requirement for commercial terms to confirm with a Standard Price List which will be standard for both Related Parties and Non-Related Parties reduces the risk of a Future Related Party Dealing being more beneficial than a Future Non-Related Party Dealing.
- 12.22 The Related Party Manual defines the Board to be "*the board of directors of Sigma who are (as applicable) entitled to vote on the relevant resolution, or do not have a material personal interest in a matter, being considered by the Board.*" We understand this to mean that none of the Related Parties who will be on the Sigma Board, will be able to vote, or otherwise assert any influence over the Standard Pricing which we consider to be appropriate.
- 12.23 Whilst, in our opinion, the Standard Pricing, and its surrounding governance structure, will be effective in managing the commercial terms of Future Related Party Dealings in most circumstances we note that any commercial terms need to comply with the Principles and be approved by the Related Party IBC. We consider these requirements provide an adequate second line of defence or safety net in circumstances where the Standard Pricing does not provide full clarity, although we consider the Standard Pricing will be adequate in most scenarios.

Non-commercial terms

- 12.24 The Related Party Manual requires that any change to an Existing Related Party Arrangement or an Existing Related Party Arrangement under the NSW Documents substantively conforms to 1) the form of the Pro Forma Franchise Agreement or 2) the relevant pro forma document in use for the NSW Documents respectively.
- 12.25 We consider the requirement for any change in non-commercial factors to substantively conform to the applicable standardised agreement greatly reduces the possibility of variability in non-commercial terms across Related Party and Non-Related Party agreements going forward. We also understand the non-commercial factors are substantially consistent across the suite of standardised agreements that are in use (respectively) in states and Territories other than NSW, and in NSW after franchises are transferred across to the new NSW documents.
- 12.26 Similarly for the commercial terms, any changes to non-commercial terms must also comply with the Principles and be approved by the Related Party IBC. We consider these requirements to be more important for the non-commercial factors which are, inherently, more subjective in nature and also harder to identify and capture within a compliance manual, like the Related Party Manual, compared to the commercial terms all being set by the Standard Pricing for example. As with commercial terms, we consider these requirements provide an adequate second line of defence or safety net in circumstances where there is uncertainty, including variability in potential non-commercial terms that could be amended within a Related Party Franchise Agreement.



Changing or entering into new franchise agreements (in states other than NSW) or new NSW Documents with a Related Party.

- 12.27 Whilst the Related Party Manual distinguishes between changes to Existing Related Person Franchise Agreements (in states other than NSW) or Existing Related Party Arrangements under the NSW Documents, the conditions and approaches are substantially the same. The conditions include conformity with 1) the current Standard Pricing and 2) alignment with the applicable pro forma agreement. Similarly, any agreement must be consistent with the Principles and be approved by the Related Party IBC. We consider these conditions to be appropriate and reasonable.
- 12.28 The Related Party Manual states "It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters outlined in this row (which delegation may be withdrawn by the Related Party IBC)." We have inquired of CWG Management regarding the potential for this approach to cut across the condition that requires approval from the Related Party Manual as set out above and have been informed that the intent is to allow the business to continue to operate within the approved framework on a day-to-day basis but with the Related Party IBC having oversight at all times. Further to this CWG Management believe it is impractical for the Related Party IBC to be undertaking all the approved day-to-day tasks and note that the Related Party IBC can withdraw the delegation at any point.
- 12.29 We consider these conditions to be appropriate and reasonable.

Category 3: Acquisition of a new franchise pharmacy or a part interest in a franchise pharmacy from either a Related Party or a non-related party (without renegotiation)

- 12.30 As summarised in Figure 14, this category relates to the acquisition of a franchise pharmacy or a part interest in a franchise pharmacy (without renegotiation). For the avoidance of doubt, we understand this category refers to a situation when a Related Party acquires a franchise pharmacy or part interest in a franchise pharmacy from either another Related Party or a Non-Related Party.
- 12.31 In line with our analysis set out in Figure 10, various pharmacy regulations mean that the Related Parties only have the headroom to open an additional 39 pharmacies in aggregate, which is a relatively small number compared to CW's total trading pharmacies as at Last Practicable Date (which was 573) as summarised in Figure 5. Despite this headroom, CWG Management have also stated that the Related Parties are unlikely to acquire or other open additional pharmacies going forward. This reduces the likelihood of this category of Related Party Arrangement, and its associated conditions and approaches being required.
- 12.32 Regardless, we have set out the conditions contained within the Related Party Manual below, followed by our assessment:
- "There are no new commercial terms agreed or amended between Chemist Warehouse and the franchise in connection with the acquisition."*
- 12.33 The condition, in essence, requires that there can be no change to the commercial or non-commercial factors of the franchise agreement applicable to the pharmacy being acquired regardless of whether that pharmacy was previously owned by a Related or Non-Related Party.



- 12.34 Any subsequent changes are then dealt with via Category 2 discussed from paragraph 12.18. In essence, we consider this category has been included more the purposes of clarity, and for the avoidance of doubt, that the acquisition of a pharmacy does not in some way provide an opportunity for a Related Party to obtain control of a pharmacy on favourable terms. In effect this category separates the acquisition of the pharmacy from the agreement of the commercial and non-commercial terms post-acquisition.

Category 4: Changes to commercial or non-commercial term of franchise arrangements in either NSW or other states and territories initiated by Sigma (other than regulatory changes)

- 12.35 We have inquired of CWG Management to obtain some context regarding what changes Sigma may initiate in which they advised this may include scenarios where the Merged Group is proposing a change for commercial reasons, such as a pricing change or to resolve an issue that has arisen within Franchise Arrangements, at which point the change is generally applicable across all franchisees.

- 12.36 The Related Party Manual sets out the following conditions and approach:

"The change is substantively consistent across all franchise arrangements in the relevant State or Territory and is approved by the Related Party IBC."

- 12.37 We have inquired of CWG Management as to why this category, unlike the categories already discussed above requires consistency at the state or territory level, as opposed to the national level, which suggests there may be variability across State or Territory. We understand from CWG that because each State and Territory has its own pharmacy ownership laws, and these differ from each other, a proposed change to the franchising arrangements which would otherwise be made on a national basis may need tailoring on a State and Territory basis to accommodate these different laws and the views of the State and Territory pharmacy ownership regulators. The distinction in this condition therefore seems commercially reasonable.

- 12.38 We have also inquired of Chemist Warehouse Group Management as to why compliance with the Principles or the requirement for Related IBC approval has not been incorporated into this category, to which we were informed that as the implication is that the Merged Group will make commercial decisions in its own interest, it is not expected that such decisions would have any differentiated impact on the Related Parties. CWG Management subsequently agreed to include these as conditions for this category.

- 12.39 We consider this category could equally have been captured by Category 2, however consider carving it out does provide clarity. Notwithstanding the nuances described above, like Category 2, we consider the conditions and approach to be reasonable.

Category 5: Changes to overall or particular franchise arrangements in either NSW or other states and territories in response to regulatory changes

- 12.40 The Related Party Manual sets out the following conditions and approach:

"If the change:

- *is a regulatory change imposed on the operations of Sigma (whether that regulatory change applies across the Australian Franchise Network of pharmacies, a particular State or Territory, a particular type of franchise (eg. a franchise owned through a partnership or via a company) or*



any other category of franchise arrangement) which does not only affect Existing Related Persons; and

- *the regulatory change is made consistently across all franchisees to which the relevant regulatory change applies.*

To the extent the regulatory change affects only a Related Party or the Existing Related Persons, it must be approved by the Related Party IBC."

12.41 The conditions, in essence state that changes must be applied consistently across Related Party and Non-Related Party pharmacies that fall within the group of pharmacies to which a certain regulatory change applies to. We consider this appropriate.

12.42 In relation to regulatory changes that only apply to one or more Related Parties, the conditions require approval of the Related Party IBC. We have inquired of CWG Management as to purpose of this condition, specifically what would happen if a regulatory imposed changes results in a benefit to one or more Related Parties. We understand from CWG Management that since the ownership rules and Franchising Code of Conduct tend to protect franchisees more so than franchisors, changes forced by a regulatory change will almost always be favourable to franchisees, but equally for both Related Party Franchisees and Non-Related Party Franchisees.

12.43 We have also inquired of CWG Management as to why compliance with the Principles has not been incorporated into this category particularly in relation to the scenario in which a regulatory change only impacts one or more Related Parties. CWG Management advised this condition has been omitted because a change arising from regulatory requirements may benefit all franchisees, both Related and Non-Related Party franchisees to Sigma's disadvantage, which is potentially inconsistent with the Principles. The omission of this condition therefore appears commercially reasonable.

12.44 In relation to this category, we consider that the Merged Group are largely in the hands of the regulator and any changes they impose. Therefore, on the basis that changes are made in line with requirements of the regulator, we consider them to be reasonable.

Category 6: Renewing, amending, or entering into new Supply Arrangements

12.45 The Related Party Manual sets out the following conditions and approach:

"The change is approved by the Related Party IBC, and is consistent with the Pro Forma Supply Agreement and Standard Pricing (or is more favourable to Sigma).

It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters under this item 6 [this Category]."

12.46 We consider the requirement for conformity with the Pro Forma Supply Agreement and Standard Pricing to be appropriate.

Category 7: Exercise of an option to extend a lease that is approved as an Existing Related Party Arrangement

12.47 The Related Party Manual sets out that there are no approval conditions required for this category.



- 12.48 We consider this appropriate on the basis that the Existing Related Party Arrangements, assuming the Transaction is implemented, would have already been approved by the Sigma Shareholders.
- 12.49 In Section 11, we have set out our assessment of the Existing Related Party Lease Agreements including the options to extend.

Category 8: Entering into future leases, renewals and amendments to Existing Related Person Leases

- 12.50 The Related Party Manual sets out the following conditions and approach:
- *the applicable rent is determined by an independent property advisory firm, with no more than 40% (by number) of these valuations performed by the same property advisory firm over the Future Related Party Dealings Framework Period;*
 - *the lease terms are substantively consistent with the terms of the Pro Forma Lease.*
- 12.51 In relation to the first condition, there is an existing requirement for related party lease agreements except for the 40% limit constraint. We understand this is to reduce the concentration risk posed by using a single supplier and to avoid any potential familiarity threat to independence. We consider this amendment reasonable and appropriate.
- 12.52 In relation to the second condition, CWG Management indicates that the lease term, including options, sought by CWG primarily reflects CWG's assessment of the optimal lease term, including the timing of decision points as to whether to extend, which best suits the franchisee who will be the occupant of the site under the Occupancy Licence Agreement. CWG's property management function operates as a service to franchisees. The factors that affect the term that best suits the franchisee's pharmacy include the desirability of the location and the impact of the pharmacy location rules which operate to limit both how often and how far a pharmacy can move while retaining its PBS approval. These considerations are the same for properties leased from Related Party lessors and Non-Related Party lessors.
- 12.53 We have also inquired of CWG Management as to why compliance with the Principles and Related Party IBC approval has not been incorporated into this category. CWG Management subsequently agreed to include these as conditions for this category.
- 12.54 In our view, these conditions are reasonable to ensure that Future Related Party Dealings relating to lease agreements remain on terms so that they are 1) in line with the market and 2) in line with Non-Related Party lease agreements.

Category 9: Acquisition by a Related Party of a property leased to the Chemist Warehouse Group

- 12.55 The Related Party Manual sets out the following conditions and approach:
- *the pre-existing lease relating to the property, which was negotiated by a third-party commercial landlord on arm's length terms, remains in place with no changes to the commercial terms of that lease; or*
 - *if a new lease is negotiated, it is based on the Pro Forma Lease and the rent payable under the relevant lease is determined by an independent property advisory firm.*



12.56 We consider the approach to the first scenario to be appropriate on the basis the Related Party, in substance, inherits a third-party lease of which, owing to it being an agreement between CWG and a third party, it is reasonable to assume it would have been negotiated on an arm's length basis.

12.57 We understand the approach to the second scenario is to, in effect, treat the agreement as a Category 8 Future Related Party Dealing. We consider this appropriate.

Category 10: Entering into future licences, renewals and amendments to Existing Related Person Licences

12.58 The Related Party Manual sets out the following conditions and approach:

- *the licence has terms substantively consistent with the terms of the Pro Forma Licence; and*
- *the licence fee is equal to the rent under the Related Party Lease Agreement.*

12.59 For the avoidance of doubt, the Existing Related Person Licences are the same as the Existing Related Party Occupancy Licences which form part of the Franchise Arrangements as discussed in Section 3. We consider these two conditions appropriate on the basis they 1) ensure consistency across the Occupancy License Agreements and 2) ensure the License Fee is a pass through to the ultimate lessor, which, in the case they are a Related Party, Category 8 ensures the Related Party and Non-Related Party lease agreement (as described in the Related Party Manual condition for Category 8) is on market terms.

Category 11: Entering into financing arrangements with franchisees, including renewals and amendments to the financing arrangements approved as Existing Related Party Arrangements

12.60 The Related Party Manual sets out the following conditions and approach:

12.60.1 The loan agreement has terms substantively consistent with the terms of the Pro Forma Loan Agreement or Pro Forma Fit-out Lease and is approved by the Related Party IBC.

12.61 CWG Management have provided us with the Pro Forma Loan Agreement. After reviewing the agreement, we consider the key area of risk where a Related Party could receive a benefit over a Non-Related Party is with regards to the interest rate charged. Rather than being an area in the Pro-Forma Loan Agreement to be populated, the interest rate is already prescribed in the Pro Forma Loan Agreement being the National Australia Bank 30 "Business Lending Rate" displayed on the bank's website plus a margin. This suggests that all borrowers will be charged this rate given it is already stated.

12.62 We note the Pro Forma Loan Agreement does allow for the Lender, being CWG, to amend the interest rate charged. We inquired of CWG Management who confirmed that whilst the agreement contemplates the ability to vary the interest rate this has never occurred and in the unlikely event it was to occur it would be enacted identically across all Related Party and Non-Related Party borrowers. We understand a hypothetical change in interest rate would be governed by the RPGF. We do not consider this approach to be unreasonable.

12.63 CWG Management have provided us with the Pro Forma Fit-out Lease Agreement. As set out in paragraph 8.4, we understand the fees charged under this agreement are a full pass-through. In relation to non-commercial factors, we consider the term of agreement to be the key factor of which we understand



that the initial term is broadly consistent with the Existing Related Party Lease Agreements, being 5 years, which is consistent across both Related Parties and Non-Related Parties.



13. Other Related Party Arrangements

My Beauty Spot

- 13.1 As previously discussed, My Beauty Spot is a chain of small fragrance kiosks predominantly located in shopping centres which are currently in run-down with only six expected to remain in operations after completion of the Transaction but all of them foreseen to close by on or around mid-2026.
- 13.2 Between 1 January 2025 and the expected closure of the final MBS stores, the MBS stores are collectively expected to pay approximately A\$4.88 million to Chemist Warehouse, consisting of:
- 13.2.1 A\$833.33 per month per store (while the relevant store continues trading) in administration fees. The administration fee is trivial and immaterial, nonetheless it is equivalent to c. 0.9% of sales; and
- 13.2.2 A\$4.84 million for the supply of stock at cost by CWG to the MBS stores in aggregate (based on FY24 data). We acknowledge that typically supply agreements would include the supplier, in this case CWG, charging a mark-up on the goods delivered in order to generate a return.
- 13.3 We note the following:
- 13.3.1 The aggregate fee paid as percentage of revenue by MBS kiosks is not dissimilar to the aggregate fee paid by franchisees (Related Party and non-Related Party) under the CWG brand receiving support which CWG was observed to provide to underperforming franchises (Related Party and non-Related Party) as discussed in paragraph 1.22.2. The total annual administration fee paid by the six operating stores is a total of c. A\$60,000 per annum which is highly immaterial.
- 13.3.2 CWG Management has explained that goods are supplied at cost without a mark-up/margin. Prima facie, one may consider therefore this arrangement not to be on an arm's length basis and instead be providing a benefit to the Related Party. However, we note the following as explained by CWG Management:
- a) These are historical legacy agreements reflecting the once strategic nature of the MBS kiosks which have been largely underperforming but strategically important for CWG;
 - b) The fact that the kiosks do not pay a margin on the goods supplied is a form of support provided by CWG which is not dissimilar to the support provided to underperforming franchises (both Related and non-Related Parties);
 - c) These arrangements reflect the bigger picture in that CWG was seeking to provide a benefit to the store owners for the stores providing wider strategic benefits to CWG.
 - d) Even if a mark-up was applied to the cost equivalent to the top-end of the mark-up range, CWG Management has calculated that this will only be equivalent to an additional amount of sub-A\$375k for the six trading stores for CWG.
 - e) The stores are expected to gradually close between 1 January 2025 and around mid-2026.



- 13.4 We consider that CWG Management's explanation is commercially reasonable and given the low materiality of these Other Related Party Arrangements, we have not identified any evident financial benefits provided to the Related Parties.



14. Sources of information, disclaimer and consents

Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Annual reports/consolidated accounts of Sigma and CWG for FY21, FY22, FY23.
- Notice of Meeting and Explanatory Memorandum.
- Sigma Prospectus and Common Disclosure Document.
- Access to other relevant documents for the assessment of the Related Party Arrangements provided by CWG Management.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of Sigma, CW and their legal advisers.

Limitations and reliance on information

This report and opinion are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by Sigma and Chemist Warehouse, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Sigma and Chemist Warehouse through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of Sigma and Chemist Warehouse.

This Report has been prepared to assist the current Directors of Sigma in advising the Sigma Shareholders in relation to the requirements of ASX listing rule 10.1. This Report should not be used for any other purpose. In particular, it is not intended that this Report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Related Party Arrangements are fair and reasonable to the Non-Associated Shareholders.

Sigma has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided



by Sigma and Chemist Warehouse, which Sigma and Chemist Warehouse knew or should have known to be false and/or reliance on information, which was material information Sigma and Chemist Warehouse had in its possession and which Sigma and Chemist Warehouse knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

Consents

Grant Thornton Corporate Finance consents to the issuing of this Report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum to be sent to Sigma Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.

Appendix 2. Sigma Independent Expert's Report continued



Appendix A - Related Party IBC and Working Group Protocol

| Responsibilities of the IBC and Related Party Working Group | |
|---|---|
| IBC | Related Party Working Group |
| Consider, negotiate, enter into, make any changes or amendments to, and take any actions (including exercise any rights) under, Related Party Arrangements, and all matters in connection with or related to Related Party Arrangements; | Ensure the Related Party Arrangements are in the best interests of Sigma Shareholders as a whole including having regard to the Principles; |
| Monitor compliance of the Related Party Arrangements with the Related Party Arrangements Approval, these Protocols, the Related Party Manual, Listing Rule 10.1 and Chapter 2E; | Monitor compliance on day to day basis at a management level of the Related Party Arrangements with: |
| Ensure the Related Party Arrangements are in the best interests of Sigma Shareholders including having regard to the Principles; | <ul style="list-style-type: none"> - the Related Party Arrangements Approval; - Listing Rule 10.1 and Chapter 2E; - the Principles; - the Related Party Working Group Protocols; and - this Manual; |
| Supervise the operations of the Related Party Working Group (including in respect of any matters the Related Party Working Group has been delegated responsibilities in relation to); | ensure the best interest of shareholders remain paramount and are being advanced in Sigma's dealings with a Related Person; |
| Consider whether to delegate any of its responsibilities to the Related Party Working Group on the basis that such matters are more appropriately dealt with by the Related Party Working Group; | Interpret and apply this Manual to the Related Party Arrangements on a day to day basis at a management level; |
| Consider whether it is appropriate that any delegation of responsibilities to the Related Party Working Group ought to be revoked on the basis that such matters are more appropriately dealt with by the IBC; | Fulfil any responsibilities delegated to the Related Party Working Group by the IBC from time to time; |
| Consider the recommendations made by the Related Party Working Group in its report provided to the IBC prior to each IBC meeting; | Liaise with the Board ¹ , IBC and other independent members of Sigma management in relation to the Related Party Arrangements; |
| Report to the Board prior to each Board meeting on: | Report to the IBC before each IBC meeting, or when requested by the IBC, on: |
| <ul style="list-style-type: none"> - its administration of the Related Party Arrangements; - authorities delegated to the Related Party Working Group by the IBC; - possible improvements to this Manual, IBC Protocols and Related Party Working Group Protocols to facilitate the proper administration of the Related Party Arrangements; - any other matter requested by the Board in relation to the Related Party Arrangements, | <ul style="list-style-type: none"> - any actions taken pursuant to authorities delegated to the Related Party Working Group by the IBC from time to time since the Related Party Working Group last reported to the IBC; - its administration of the Related Party Arrangements on a day to day basis at a management level; - if applicable, recommendations in respect of any Existing Related Party Arrangements being amended or renewed and the entry into any Future Related Party Dealings (including whether shareholder approval is required under Chapter 2E or Listing Rule 10.1); - possible improvements to the Related Party Working Group Protocols or this Manual to facilitate the proper administration of the Related Party Arrangements; - the Related Party Arrangements in place at the date of the report as detailed in a register of Related Party Arrangements (updated to be current as at the date of the report); - the processes undertaken by the Related Party Working Group to manage conflicts of interest associated with the Related Party Arrangements; - any disputes relating to the Related Party Arrangements; - to the extent advice from external advisers is sought, a copy of the advice received from such external adviser; and - any other matter requested by the IBC or the Board in relation to the Related Party Arrangements. |
| Resolve any disputes in relation to the interpretation of the Manual and its application to the Related Party Arrangements; | |
| Attend to any other matter related to the Related Party Arrangements as requested by the Board; and | |
| Make any amendments to the Related Party Manual. | |

Source: Related Party IBC and Working Group protocol documents

Note (1): 'Board' is defined to exclude all persons who have a material personal interest in the outcome of a decision, consistent with the position in the Corporations Act and Sigma's Constitution. This effectively excludes Related Parties from having any influence over these decisions.

Appendix 3. Investigating Accountant's Report



CW Group Holdings Limited
6 Albert Street
Preston, Victoria 3072

Sigma Healthcare Limited
Level 6, 2125 Dandenong Road
Clayton, Victoria 3168

11 December 2024

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Sigma Healthcare Limited historical financial information, CW Group Holdings Limited historical financial information and the Merged Group pro forma historical financial information and Financial Services Guide

We have been engaged by Sigma Healthcare Limited (**Sigma**) and CW Group Holdings Limited (**CWG**) to report on the historical financial information of Sigma and CWG and the pro forma historical financial information of the Merged Group (in each case as defined below) for inclusion in the Sigma Explanatory Memorandum dated on or about 13 December 2024 relating to Sigma's proposed acquisition of all the shares in CWG and issue of new Sigma shares to CWG shareholders, such that upon implementation existing CWG shareholders hold 85.75% and existing Sigma shareholders hold 14.25% of the issued shares of Sigma as the holding company of the merged group (**Merged Group** defined below), and Sigma's provision of \$700 million cash consideration to existing CWG shareholders (the **Transaction**).

For the purposes of this Independent Limited Assurance Report, the consolidated group formed post Transaction is referred to as the **Merged Group**.

Expressions and terms defined in the Sigma Explanatory Memorandum (the **Public Document**) have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the *Corporations Act 2001* (Cth) (**Corporations Act**). PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence under the Corporations Act. This report is both an

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Appendix 3. Investigating Accountant's Report continued



Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

Sigma historical financial information

You have requested that PricewaterhouseCoopers Securities Ltd review the following historical financial information of Sigma as set out in section 6.8(c), 6.8(d), 6.8(e), 6.8(g) and 6.8(h) of the Public Document (**Sigma Historical Financial Information**):

- i. the Sigma Statement of Financial Position as at 31 July 2024;
- ii. the Sigma Income Statements for the years ended 31 January 2022, 31 January 2023, 31 January 2024 and the six month periods ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024;
- iii. the Sigma Statement of Cash Flows for the years ended 31 January 2022, 31 January 2023, 31 January 2024 and the six month periods ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024;
- iv. the Sigma Income Statements for the years ended 31 July 2022, 31 July 2023 and 31 July 2024; and
- v. the Sigma Statement of Cash Flows for the years ended 31 July 2022, 31 July 2023 and 31 July 2024.

The Sigma Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Sigma's adopted accounting policies. The Sigma Historical Financial Information has been extracted from:

- the financial reports of Sigma for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, which were audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified audit opinion on each financial report; and
- the half year financial reports of Sigma for the half years ended 31 July 2022, 31 July 2023 and 31 July 2024 which were reviewed by Deloitte Touche Tohmatsu in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*. Deloitte Touche Tohmatsu issued an unmodified review report on each condensed interim financial report.

The Sigma Historical Financial Information is presented in the Public Document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

CWG historical financial information

You have requested that PricewaterhouseCoopers Securities Ltd review the following historical financial information of CWG as set out in section 7.8(c), 7.8(d) and 7.8(e) of the Public Document (**CWG Historical Financial Information**):



- i. the CWG Statement of Financial Position as at 30 June 2024;
- ii. the CWG Income Statements for the years ended 30 June 2022, 30 June 2023 and 30 June 2024; and
- iii. the CWG Statement of Cash Flows for the years ended 30 June 2022, 30 June 2023 and 30 June 2024.

The CWG Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and CWG's adopted accounting policies. The CWG Historical Financial Information has been extracted from the financial reports of CWG for the years ended 30 June 2022, 30 June 2023 and 30 June 2024, which were audited by PricewaterhouseCoopers in accordance with the Australian Auditing Standards. PricewaterhouseCoopers issued an unmodified audit opinion on each financial report. The CWG Historical Financial Information is presented in the Public Document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Merged Group Pro Forma historical financial information

You have requested that PricewaterhouseCoopers Securities Ltd review the following pro forma historical financial information of the Merged Group as set out in section 9.4, 9.7 and 9.9 of the Public Document (**Merged Group Pro Forma Historical Financial Information**):

- i. pro forma Income Statements of the Merged Group for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 which assume completion of the Transaction as at 1 July 2021;
- ii. pro forma Statement of Cash Flows of the Merged Group for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 which assume completion of the Transaction as at 1 July 2021; and
- iii. pro forma historical Statement of Financial Position of the Merged Group as at 30 June 2024, which assumes completion of the Transaction as at 30 June 2024.

The pro forma Income Statements and Statement of Cash Flows of the Merged Group have been derived from:

- the Sigma Income Statements and the Statement of Cash Flows for the years ended 31 July 2022, 31 July 2023 and 31 July 2024; and
- the CWG Income Statements and the Statement of Cash Flows for the years ended 30 June 2022, 30 June 2023 and 30 June 2024,

and adjusted for the effects of pro forma adjustments described in the notes in section 9.5 and 9.8 of the Public Document.



The pro forma historical Statement of Financial Position of the Merged Group as at 30 June 2024 has been derived from:

- the Sigma Statement of Financial Position as at 31 July 2024; and
- the CWG Statement of Financial Position as at 30 June 2024,

and adjusted for the effects of pro forma adjustments described in the notes in section 9.9 of the Public Document.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Merged Group's proposed accounting policies applied to the Sigma Historical Financial Information and CWG Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 9.2 of the Public Document, as if those events or transactions had occurred as at the date of the Merged Group Historical Financial Information. Due to its nature, the Merged Group Pro Forma Historical Financial Information does not represent the Merged Group's actual or prospective financial position, income statement, and/or cash flows.

Directors' responsibility

The Sigma directors are responsible for the preparation of the Sigma Historical Financial Information

The CWG directors are responsible for the preparation of the CWG Historical Financial Information.

Subject to the above two paragraphs, the Sigma directors and the proposed directors of Sigma immediately following implementation of the Transaction (**Merged Group Directors**) are responsible for the Merged Group Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the Merged Group Directors determine are necessary to enable the preparation of the Merged Group Pro Forma Historical Financial Information that are free from material misstatement whether due to fraud or error.

Our Independence and Quality Management

We have complied with the independence and relevant ethical requirements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagement*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Sigma Historical Financial Information, CWG Historical Financial Information and Merged Group Pro Forma Historical Financial



Information based on the procedures we have performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review reports on any financial information used as a source of the Sigma Historical Financial Information, CWG Historical Financial Information or the Merged Group Pro Forma Historical Financial Information.

Conclusions

Sigma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Sigma Historical Financial Information, as described in section 6.8(c), 6.8(d), 6.8(e), 6.8(g) and 6.8(h) of the Public Document, and comprising:

- the Sigma Statement of Financial Position as at 31 July 2024 as set out in figure 14 in section 6.8(e) of the Public Document;
- the Sigma Income Statements for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, and the six month periods ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024 as set out in figures 10 and 11 in section 6.8(c) of the Public Document;
- the Sigma Statement of Cash Flows for the years ended 31 January 2022, 31 January 2023 and 31 January 2024, and the six month periods ended 31 July 2021, 31 July 2022, 31 July 2023 and 31 July 2024 as set out in figures 12 and 13 in section 6.8(d) of the Public Document;
- the Sigma Income Statements for the years ended 31 July 2022, 31 July 2023 and 31 July 2024 as set out in figures 15, 16 and 17 in section 6.8(g) of the Public Document; and
- the Sigma Statement of Cash Flows for the years ended 31 July 2022, 31 July 2023 and 31 July 2024 as set out in figures 18, 19 and 20 in section 6.8(h) of the Public Document,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 6.8(b) of the Public Document being the recognition and measurement principles contained in Australian Accounting Standards and Sigma's adopted accounting policies.



CWG Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the CWG Historical Financial Information, as described in sections 7.8(c), 7.8(d) and 7.8(e) of the Public Document, and comprising:

- the CWG Statement of Financial Position as at 30 June 2024 as set out in figure 23 in section 7.8(e) of the Public Document;
- the CWG Income Statements for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in figure 21 in section 7.8(c) of the Public Document; and
- the CWG Statement of Cash Flows for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in figure 22 in section 7.8(d) of the Public Document

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7.8(b) of the Public Document being the recognition and measurement principles contained in Australian Accounting Standards and CWG's adopted accounting policies.

Merged Group Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Merged Group Pro Forma Historical Financial Information as described in section 9.4, 9.7 and 9.9 of the Public Document, and comprising:

- the pro forma historical Statement of Financial Position of Merged Group as at 30 June 2024 as set out in figure 50 in section 9.9 of the Public Document;
- the pro forma Income Statements of Merged Group for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in figure 41 in section 9.4 of the Public Document; and
- the pro forma Statement of Cash Flows of Merged Group for the years ended 30 June 2022, 30 June 2023 and 30 June 2024 as set out in figure 46 in section 9.7 of the Public Document,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 9.2 of the Public Document being the recognition and measurement principles contained in Australian Accounting Standards and the Merged Group's proposed accounting policies applied to the Sigma Historical Financial Information and CWG Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as if those events or transactions had occurred as at the date of the Merged Group Pro Forma Historical Financial Information.

Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

**Restriction on Use**

Without modifying our conclusions, we draw attention to sections 6.8(a), 7.8(a) and 9.2(a) of the Public Document, which describes the purpose of the respective Sigma Historical Financial Information, CWG Historical Financial Information and Merged Group Pro Forma Historical Financial Information, being for inclusion in the Public Document. As a result, the Sigma Historical Financial Information, CWG Historical Financial Information and Merged Group Pro Forma Historical Financial Information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the Public Document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Public Document. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from, the Public Document.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this Transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'A Welsh', is written over a light blue horizontal line.

Andy Welsh
Authorised Representative
PricewaterhouseCoopers Securities Ltd



Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 11 December 2024

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Sigma Healthcare Limited and CW Group Holdings Limited to provide a report in the form of an Investigating Accountant's Report in relation to the Sigma Historical Financial Information, CWG Historical Financial Information and the Merged Group Pro Forma Historical Financial Information (**the "Report"**) for inclusion in the Public Document.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian Financial Services Licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.



4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the persons who engages us. In the preparation of this Report our fees are charged on a fixed basis and are \$ 700,000.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

PricewaterhouseCoopers is the current auditor of CW Group Holdings Limited.

7. Complaints

If, for any reason, you are not satisfied with the advice or service you receive from PwCS or from our authorised representatives, you are entitled to make a complaint.

If you wish to make a complaint, please initially lodge your complaint with your adviser. We have established procedures to ensure all complaints are resolved quickly and fairly. A copy of our internal complaints handling procedure can be provided to you upon request.

If you do not receive a satisfactory outcome to your complaint, you have the right to contact the Australian Financial Complaints Authority ("AFCA"). AFCA provides independent financial services complaint resolution that is free to consumers.

Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001
Tel: 1800 931 678 (Free Call)

Appendix 3. Investigating Accountant's Report continued



E-mail: info@afca.org.au
Website: www.afca.org.au

PwCS is a member of AFCA. You will not be charged for using the AFCA service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Andy Welsh
PricewaterhouseCoopers Securities Ltd
2 Riverside Quay,
Southbank VIC 3006

Appendix 4. Proxy Form



LODGE YOUR VOTE

ONLINE
<https://investorcentre.linkgroup.com>

BY MAIL
Sigma Healthcare Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND*
Link Market Services Limited
Parramatta Square, Level 22, Tower 6,
10 Darcy Street, Parramatta NSW 2150

*During business hours Monday to Friday

ALL ENQUIRIES TO
Telephone: 1300 305 840 Overseas: +61 1300 305 840

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **2:00pm (AEDT) on Monday, 27 January 2025**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE
<https://investorcentre.linkgroup.com>

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN), Holder Identification Number (HIN) or Employee Number.

BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link <https://investorcentre.linkgroup.com> into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

QR Code



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to participate in the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the

appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to participate in the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

IMPORTANT INFORMATION

Link Group is now known as MUFG Pension & Market Services. Over the coming months, Link Market Services will progressively rebrand to its new name MUFG Corporate Markets, a division of MUFG Pension & Market Services.

NAME SURNAME
 ADDRESS LINE 1
 ADDRESS LINE 2
 ADDRESS LINE 3
 ADDRESS LINE 4
 ADDRESS LINE 5
 ADDRESS LINE 6



X99999999999

PROXY FORM

I/We being a member(s) of Sigma Healthcare Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the virtual meeting.

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **2:00pm (AEDT) on Wednesday, 29 January 2025 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a hybrid event. You can participate by attending in person at **Sofitel, 25 Collins Street, Melbourne Victoria 3000** or logging in online at <https://meetings.linkgroup.com/SIGEGM25> (refer to details in the Virtual Meeting Online Guide).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 1

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .

Resolutions

| Resolutions | For | Against | Abstain* | Resolutions | For | Against | Abstain* |
|--|--------------------------|--------------------------|--------------------------|---|--------------------------|--------------------------|--------------------------|
| 1 Significant Change Approval | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 9 Increase in the non-executive Sigma Director fee pool | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 Placement Capacity Approval | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 10 Cancellation of Performance Rights | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 Related Party Arrangements Approval | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 11 Changes to Performance Rights | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 Financial Assistance Approval | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | |
| 5 Election of Mr Jack Gance as a Sigma Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | |
| 6 Election of Mr Mario Verrocchi as a Sigma Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | |
| 7 Election of Mr Damien Gance as a Sigma Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | |
| 8 Election of Ms Danielle Di Pilla as a Sigma Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | |



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 2

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

STEP 3



Appendix 5. Merged Group's proposed significant accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the Merged Group Pro Forma Historical Financial Information included in section 9 of this Explanatory Memorandum are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, financial assets at fair value through other comprehensive income.

Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries are all entities over which the Merged Group has control. The Merged Group controls an entity when the Merged Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Merged Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Merged Group.

Associates

Associates are all entities over which the Merged Group has significant influence but not control or joint control. This is generally the case where the Merged Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost in the historical statement of financial position.

Joint Ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Merged Group's share of post-acquisition profits or losses of the investee in profit or loss, and the Merged Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from equity accounted investments are recognised as a reduction in the carrying value of the investment.

Where the Merged Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Merged Group does not recognise further losses, until it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Merged Group and its equity accounted investments are eliminated to the extent of the Merged Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the Merged Group.

Changes in ownership interests

The Merged Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Merged Group. A change in ownership interests results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of the Merged Group.

When the Merged Group ceases to consolidate or equity account for an investment because of loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Merged Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate or joint venture is reduced but joint control or significant influence is retained, only a proportionate share of amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Appendix 5. Merged Group's Proposed significant accounting policies continued

Revenue recognition

The Merged Group recognises revenue as follows:

Revenue from contracts with customers

Sales revenue

Sale of goods – wholesale

Revenue associated with the sale of goods is recognised when the performance obligation of the sale has been fulfilled and control of the goods has transferred to the customer, which occurs when the goods are delivered. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Merged Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated discounts and rebates. In recognising revenue from the sales of goods, the Merged Group considers its historical experience with sales returns to determine if it is 'highly probable' that a significant reversal of revenue will arise in the future. No significant element of financing is deemed present.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A number of contracts include lease and revenue components. The transaction price for these components is allocated to each performance obligation based on the stand-alone selling prices.

Sales of goods – retail sales

Revenue from the sale of goods is recognised when control of the goods has transferred to the customer. For goods purchased in-store, control of the goods transfers to the customer at the point of sale. For goods purchased online, control of the goods transfers to the customer upon delivery.

Refund liability

A refund liability and a right to the returned goods are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Fees revenue

For wholesale sales directly delivered by suppliers, the Merged Group acts as an agent. The Merged Group recognises revenue, which represents the consideration received from the customer, net of amounts payable to third parties, when its performance obligation is satisfied.

Services revenue

Services revenue consists of commissions, franchise and related fees, marketing services, promotional and advertising revenue. Revenue from providing services is recognised in the accounting period in which the services are rendered.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Merged Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Finance costs and income

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Interest cost/income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset/liability and allocating the interest income/cost over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts/payments through the expected life of the financial asset/liability to the net carrying amount of the financial asset/liability.

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Foreign entities are taxed individually within their respective tax jurisdictions.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Merged Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset or lease receivable, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The Merged Group recognises the lease payments for short-term leases and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones) as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

These leases are not included in right-of-use assets or corresponding lease liabilities in accordance with AASB 16 Leases.

Lease receivables

The Merged Group holds the head lease for some of the franchise and other stores. The Merged Group sub-licences the location to the franchisee under the same terms and conditions as the head lease. The Merged Group recognises a lease liability together with an offsetting finance lease receivable for leases associated with franchise and other stores under sub-licensing arrangements lease payments under these sub-leases are fixed.

For subleases, where the lease payments are fully variable the Merged Group accounts for the sub-lease as operating leases. For operating leases, the variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Appendix 5. Merged Group's Proposed significant accounting policies continued

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

The Merged Group leases various offices, warehouses, retail stores and equipment. Rental contracts are made for fixed periods typically of twelve months to 19 years but may have extension option.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Merged Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Right-of-use assets that meet the definition of investment property are measured at cost.

The Merged Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Impairment assessments

The Merged Group tests right of use assets for impairment to ensure they are not carried above their recoverable amounts where there is an indication that assets may be impaired (which is assessed at least at each reporting date).

These tests are performed by assessing the recoverable amount of each individual asset or, if this is not possible, the recoverable amount of the CGU to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash inflows and outflows.

The carrying values of the right-of-use assets are reviewed for impairment annually. If an indication of impairment exists, and where the carrying value of the asset exceeds the estimated recoverable amount, the assets or CGU are written down to their recoverable amount. The recoverable amount is the greater of fair value less costs of disposal and value-in-use. Value-in-use refers to an asset's value based on the expected future cash flows arising from its continued use, discounted to present value using a post-tax discount rate that reflect current market assessments of the risks specific to the asset. The recoverable amount was estimated on an individual lease basis.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Merged Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on a diminishing value/straight line basis to allocate the cost of the assets over their expected useful lives, or in the case of leasehold improvements, the shorter lease term as follows:

| | |
|-------------------------------|--------------|
| Property, plant and equipment | 2 – 20 years |
| Buildings | 40 years |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

The present value of the estimated expenditure required to remove any leasehold improvements has been capitalised as part of the cost of leasehold improvements and these costs amortised over the shorter of the term of the lease and the useful life of the assets.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Merged Group prior to the end of the financial year and which are unpaid. The carrying amounts of trade and other payables are considered to be same as their fair values, due to their short-term nature.

Intangible assets

Intangible assets are carried at cost less accumulated depreciation and impairment losses where applicable. Intangible assets acquired separately are capitalised at cost or if arising from a business combination at fair value as at the date of acquisition.

Finite life intangibles

Certain intangible assets have been assessed to have a finite useful life and are carried at cost less accumulated amortisation. Where acquired in a business combination cost represents the fair value at the date of acquisition. They are amortised over their expected useful lives, which vary from 25 to 60 years.

Indefinite life intangibles

Certain intangible assets have been assessed to have an indefinite useful life and are carried at cost. When acquired in a business combination cost represents the fair value at the date of acquisition. They are not amortised and are periodically tested for indicators of impairment and the continuation of the indefinite life designation.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Merged Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is measured at cost and subsequently measured at cost less any impairment losses.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Appendix 5. Merged Group's Proposed significant accounting policies continued

Share-based payments

Accounting policy for share-based payments

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The costs of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Monte Carlo simulation or Black-Scholes option pricing model methods which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Merged Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Merged Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Merged Group revises its estimate of the number of each equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the options/performance rights reserve.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which are not held for trading, and which the Merged Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Merged Group considers this classification to be more relevant.

All of the financial assets at FVOCI are denominated in Australian dollars.

Critical accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Merged Group's accounting policies. The key areas which involve a higher degree of judgement or complexity, and items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong are outlined below.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales history, the ageing of inventories and other factors that affect inventory obsolescence.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Merged Group also considers factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Merged Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Classification of Leases

The Merged Group holds the head lease for the majority of franchise stores and sub-licenses these to franchisees.

Where the Merged Group sub-licenses the location to franchisees under the same terms and conditions as the head lease and the lease payments are considered fixed, the sublease arrangement is classified as a finance lease.

Consolidation assessment of franchisees

In determining whether the franchisees require to be consolidated with the Merged Group an assessment of control will be made. It was determined that the Merged Group does not have substantive power over the franchisees and therefore does not control them. Franchisees are therefore not consolidated with the Merged Group.

Right-of-use asset impairment

The Merged Group tests right of use assets for impairment to ensure they are not carried above their recoverable amounts where there is an indication that assets may be impaired (which is assessed at least at each reporting date).

Revenue – Variable consideration

Where contracts with customers includes variable consideration, the revenue's transaction price includes an estimate of the variable consideration based on the expected value (the sum of probability-weighted amounts) in a range of possible consideration amounts. The estimation of that variable consideration is based on available historical outcomes of the variability.

Investments accounted for using the equity method

The Merged Group accounts for its investment in New Zealand entities that operate Chemist Warehouse stores using the equity method. This is on the basis that the Merged Group's contractual arrangements with these entities result in them meeting the definition of an accounting joint venture.

Impairment testing of goodwill

Goodwill is tested for impairment annually, or more frequently when indicators of impairment are identified. In testing for impairment, the carrying amount of each CGU is compared against the recoverable amount.

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