ASX Release

Sigma Healthcare Limited
ABN 15 088 417 403
ASX code: SIG
Level 6, 2125 Dandenong Road
Clayton VIC 3168 Australia
T 1800 500 760
T +61 (03) 9215 9215
F +61 (03) 9215 9188
sigmahealthcare.com.au

13 December 2024

Merger with Chemist Warehouse – Court approves convening of the Chemist Warehouse Scheme Meeting and Scheme Booklet registered with ASIC

Sigma Healthcare Limited (**Sigma**) is pleased to provide the following update in relation to its proposed merger with CW Group Holdings Limited (**Chemist Warehouse**) (**Merger**) to be implemented via a scheme of arrangement under which Sigma will acquire 100% of the issued shares in Chemist Warehouse (**Scheme**).

First court hearing, Scheme Meeting and Scheme Booklet

The Federal Court of Australia (**Court**) has today made the following orders in relation to the Scheme:

- that Chemist Warehouse convenes and holds a meeting of Chemist Warehouse shareholders to consider and vote on a resolution to approve the Scheme (**Scheme Meeting**); and
- approving the distribution of the scheme booklet providing information about the Scheme and a notice of the Scheme Meeting (**Scheme Booklet**) to Chemist Warehouse shareholders.

The Scheme Meeting, at which the Chemist Warehouse shareholders will vote on the proposed Scheme, is currently expected to be held at 6.00pm (Melbourne time) on Wednesday, 29 January 2025 at 31 Albert Street, Preston VIC 3072 and virtually via an online meeting platform.

The Scheme Booklet has today been registered with the Australian Securities and Investments Commission. A copy of the Scheme Booklet is attached.

The Scheme Booklet includes a copy of the independent expert's report on the Scheme (**Chemist Warehouse Independent Expert's Report**), prepared by Kroll Australia Pty Ltd (**Chemist Warehouse Independent Expert**). The Chemist Warehouse Independent Expert has concluded that the Scheme is in the best interests of Chemist Warehouse shareholders in the absence of a superior proposal. The Chemist Warehouse Independent Expert's conclusions should be read in context with the full Chemist Warehouse Independent Expert's Report.

The Scheme Booklet, including the Chemist Warehouse Independent Expert's Report, will be sent to Chemist Warehouse shareholders in the week beginning 16 December 2024 electronically by email to their nominated email address that will contain instructions about how to view or download a copy of the Scheme Booklet and submit a proxy vote.

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Notice of Meeting for Sigma Shareholders and Prospectus

The Merger is also subject to Sigma shareholders approving a number of resolutions related to the Merger at an extraordinary general meeting (**General Meeting**). A notice of meeting and explanatory statement (**Notice of Meeting**) for the General Meeting is expected to be released next week and will be provided to Sigma shareholders. The Notice of Meeting will include a copy of an independent expert's report on whether certain Chemist Warehouse related party arrangements are fair and reasonable or not fair but reasonable to non-associated Sigma shareholders, prepared by Grant Thornton Corporate Finance Pty Limited.

ASX's decision that Sigma is not required to re-comply with the ASX's admission and quotation requirements for the Merger was subject to certain conditions, including that Sigma lodge a prospectus in accordance with section 710 of the *Corporations Act 2001* (Cth) for the merged group before or concurrently with completion of the Merger. A draft of that prospectus is also expected to be released next week.

Indicative key dates for Merger

Event	Time and date
Registration of Scheme Booklet	13 December 2024
Announcement of Notice of Meeting and release of draft prospectus	Week beginning 16 December 2024
General Meeting of Sigma shareholders	2.00pm on 29 January 2025
Scheme Meeting of Chemist Warehouse shareholders	6.00pm on 29 January 2025
If Scheme is approved by Chemist Warehouse shareholders at the Scheme Meeting, and resolutions related to the Merger are passed by Sigma shareholders at the General Meeting	
Second Court Hearing Court hearing to approve the Scheme	10.15am on 3 February 2025
Effective Date Court order lodged with ASIC	4 February 2025
Scheme Record Date Time and date for determining entitlements to the Scheme Consideration	6 February 2025
Implementation Date The date on which the Scheme will be implemented, and the Scheme Consideration will be provided to Chemist Warehouse shareholders	12 February 2025
New Sigma shares issued under the Scheme commence trading on a normal settlement basis	13 February 2025

All times and dates in the above timetable are references to the time and date in Melbourne, Australia and all such times and dates are subject to change. Certain times and dates are conditional on the approval of the Scheme by Chemist Warehouse shareholders and by the Court, and resolutions related to the Merger by Sigma shareholders. Any changes will be communicated by Chemist Warehouse to Chemist Warehouse shareholders and announced by Sigma to ASX.

Further information

Sigma shareholders do not need to take any action at this time. As noted above, the Notice of Meeting for Sigma shareholders and draft prospectus will be released next week, which will contain important information about the Merger and merged group, as well as details for how Sigma shareholders can participate at the General Meeting.

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

For more information contact:

Gary Woodford	Steve Dabkowski	Jim Kelly
Head of Corporate Affairs	Blue Dot Media	Domestique
gary.woodford@sigmahealthcare.com.au	steve@bluedot.net.au	jim@domestiqueconsulting.com.au
0417 399 204	0419 880 486	0412 549 083

This announcement was authorised for release by the Company Secretary of Sigma Healthcare Limited.

Scheme Booklet

For a scheme of arrangement between CW Group Holdings Limited and the Scheme Shareholders in relation to the proposed acquisition by Sigma Healthcare Limited of the Scheme Shares.

This is an important document and requires your immediate attention.

You should read it entirely before deciding whether or not to vote in favour of the Scheme.

If you are in any doubt about how to deal with this document, you should contact your legal, financial, tax or other professional adviser immediately.

VOTE IN FAVOUR

The Chemist Warehouse Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Chemist Warehouse Superior Proposal and subject to the Chemist Warehouse Independent Expert continuing to conclude that the Scheme is in the best interests of Chemist Warehouse Shareholders.

The Chemist Warehouse Independent Expert has concluded that the Scheme is in the best interests of Chemist Warehouse Shareholders, in the absence of a superior proposal.

Financial Advisers

Rothschild & Co

OAKTOWER

Legal Adviser

HERBERT SMITH FREEHILLS

Important notices

General

This Scheme Booklet is important and requires your immediate attention. You should read this Scheme Booklet in full before making any decision as to how to vote at the Scheme Meeting.

Nature of this Scheme Booklet

This Scheme Booklet includes the explanatory statement for the Scheme required by subsection 412(1) of the Corporations Act.

This Scheme Booklet does not constitute or contain an offer to Chemist Warehouse Shareholders, or a solicitation of an offer from Chemist Warehouse Shareholders, in any jurisdiction. This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act. Subsection 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not apply in relation to arrangements under Part 5.1 of the Corporations Act approved at a meeting held as a result of an order under subsection 411(1). Instead, Chemist Warehouse Shareholders asked to vote on an arrangement at such a meeting must be provided with an explanatory statement as referred to above.

ASIC and ASX

A copy of this Scheme Booklet has been registered by ASIC for the purposes of subsection 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with subsection 411(2) of the Corporations Act. Neither ASIC, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with paragraph 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearings to approve the Scheme.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that, under subsection 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Chemist Warehouse Shareholders should vote (on this matter Chemist Warehouse Shareholders must reach their own conclusion); or
- has prepared, or is responsible for the content of, the explanatory statement.

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure 6.

Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting. Any Chemist Warehouse Shareholder may appear at the Second Court Hearing, currently expected to be held at 10.15am (Melbourne time) on 3 February 2025 at 305 William Street, Melbourne VIC 3000. Any Chemist Warehouse Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Chemist Warehouse a notice of appearance in the prescribed form together with any affidavit that the Chemist Warehouse Shareholder proposes to rely on.

Defined terms

Capitalised terms used in this Scheme Booklet are defined in section 13. If a word or phrase is defined, its other grammatical forms have a corresponding meaning. The documents reproduced in the attachments to this Scheme Booklet may have their own defined terms, which sometimes differ from those in section 13.

No investment advice

This Scheme Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any Chemist Warehouse Shareholder or any other person. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. The Chemist Warehouse Directors encourage you to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. This Scheme Booklet should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme. In particular, it is important that you consider the potential risks if the Scheme does not proceed, as set out in section 10, and the views of the Chemist Warehouse Independent Expert set out in the Chemist Warehouse Independent Expert's Report contained in Annexure 2. 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.

Forward looking statements

Some of the statements appearing in this Scheme Booklet (including in the Chemist Warehouse Independent Expert's Report) may be in the nature of forward-looking statements. Forward looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Chemist Warehouse Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward-looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals, intentions or expectations of Chemist Warehouse, Sigma or their respective subsidiaries are or may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to Chemist Warehouse, Sigma, their respective subsidiaries and/or the industries in which they operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement and deviations are both normal and to be expected. None of Chemist Warehouse, Sigma, their respective subsidiaries or their respective officers, directors, employees or advisers or any person named in this Scheme Booklet, or any person involved in the preparation of this Scheme Booklet 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. Accordingly, you are cautioned not to place undue reliance on those statements.

Any forward-looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, Chemist Warehouse, Sigma, their respective subsidiaries and their respective officers, directors, employees and advisers, disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward looking statements to reflect (a) any change in expectations in relation to such statements; or (b) any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

Chemist Warehouse has prepared, and is responsible for, the Chemist Warehouse Information. Neither Sigma nor any of its subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

Sigma has prepared, and is responsible for, the Sigma Information. Neither Chemist Warehouse nor any of its subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such Sigma Information.

Kroll Australia Pty Ltd has prepared the Chemist Warehouse Independent Expert's Report (as set out in Annexure 2) and takes responsibility for that report. None of Chemist Warehouse or Sigma or any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Chemist Warehouse Independent Expert's Report, except, in the case of Chemist Warehouse, in relation to the information which it has provided to the Chemist Warehouse Independent Expert.

PricewaterhouseCoopers Securities Ltd has prepared the Investigating Accountant's Report (as set out in Annexure 3) and takes responsibility for that report. None of Chemist Warehouse or Sigma or any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Investigating Accountant's Report.

KPMG, in its capacity as Chemist Warehouse's taxation adviser on the Scheme, has prepared, and is responsible for, section 11 of this Scheme Booklet. None of Chemist Warehouse or Sigma or any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in section 11, except, in the case of Chemist Warehouse, in relation to the information which it has provided to KPMG.

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

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet 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.

This Scheme Booklet has been prepared in accordance with the laws of Australia and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia.

Chemist Warehouse Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

Financial amounts and effects of rounding

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding. All financial and operational information set out in this Scheme Booklet is current as at the date of this Scheme Booklet, unless otherwise stated.

Charts and diagrams

Any diagrams, charts, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at Last Practicable Date.

Timetable and dates

All times and dates referred to in this Scheme Booklet are times and dates in Melbourne, Australia, unless otherwise indicated. All times and dates relating to the implementation of the Scheme referred to in this Scheme Booklet may change and, among other things, are subject to all necessary approvals from Government Agencies.

External websites

Unless expressly stated otherwise, the content of the websites of Chemist Warehouse and Sigma or any other websites references in this Scheme Booklet do not form part of this Scheme Booklet and Chemist Warehouse Shareholders should not rely on any such content.

Tax implications of the Scheme

Section 11 provides a general summary of certain tax implications that may be applicable to Scheme Shareholders on Implementation. Section 11 is a general summary prepared for informational purposes only. You should consult your own professional tax adviser regarding the tax implications of participating in the Scheme based on your personal circumstances.

The general summary in section 11 does not take into account or anticipate changes in the law (by legislation or judicial decision) or practice (by ruling or otherwise) after the Last Practicable Date.

The general summary in section 11 does not constitute tax advice.

Privacy

Chemist Warehouse may collect personal information in the process of implementing the Scheme. The type of information that it may collect about you includes your name, contact details and information on your shareholding in Chemist Warehouse and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Scheme Meeting as relevant to you. The collection of some of this information is required or authorised by the Corporations Act. The primary purpose of the collection of personal information is to assist Chemist Warehouse to conduct the Scheme Meeting and implement the Scheme. Without this information, Chemist Warehouse may be hindered in its ability to issue this Scheme Booklet and implement the Scheme. Personal information of the type described above may be disclosed to the Chemist Warehouse Share Registry, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Scheme Meeting), authorised securities brokers, professional advisers, related bodies corporate of Chemist Warehouse, Government Agencies, and also where disclosure is otherwise required or allowed by law. Chemist Warehouse Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of the information about you held by the Chemist Warehouse Share Registry in connection with Chemist Warehouse Shares, please contact the Chemist Warehouse Share Registry. Chemist Warehouse Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should ensure that they inform such an individual of the matters outlined above. Further information about how Chemist Warehouse collects, uses and discloses personal information is contained in Chemist Warehouse's Privacy Policy located at www.chemistwarehouse.com.au/aboutus/privacy.

Date of Scheme Booklet

This Scheme Booklet is dated 13 December 2024.

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Stop Paying Too Much!!
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Letter from the Chairman of the Chemist Warehouse Board

Jack Gance
Chairman

The Transaction represents the next step of our evolution. The Chemist Warehouse Board believes that the combination of Chemist Warehouse and Sigma makes strong commercial sense and represents a compelling opportunity for Chemist Warehouse Shareholders.

Dear Chemist Warehouse Shareholder,

On behalf of the Chemist Warehouse Board, I am pleased to provide you with this Scheme Booklet, which contains important information for your consideration about the proposed merger of Chemist Warehouse and Sigma (**Transaction**) to be implemented by a scheme of arrangement (**Scheme**).

Since Sam, Mario and I became partners in 1982, we have focussed on building a business which is today a leading retail pharmacy franchisor and owner of the iconic "Chemist Warehouse" brand, with a presence across all Australian States and Territories and four international markets. Chemist Warehouse has an enviable track record of consistent year-on-year growth in both the Chemist Warehouse Retail Network and Chemist Warehouse Retail Network Sales.[1] In the 20 years to 30 June 2024, the number of Chemist Warehouse Retail Network stores has increased by approximately 11 times and Chemist Warehouse Retail Network Sales have increased by approximately 57 times. One of the key drivers of our success has been developing and maintaining strong relationships and alignment with our franchisees, many of whom are shareholders.

The Transaction represents the next step of our evolution. The Chemist Warehouse Board believes that the combination of Chemist Warehouse and Sigma makes strong commercial sense and represents a compelling opportunity for Chemist Warehouse Shareholders. The terms of the Scheme enable Chemist Warehouse Shareholders to realise some immediate cash value for their shares as well as an opportunity, as a shareholder in the Merged Group, to retain an ongoing interest in the business. This retained interest will also have the liquidity benefits from the shares being listed on ASX.

If the Scheme is implemented, the Merged Group will be a leading retail pharmacy franchisor across a core suite of four franchise brands and a full-line pharmaceutical wholesaler and distributor. The Merged Group will have multiple options for growth including increasing its store network in Australia, extending the reach of the Chemist Warehouse brand into international markets and expanding the range of owned, private label and exclusive brands to provide franchisees, independent pharmacies and consumers with greater choice and value for money.

The Chemist Warehouse Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Chemist Warehouse Superior Proposal and subject to the Chemist Warehouse Independent Expert continuing to conclude that the Scheme is in the best interests of Chemist Warehouse Shareholders.[2] In reaching this recommendation, the Chemist Warehouse Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet.

Subject to the same qualifications, each Chemist Warehouse Director intends to vote, or procure the voting of, all of the Chemist Warehouse Shares owned or controlled by them in favour of the Scheme. The Chemist Warehouse Directors own or control approximately 70.55% of the Chemist Warehouse Shares in aggregate. The interests of the Chemist Warehouse Directors are disclosed in section 12.1.

1. Includes a combination of the Chemist Warehouse Retail Network's in-store sales and Chemist Warehouse's online sales. Australian Chemist Warehouse Retail Network Sales and New Zealand Chemist Warehouse Retail Network Sales are not consolidated into Chemist Warehouse revenue (as stores in Australia are franchised, and the financial contribution of New Zealand Retail Network stores are accounted for under the equity accounting method).
2. Other than the Relevant Interest in 100% of the Chemist Warehouse Shares arising by virtue of the Chemist Warehouse Shareholders' Deed, Mario Verrocchi has an interest in 404,426,435 Chemist Warehouse Shares, Jack Gance has an interest in 249,917,174 Chemist Warehouse Shares, Samuel Gance has an interest in 228,996,012 Chemist Warehouse Shares, Damien Gance has an interest in 63,346,222 Chemist Warehouse Shares, Adrian Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Marcello Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Sunil Narula has an interest in 26,256,000 Chemist Warehouse Shares, Mario Tascone has an interest in 24,860,308 Chemist Warehouse Shares and Mark Finocchiaro has an interest in 5,255,000 Chemist Warehouse Shares. Each Chemist Warehouse Director also has a Relevant Interest in Chemist Warehouse's indirect holding of 7,596,481 Sigma Shares, which 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 at the discretion of the Merged Group Board. In addition, Mario Verrocchi has a Relevant Interest in an additional 2,882,042 Sigma Shares indirectly through his interest in Goat Properties Pty Ltd and Mark Finocchiaro has a Relevant Interest in Sigma Shares through his direct holding of 17,202 Sigma Shares. Further details on the interests of the Chemist Warehouse Directors, including the benefits they will receive on or in connection with the Scheme becoming Effective, are disclosed in sections 12.1 and 12.3.

Background to the Scheme and consideration

On 11 December 2023, Sigma announced that it had entered into a Merger Implementation Agreement to merge with Chemist Warehouse. Under the Merger Implementation Agreement, it is proposed that Sigma acquire all of the shares in Chemist Warehouse by way of the Scheme. The Scheme is subject to the approval of Chemist Warehouse Shareholders by the Scheme Requisite Majorities and the satisfaction or waiver (as applicable) of other Conditions Precedent (see section 12.4(c)) including approval by Sigma Shareholders.

If the Scheme is implemented:

- On the Implementation Date (currently expected to be 12 February 2025) Chemist Warehouse Shareholders will receive:
  - approximately $0.446469 cash for each Chemist Warehouse Share that you own; and
  - approximately 6.317841 New Sigma Shares (ie shares in the Merged Group) for each Chemist Warehouse Share that you own,

  assuming that there is no Leakage adjustment to the Scheme Cash Consideration, the total number of Chemist Warehouse Shares as at the Scheme Record Date remains the same as at the Last Practicable Date and the fully diluted number of Sigma Shares on issue as at the Scheme Record Date remains the same as at the Last Practicable Date. The above figures are an estimate, and as discussed in section 4.2, the Scheme Cash Consideration will be adjusted for any Leakage prior to the Implementation Date and the Scheme Share Consideration is dependent on the fully diluted number of Sigma Shares on issue as at the Scheme Record Date;[3]
- 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 of the Scheme;[4] and
- the Merged Group Board will be comprised of: four existing non-executive directors from Sigma, (being Michael Sammells, Annette Carey, Neville Mitchell, and Chris Roberts AO); four nominee directors from Chemist Warehouse (being myself 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). Mark Davis, the current Chief Financial Officer of Chemist Warehouse, will be the Chief Financial Officer of the Merged Group. The Merged Group will be led by Mr Ramsunder as Chief Executive Officer, and Mario Verrocchi, reporting to Mr Ramsunder, will continue to lead the Chemist Warehouse business.

The Chemist Warehouse Board intends to pay an ordinary dividend to Chemist Warehouse Shareholders prior to implementation of the Scheme.

Key reasons why you should vote in favour of the Scheme

The Chemist Warehouse Board believes that the proposed Scheme is attractive for Chemist Warehouse Shareholders. The key reasons why you should vote in favour of the Scheme include:

- Unanimous recommendation to vote in favour from Chemist Warehouse Directors.[5]
- The Chemist Warehouse Independent Expert has concluded that the Scheme is in the best interests of Chemist Warehouse Shareholders in the absence of a superior proposal.
- The merger creates a leading retail-pharmacy franchisor and pharmaceutical wholesaler and distributor with Chemist Warehouse Shareholders holding approximately 85.75% of the Merged Group's share capital immediately following Implementation.[6]
- The merger combines two leading and complementary management teams and an experienced Board to continue to drive value creation for all shareholders.

3. 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.
4. 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 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.
5. Other than the Relevant Interest in 100% of the Chemist Warehouse Shares arising by virtue of the Chemist Warehouse Shareholders' Deed, Mario Verrocchi has an interest in 404,426,435 Chemist Warehouse Shares, Jack Gance has an interest in 249,917,174 Chemist Warehouse Shares, Samuel Gance has an interest in 228,996,012 Chemist Warehouse Shares, Damien Gance has an interest in 63,346,222 Chemist Warehouse Shares, Adrian Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Marcello Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Sunil Narula has an interest in 26,256,000 Chemist Warehouse Shares, Mario Tascone has an interest in 24,860,308 Chemist Warehouse Shares and Mark Finocchiaro has an interest in 5,255,000 Chemist Warehouse Shares. Each Chemist Warehouse Director also has a Relevant Interest in Chemist Warehouse's indirect holding of 7,596,481 Sigma Shares, which 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 at the discretion of the Merged Group Board. In addition, Mario Verrocchi has a Relevant Interest in an additional 2,882,042 Sigma Shares indirectly through his interest in Goat Properties Pty Ltd and Mark Finocchiaro has a Relevant Interest in Sigma Shares through his direct holding of 17,202 Sigma Shares. Further details on the interests of the Chemist Warehouse Directors, including the benefits they will receive on or in connection with the Scheme becoming Effective, are disclosed in sections 12.1 and 12.3.
6. 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 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.

Letter from the Chairman of the Chemist Warehouse Board

continued

- The Merged Group will have the potential to unlock significant synergies and efficiencies which, if realised, are expected to create additional value for Chemist Warehouse Shareholders.
- You will receive upfront cash consideration and scrip consideration in a listed entity, providing value transparency and liquidity of your shareholding.
- No Chemist Warehouse Superior Proposal has emerged.
- Australian resident Chemist Warehouse Shareholders may be eligible for scrip-for-scrip rollover relief.

Further information on the reasons why you should vote in favour of the Scheme is set out in section 2.3.

You should also have regard to section 2.4 which sets out reasons why you may wish to vote against the Scheme. Some of these reasons include:

- You may disagree with the Chemist Warehouse Directors' unanimous recommendation and the Chemist Warehouse Independent Expert's conclusion.
- You may take the view that the Scheme Consideration does not reflect the underlying value of Chemist Warehouse's contribution to the Merged Group.
- You may believe it is in your best interests to maintain your current investment and risk profile.
- You may believe that there is potential for a Chemist Warehouse Superior Proposal to emerge.
- The tax consequences of transferring your Chemist Warehouse Shares pursuant to the Scheme may not be attractive to you.
- The value of the Scheme Share Consideration is not fixed and will depend on the price at which Sigma Shares trade on ASX after the Implementation Date.

Independent Expert

The Chemist Warehouse Board appointed Kroll Australia Pty Ltd as the Chemist Warehouse Independent Expert to assess the merits of the Scheme. The Chemist Warehouse Independent Expert has analysed Chemist Warehouse's business and the Merged Group and, in light of this analysis, has concluded that the Scheme is in the best interests of Chemist Warehouse Shareholders in the absence of a superior proposal.

The reasons why the Chemist Warehouse Independent Expert reached this conclusion are set out in the Chemist Warehouse Independent Expert's Report, a copy of which is included in Annexure 2. I encourage you to read this report in its entirety.

How to vote

If you wish for the Scheme to proceed, it is important that you vote in favour of the Scheme. The Scheme can only be implemented if it is approved by the Scheme Requisite Majorities of Chemist Warehouse Shareholders and all other Conditions Precedent are satisfied or waived (as applicable).

The Scheme Meeting will be held at 6.00pm (Melbourne time) on 29 January 2025, in person at the Olympic Hotel, 31 Albert Street, Preston VIC 3072 and online at https://meetnow.global/MV5LCT9.

Your vote is important. I encourage you to vote by attending the Scheme Meeting in person or online and following the voting instructions set out in section 1.

Further information

Please read this Scheme Booklet carefully as it will assist you in making an informed decision on how to vote. If you are in any doubt as to what you should do, I encourage you to seek advice from independent financial, legal and taxation advisors before making your decision in relation to your Chemist Warehouse Shares.

If you have any questions in relation to the Scheme or this Scheme Booklet, please contact the Chemist Warehouse Shareholder Information Line on +61 3 9462 9111, between 8.30am and 5.00pm (Melbourne time), Monday to Friday (excluding public holidays).

On behalf of the Chemist Warehouse Board, I want to acknowledge and thank you for your part in the success that Chemist Warehouse has achieved and for your continued support.

Yours sincerely,

Jack Gance
Chairman
CW Group Holdings Limited

Key dates

Event	Time and date
Date of this Scheme Booklet	13 December 2024
Latest time and date for receipt of proxy forms or powers of attorney by the Chemist Warehouse Share Registry for the Scheme Meeting	6.00pm on 27 January 2025
Time and date for determining eligibility to vote at the Scheme Meeting	7.00pm on 27 January 2025
Scheme Meeting	6.00pm on 29 January 2025
If the Scheme is approved by Chemist Warehouse Shareholders	
Court hearing to approve the Scheme (Second Court Date)	10.15am on 3 February 2025
Effective Date Court order lodged with ASIC	4 February 2025
Scheme Record Date (for determining entitlements to Scheme Consideration)	6 February 2025
Implementation Date Provision of Scheme Consideration	12 February 2025
New Sigma Shares commence trading on a normal settlement basis	13 February 2025

All times and dates in the above timetable are references to the time and date in Melbourne, Australia and all such times and dates are subject to change. Certain times and dates are conditional on the approval of the Scheme by Chemist Warehouse Shareholders and by the Court. Any changes will be communicated by Chemist Warehouse to Chemist Warehouse Shareholders and announced by Sigma to ASX.

1 Actions for Chemist Warehouse Shareholders

1. Actions for Chemist Warehouse Shareholders

1.1 Step 1: Read this Scheme Booklet

You should carefully read this Scheme Booklet in its entirety before deciding whether to vote in favour of the Scheme.

If you have any questions, please contact the Chemist Warehouse Shareholder Information Line on +61 3 9462 9111, 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.

1.2 Step 2: Vote on the Scheme

(a) Your vote is important

For the Scheme to proceed, it is necessary that sufficient Chemist Warehouse Shareholders vote in favour of the Scheme.

(b) Who is entitled to vote?

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

(c) Notice of Scheme Meeting

The Scheme Meeting will be held in-person at the Olympic Hotel, 31 Albert Street, Preston VIC 3072 and virtually at https://meetnow.global/MV5LCT9 at 6.00pm (Melbourne time) on 29 January 2025 (Melbourne time).

Chemist Warehouse Shareholders and their authorised proxies, attorneys and corporate representatives may participate in the Scheme Meeting.

Chemist Warehouse Shareholders who are unable to, or do not wish to, participate in the Scheme Meeting, or will not have access to a device and the internet, are encouraged to submit a directed proxy vote as early as possible and in any event by 6.00pm (Melbourne time) on 27 January 2025 by completing and submitting a proxy form.

The Notice of Scheme Meeting is contained in Annexure 6.

(d) How to vote?

You may vote:

1. **in person**, by attending the Scheme Meeting in person at the Olympic Hotel, 31 Albert Street, Preston VIC 3072;
2. **online**, by participating and voting via the online platform at https://meetnow.global/MV5LCT9;
3. **by proxy**, by completing and lodging the proxy form for the Scheme Meeting in accordance with the instructions on the form. To be valid, your proxy form must be received by the Chemist Warehouse Share Registry by 6.00pm (Melbourne time) on 27 January 2025;
4. **by attorney**, by appointing an attorney to participate in and vote at the Scheme Meeting on your behalf and providing a duly executed, or certified copy of a, power of attorney to the Chemist Warehouse Share Registry by 6.00pm (Melbourne time) on 27 January 2025; or
5. **by corporate representative**, if you are a body corporate, by appointing a corporate representative to participate in and vote at the Scheme Meeting on your behalf and providing a duly executed certificate of appointment (in accordance with section 250D of the Corporations Act) to the Chemist Warehouse Share Registry prior to the Scheme Meeting.

Further details on how to vote are contained in the Notice of Scheme Meeting in Annexure 6.

2 Advantages and disadvantages of the Scheme

2. Advantages and disadvantages of the Scheme

2.1 Chemist Warehouse Directors' recommendation

The Chemist Warehouse Directors unanimously recommend that Chemist Warehouse Shareholders vote in favour of the Scheme, in the absence of a Chemist Warehouse Superior Proposal and subject to the Chemist Warehouse Independent Expert continuing to conclude that the Scheme is in Chemist Warehouse Shareholders' best interests.

Subject to those same qualifications, each Chemist Warehouse Director intends to vote, or procure the voting of, all Chemist Warehouse Shares that they own or control in favour of the Scheme. The interests of the Chemist Warehouse Directors in Chemist Warehouse Shares are set out in section 12.1.[7]

2.2 Alternatives considered

The Chemist Warehouse Board assessed the Scheme alongside alternative courses open to Chemist Warehouse. In particular, these were maintaining the status quo with Chemist Warehouse remaining an unlisted standalone operation or undertaking an initial public offering and listing of Chemist Warehouse on the ASX. After carefully considering the advantages and disadvantages of the Scheme in this context, the Chemist Warehouse Board concluded that the Scheme is the preferred option that optimises value for Chemist Warehouse Shareholders.

Whilst remaining as a standalone operation would continue to allow Chemist Warehouse to implement its business plan and strategies, and provide Chemist Warehouse shareholders with ongoing exposure to the business, this does not provide a liquidity option for Chemist Warehouse Shareholders or synergy benefits as expected under the merger with Sigma.

An initial public offering would be subject to uncertainty and its success could be impacted by capital market conditions at the time of a listing. Whilst a successful standalone listing of Chemist Warehouse would provide Chemist Warehouse Shareholders with liquidity for their investment, an initial public offering would generate no synergy benefits as expected under the merger with Sigma.

2.3 Why you should vote in favour of the Scheme

(a) Unanimous recommendation to vote in favour from Chemist Warehouse Directors

The Chemist Warehouse Directors unanimously recommend that Chemist Warehouse Shareholders vote in favour of the Scheme, in the absence of a Chemist Warehouse Superior Proposal and subject to the Chemist Warehouse Independent Expert continuing to conclude that the Scheme is in Chemist Warehouse Shareholders' best interests.[8]

Subject to those same qualifications, each Chemist Warehouse Director intends to vote all their Chemist Warehouse Shares in favour of the Scheme.

In reaching their recommendation, the Chemist Warehouse Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet. The Chemist Warehouse Directors consider that the Merged Group has the potential to realise greater benefits for Chemist Warehouse Shareholders than other alternatives currently available, including Chemist Warehouse continuing to operate as a standalone, unlisted entity.

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7. Other than the Relevant Interest in 100% of the Chemist Warehouse Shares arising by virtue of the Chemist Warehouse Shareholders' Deed, Mario Verrocchi has an interest in 404,426,435 Chemist Warehouse Shares, Jack Gance has an interest in 249,917,174 Chemist Warehouse Shares, Samuel Gance has an interest in 228,996,012 Chemist Warehouse Shares, Damien Gance has an interest in 63,346,222 Chemist Warehouse Shares, Adrian Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Marcello Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Sunil Narula has an interest in 26,256,000 Chemist Warehouse Shares, Mario Tascone has an interest in 24,860,308 Chemist Warehouse Shares and Mark Finocchiaro has an interest in 5,255,000 Chemist Warehouse Shares. Each Chemist Warehouse Director also has a Relevant Interest in Chemist Warehouse's indirect holding of 7,596,481 Sigma Shares, which 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 at the discretion of the Merged Group Board. In addition, Mario Verrocchi has a Relevant Interest in an additional 2,882,042 Sigma Shares indirectly through his interest in Goat Properties Pty Ltd and Mark Finocchiaro has a Relevant Interest in Sigma Shares through his direct holding of 17,202 Sigma Shares. Further details on the interests of the Chemist Warehouse Directors, including the benefits they will receive on or in connection with the Scheme becoming Effective, are disclosed in sections 12.1 and 12.3.
8. Other than the Relevant Interest in 100% of the Chemist Warehouse Shares arising by virtue of the Chemist Warehouse Shareholders' Deed, Mario Verrocchi has an interest in 404,426,435 Chemist Warehouse Shares, Jack Gance has an interest in 249,917,174 Chemist Warehouse Shares, Samuel Gance has an interest in 228,996,012 Chemist Warehouse Shares, Damien Gance has an interest in 63,346,222 Chemist Warehouse Shares, Adrian Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Marcello Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Sunil Narula has an interest in 26,256,000 Chemist Warehouse Shares, Mario Tascone has an interest in 24,860,308 Chemist Warehouse Shares and Mark Finocchiaro has an interest in 5,255,000 Chemist Warehouse Shares. Each Chemist Warehouse Director also has a Relevant Interest in Chemist Warehouse's indirect holding of 7,596,481 Sigma Shares, which 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 at the discretion of the Merged Group Board. In addition, Mario Verrocchi has a Relevant Interest in an additional 2,882,042 Sigma Shares indirectly through his interest in Goat Properties Pty Ltd and Mark Finocchiaro has a Relevant Interest in Sigma Shares through his direct holding of 17,202 Sigma Shares. Further details on the interests of the Chemist Warehouse Directors, including the benefits they will receive on or in connection with the Scheme becoming Effective, are disclosed in sections 12.1 and 12.3.

The Chemist Warehouse Directors also note that since the announcement of the Transaction on 11 December 2023, no Chemist Warehouse Superior Proposal has been received and the Chemist Warehouse Directors are not aware of any Chemist Warehouse Superior Proposal that is likely to be received.

The interests of the Chemist Warehouse Directors, including the benefits they will receive on or in connection with the Scheme becoming Effective, are disclosed in sections 12.1 and 12.3. Chemist Warehouse Shareholders should have regard to these interests when considering how to vote on the Scheme, including the Chemist Warehouse Directors' recommendation on the Scheme, which appears throughout this Scheme Booklet.

(b) The Chemist Warehouse Independent Expert has concluded that the Scheme is in the best interests of Chemist Warehouse Shareholders

The Chemist Warehouse Directors appointed Kroll Australia Pty Ltd as the Chemist Warehouse Independent Expert to assess the merits of the Scheme. The Chemist Warehouse Independent Expert has analysed Chemist Warehouse's business and the Merged Group and, in light of this analysis, the Chemist Warehouse Independent Expert has concluded that the Scheme is in the best interests of Chemist Warehouse Shareholders, in the absence of a superior proposal.

The Chemist Warehouse Independent Expert has assessed the value of a Chemist Warehouse Share to be in the range of $4.85 to $5.48. Based on:

- an assessed value range of $0.98 to $1.13 per New Sigma Share;
- estimated Scheme Share Consideration of approximately 6.317841 new Sigma Shares per Chemist Warehouse Share; and
- estimated Scheme Cash Consideration of approximately $0.446469 per Chemist Warehouse Share,

the Chemist Warehouse Independent Expert has assessed the Scheme Consideration to be in the range of $6.65 to $7.56.

The reasons why the Chemist Warehouse Independent Expert reached these conclusions are set out in full in the Chemist Warehouse Independent Expert's Report, a copy of which is included in Annexure 2. The Chemist Warehouse Directors encourage you to read this report in its entirety.

(c) Creates a leading retail-pharmacy franchisor and pharmaceutical wholesaler and distributor with Chemist Warehouse Shareholders holding approximately 85.75% of the Merged Group's share capital immediately following Implementation[9]

The Scheme merges two largely complementary businesses to create a leading retail pharmacy franchisor and full-line pharmaceutical wholesaler and distributor. It will combine Sigma's extensive, automated distribution infrastructure and logistics capabilities with Chemist Warehouse's leading retailing and marketing experience. The Merged Group will have four core franchise brands across a range of market segments targeting a wide spectrum of potential customers, and a comprehensive distribution network across Australia and New Zealand.

The Merged Group will have a larger and more diversified earnings base, with Merged Group FY24 pro-forma EBIT of $605.5 million, excluding synergies.

Through this combination, the Merged Group will be well placed to compete in a rapidly evolving marketplace and to pursue growth opportunities in Australia and internationally.

The Scheme Share Consideration allows Chemist Warehouse Shareholders the opportunity to participate as shareholders in the Merged Group, with Chemist Warehouse Shareholders holding approximately 85.75% of the Merged Group's share capital immediately following Implementation.[10]

Combines two leading and complementary management teams and an experienced Board to continue to drive value creation for all shareholders.

9. 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 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.
10. 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 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.

Post-Implementation, the Merged Group will benefit from the combined skills and experience of the management teams of both Sigma and Chemist Warehouse.

The combined senior management team boasts >100 years of relevant experience. The teams have a strong track record of enhancing shareholder value. The Scheme also brings together two complementary skill sets, with Chemist Warehouse providing significant retail and marketing expertise from its existing operations, and Sigma providing distribution expertise obtained from its automated distribution infrastructure and logistics capabilities.

The Merged Group's Board will also possess diverse and complementary skills (refer to section 8.9 for more detail).

(d) The Merged Group will have the potential to unlock significant synergies and efficiencies which, if realised, are expected to create additional value for Chemist Warehouse Shareholders

The Merged Group has identified a number of synergies it expects to realise as a result of the Scheme which, if achieved, would create value for Chemist Warehouse Shareholders and deliver stronger returns than either Chemist Warehouse or Sigma could achieve on a standalone basis.

Projected synergies to be realised following Implementation include general and administrative costs and supply chain optimisation. The Merged Group's initial estimates are that cost synergies of approximately $60 million per annum could be realised by the fourth year post-Implementation, with full run-rate synergies expected to be achieved in the fifth year post-Implementation. The one-off costs to achieve these synergies are estimated at $75 million.

Refer to section 8.6(b) for more detail in relation to the Merged Group's expected synergies.

(e) You will receive upfront cash consideration and scrip consideration in a listed entity, providing value transparency and liquidity of your shareholding

If the Scheme is implemented, you will receive upfront cash consideration plus shares in Sigma for your Chemist Warehouse Shares.

You will receive approximately $0.446469 in cash per Chemist Warehouse Share that you hold as at the Scheme Record Date, assuming that there is no Leakage adjustment to the Scheme Cash Consideration and the total number of Chemist Warehouse Shares as at the Scheme Record Date remains the same as at the Last Practicable Date. This cash payment is approximately three times the average annual Chemist Warehouse dividend paid and provides immediate partial liquidity for your Chemist Warehouse Shares.

As Sigma Shares are traded on ASX, you will be able to access a liquid market for trading in Sigma Shares. The Merged Group is expected to be eligible to sit well within the S&P/ASX100 (following quarterly rebalancing). Subject to the escrow restrictions discussed in section 12.6, which only apply to the Escrowed Shareholders, you will be able to realise your investment by selling Sigma Shares on market. Sigma Shares will also trade at a publicly available price, enabling you to assess the value of your investment or any sale in a transparent manner.

If the Scheme is not implemented, you will not receive any consideration from your Chemist Warehouse Shares and you will retain your Chemist Warehouse Shares, which are not listed on ASX. There is no public market for Chemist Warehouse Shares and Chemist Warehouse Shares are subject to an existing shareholders' deed which would otherwise cease to apply if the Scheme is implemented. This illiquid investment restricts your ability to realise your investment. As there is no publicly available price for Chemist Warehouse Shares, it will be more difficult for you to assess the value of your investment or any potential sale price.

(f) No Chemist Warehouse Superior Proposal has emerged

Since the proposed Scheme was announced up until the date of this Scheme Booklet, no Chemist Warehouse Superior Proposal has emerged.

The Chemist Warehouse Board is not aware, as at the date of this Scheme Booklet, of any Chemist Warehouse Superior Proposal that is likely to emerge.

(g) Australian resident Chemist Warehouse Shareholders may be eligible for scrip-for-scrip rollover relief

Chemist Warehouse Shareholders who are Australian tax residents (and are not tax residents in any other country) and who make a capital gain from the disposal of their Scheme Shares may be eligible for scrip-for-scrip rollover relief. Scrip-for-scrip rollover relief allows these shareholders to defer the capital gain they make from the disposal of their Scheme Shares under the Scheme.

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. The final class ruling is not expected to be issued until after Implementation.

2.4 Why you may consider voting against the Scheme

(a) You may disagree with the Chemist Warehouse Directors' unanimous recommendation and the Chemist Warehouse Independent Expert's conclusion

Despite the unanimous recommendation of the Chemist Warehouse Directors to vote in favour of the Scheme and the conclusion of the Chemist Warehouse Independent Expert that the Scheme is in the best interests of Chemist Warehouse Shareholders, you may believe that the Scheme is not in your best interests.

(b) You may take the view that the Scheme Consideration does not reflect the underlying value of Chemist Warehouse's contribution to the Merged Group

You may take the view that the Scheme Consideration does not give existing Chemist Warehouse Shareholders an appropriate share of the Merged Group and the combination benefits of the two businesses. On Implementation, Chemist Warehouse Shareholders will receive upfront cash consideration totalling $700 million and are expected to own approximately 85.75% of the Merged Group with Sigma Shareholders expected to own approximately 14.25% of the Merged Group.[11]

(c) You may believe it is in your best interests to maintain your current investment and risk profile

If the Scheme is implemented, there will be a change in the risk profile to which Chemist Warehouse Shareholders are exposed. While Chemist Warehouse and Sigma both operate in the pharmacy industry, the operational profile, capital structure, asset geography and board and management of the Merged Group will be different from that of Chemist Warehouse as a standalone entity. These risks are set out in section 10.

You may also prefer to keep your Chemist Warehouse Shares to preserve your investment in an unlisted company with the specific characteristics of Chemist Warehouse.

In particular, you may consider that, despite the risk factors relevant to Chemist Warehouse's potential future operations (including those set out in section 10), Chemist Warehouse may be able to return greater value from its assets by remaining a standalone entity or by seeking alternative corporate transactions in the future.

(d) You may believe that there is potential for a Chemist Warehouse Superior Proposal to emerge

You may consider that a Chemist Warehouse Superior Proposal could emerge in the future, either during the Exclusivity Period or afterwards. The Chemist Warehouse Directors are, as at the date of this Scheme Booklet, not aware of, and have not received, any Chemist Warehouse Superior Proposal. The unlisted nature of Chemist Warehouse should also be considered alongside the prospect of a Chemist Warehouse Superior Proposal.

If a Chemist Warehouse Superior Proposal is received, Chemist Warehouse is subject to certain exclusivity arrangements in the Merger Implementation Agreement during the Exclusivity Period. These exclusivity arrangements may diminish the possibility of Chemist Warehouse receiving a Chemist Warehouse Superior Proposal. However, the exclusivity arrangements do not restrict Chemist Warehouse from taking any action or inaction in respect of a Chemist Warehouse Competing Proposal to the extent that the Chemist Warehouse Board determines (acting in good faith and after receiving external advice) that the Chemist Warehouse Competing Proposal could reasonably be expected to lead to a Chemist Warehouse Superior Proposal and failing to take or not take such action would likely breach the fiduciary or statutory duties of the Chemist Warehouse Board. Refer to section 12.4(f) for further details.

If a Chemist Warehouse Superior Proposal emerges, the Chemist Warehouse Directors will consider the proposal and advise Chemist Warehouse Shareholders accordingly (subject to the exclusivity provisions of the Merger Implementation Agreement).

11. 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 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.

(e) The tax consequences of transferring your Chemist Warehouse Shares pursuant to the Scheme may not be attractive to you

The tax consequences of the Scheme will depend on your personal situation. You may consider that the tax consequences of transferring your Chemist Warehouse Shares to Sigma pursuant to the Scheme are not attractive to you.

Chemist Warehouse Shareholders should read the tax implications of the Scheme outlined in section 11. However, section 11 is general in nature, and Chemist Warehouse Shareholders should consult with their own independent taxation advisers regarding the tax implications of the Scheme.

(f) The value of the Scheme Share Consideration is not fixed and will depend on the price at which Sigma Shares trade on ASX after the Implementation Date

The implied value of the Scheme Share Consideration is not certain and the exact value that you receive for your Sigma Shares may move adversely from the market value of the Scheme Share Consideration on the date of this Scheme Booklet or the Scheme Meeting. Alternatively, if there is an increase in the price of Sigma Shares, the implied value you receive for your Chemist Warehouse Shares may move favourably from the value on the date of this Scheme Booklet or the Scheme Meeting.

Sigma Shares will be subject to market volatility, and the effect of general economic conditions, which may cause the value of the Sigma Shares to fluctuate significantly.

Notwithstanding potential short-term fluctuations in the Sigma Share price (whether price decreases or increases), including between the date of this Scheme Booklet and the Implementation Date, you are encouraged to consider the potential investment in the Merged Group over the longer-term and should have regard to the potential benefits and risks associated with an investment in the Merged Group.

3 Frequently asked questions

3. Frequently asked questions

This section 3 answers some frequently asked questions relating to the Scheme. It is not intended to address all relevant issues for Chemist Warehouse Shareholders. This section 3 should be read together with all other parts of this Scheme Booklet.

Question	Answer	More information
Overview of the Scheme		
Why have I received this Scheme Booklet?	This Scheme Booklet has been sent to you because you are a Chemist Warehouse Shareholder and you are being asked to vote on the Scheme. This Scheme Booklet is intended to help you to consider and decide on how to vote on the Scheme at the Scheme Meeting.	Section 4
What is the Scheme?	The Scheme is a scheme of arrangement between Chemist Warehouse and the Scheme Shareholders. A "scheme of arrangement" is a statutory procedure in the Corporations Act that is commonly used in transactions in Australia that may result in a change of ownership or control of a company. In addition to requiring Court approval, schemes of arrangement require a shareholder vote in favour of a resolution to implement the scheme of arrangement by the Scheme Requisite Majorities. If the Scheme is implemented, Sigma will acquire all of the Scheme Shares for the Scheme Consideration. Chemist Warehouse will become a wholly owned subsidiary of Sigma.	Section 4 and Annexure 4
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 Scheme.	Section 12.4
What are the other disclosure documents associated with the Transaction?	In addition to this Scheme Booklet: • Sigma has prepared and issued a notice of meeting and explanatory memorandum in respect of the Sigma Shareholder Meeting. At the Sigma Shareholder Meeting, Sigma Shareholders will vote on the Sigma Transaction Resolutions, the approval of which is a Condition Precedent; and • Sigma will prepare and lodge a prospectus in accordance with the Corporations Act. The lodgement of a prospectus was a condition imposed by ASX in connection with the Transaction. The Sigma Notice of Meeting and Prospectus are (or will be) available on ASX's website at www.asx.com.au and Sigma's website at https://sigmahealthcare.com.au/.	N/A
Who is Sigma?	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 services, including: – provision of branding and support services to the Sigma Franchise Network comprising of 313[12] pharmacies operating as franchises under the Amcal and Discount Drug Stores brands; and – supply of private label products to retail pharmacies, including independent pharmacies; and • third party logistics services to pharmaceutical manufacturers and other suppliers via its national distribution network.	Sections 7.1 and 7.3

12. 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.

Question	Answer	More information
What should I do?	You should take the following steps in relation to the Scheme: • carefully read this Scheme Booklet in its entirety and seek advice if you have any questions; and • vote on the Scheme.	N/A
Recommendations and intentions		
What do the Chemist Warehouse Directors recommend?	The Chemist Warehouse Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Chemist Warehouse Superior Proposal and subject to the Chemist Warehouse Independent Expert continuing to conclude that the Scheme is in the best interests of Chemist Warehouse Shareholders.[13] The reasons for this recommendation and other relevant considerations are set out in section 2. The Chemist Warehouse Directors encourage you to seek independent legal, financial, taxation or other appropriate professional advice.	Letter from the Chairman of the Chemist Warehouse Board
What are the intentions of the Chemist Warehouse Directors with respect to their Chemist Warehouse Shares?	Each Chemist Warehouse Director intends to vote, or procure the voting of, any Chemist Warehouse Shares held or controlled by him or her at the time of the Scheme Meeting in favour of the Scheme in the absence of a Chemist Warehouse Superior Proposal and subject to the Chemist Warehouse Independent Expert continuing to conclude that the Scheme is in the best interests of Chemist Warehouse Shareholders.	Letter from the Chairman of the Chemist Warehouse Board and section 2.1
What is the Chemist Warehouse Independent Expert's opinion?	The Chemist Warehouse Independent Expert has concluded that the Scheme is in the best interests of Chemist Warehouse Shareholders in the absence of a superior proposal. The Chemist Warehouse Independent Expert has assessed the value of a Chemist Warehouse Share to be in the range of $4.85 to $5.48. The value of the Scheme Consideration has been assessed to be in the range of $6.65 to $7.56 per Chemist Warehouse Share. The Chemist Warehouse Independent Expert's Report is set out in Annexure 2 and contains the reasons why the Chemist Warehouse Independent Expert reached this conclusion. The Chemist Warehouse Directors encourage you to read this report in its entirety.	Annexure 2
What if the Chemist Warehouse Independent Expert changes its opinion?	If the Chemist Warehouse Independent Expert changes its opinion, this will be announced to ASX and disclosed to Chemist Warehouse Shareholders. In such circumstances, the Chemist Warehouse Board will consider the Chemist Warehouse Independent Expert's revised opinion and advise Chemist Warehouse Shareholders of its recommendation. The Chemist Warehouse Board, and the Chemist Warehouse Directors individually, may withdraw, adversely modify or adversely qualify their recommendation to vote in favour of the Scheme.	Annexure 2

13. Other than the Relevant Interest in 100% of the Chemist Warehouse Shares arising by virtue of the Chemist Warehouse Shareholders' Deed, Mario Verrocchi has an interest in 404,426,435 Chemist Warehouse Shares, Jack Gance has an interest in 249,917,174 Chemist Warehouse Shares, Samuel Gance has an interest in 228,996,012 Chemist Warehouse Shares, Damien Gance has an interest in 63,346,222 Chemist Warehouse Shares, Adrian Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Marcello Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Sunil Narula has an interest in 26,256,000 Chemist Warehouse Shares, Mario Tascone has an interest in 24,860,308 Chemist Warehouse Shares and Mark Finocchiaro has an interest in 5,255,000 Chemist Warehouse Shares. Each Chemist Warehouse Director also has a Relevant Interest in Chemist Warehouse's indirect holding of 7,596,481 Sigma Shares, which 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 at the discretion of the Merged Group Board. In addition, Mario Verrocchi has a Relevant Interest in an additional 2,882,042 Sigma Shares indirectly through his interest in Goat Properties Pty Ltd and Mark Finocchiaro has a Relevant Interest in Sigma Shares through his direct holding of 17,202 Sigma Shares. Further details on the interests of the Chemist Warehouse Directors, including the benefits they will receive on or in connection with the Scheme becoming Effective, are disclosed in sections 12.1 and 12.3.

Question	Answer	More information
Key considerations relevant to your vote		
What are the reasons why you should vote in favour of the Scheme?	• Unanimous recommendation to vote in favour from Chemist Warehouse Directors.[14] • The Chemist Warehouse Independent Expert has concluded that the Scheme is in the best interests of Chemist Warehouse Shareholders. • Creates a leading retail-pharmacy franchisor and pharmaceutical wholesaler and distributor with Chemist Warehouse Shareholders holding approximately 85.75% of the Merged Group's share capital immediately following Implementation.[15] • Combines two leading and complementary management teams and an experienced Board to continue to drive value creation for all shareholders. • The Merged Group will have the potential to unlock significant synergies and efficiencies which, if realised, are expected to create additional value for Chemist Warehouse Shareholders. • You will receive upfront cash consideration and scrip consideration in a listed entity, providing value transparency and liquidity of your shareholding. • No Chemist Warehouse Superior Proposal has emerged. • Australian resident Chemist Warehouse Shareholders may be eligible for scrip-for-scrip rollover relief.	Section 2.3
What are the reasons why you may wish to vote against the Scheme?	• You may disagree with the Chemist Warehouse Directors' unanimous recommendation and the Chemist Warehouse Independent Expert's conclusion. • You may take the view that the Scheme Consideration does not reflect the underlying value of Chemist Warehouse's contribution to the Merged Group. • You may believe it is in your best interests to maintain your current investment and risk profile. • You may believe that there is potential for a Chemist Warehouse Superior Proposal to emerge. • The tax consequences of transferring your Chemist Warehouse Shares pursuant to the Scheme may not be attractive to you. • The value of the Scheme Share Consideration is not fixed and will depend on the price at which Sigma Shares trade on ASX after the Implementation Date.	Section 2.4
What are the risks relating to Chemist Warehouse if the Scheme is not implemented?	If the Scheme does not proceed, Chemist Warehouse will continue as an unlisted public company and Chemist Warehouse Shareholders will retain their Chemist Warehouse Shares. In these circumstances, Chemist Warehouse will continue to be subject to the risks that currently apply to an investment in Chemist Warehouse, including those applicable to Chemist Warehouse in section 10.2, and may be subject to the risks set out in section 10.4.	Sections 10.2 and 10.4

14. Other than the Relevant Interest in 100% of the Chemist Warehouse Shares arising by virtue of the Chemist Warehouse Shareholders' Deed, Mario Verrocchi has an interest in 404,426,435 Chemist Warehouse Shares, Jack Gance has an interest in 249,917,174 Chemist Warehouse Shares, Samuel Gance has an interest in 228,996,012 Chemist Warehouse Shares, Damien Gance has an interest in 63,346,222 Chemist Warehouse Shares, Adrian Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Marcello Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Sunil Narula has an interest in 26,256,000 Chemist Warehouse Shares, Mario Tascone has an interest in 24,860,308 Chemist Warehouse Shares and Mark Finocchiaro has an interest in 5,255,000 Chemist Warehouse Shares. Each Chemist Warehouse Director also has a Relevant Interest in Chemist Warehouse's indirect holding of 7,596,481 Sigma Shares, which 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 at the discretion of the Merged Group Board. In addition, Mario Verrocchi has a Relevant Interest in an additional 2,882,042 Sigma Shares indirectly through his interest in Goat Properties Pty Ltd and Mark Finocchiaro has a Relevant Interest in Sigma Shares through his direct holding of 17,202 Sigma Shares. Further details on the interests of the Chemist Warehouse Directors, including the benefits they will receive on or in connection with the Scheme becoming Effective, are disclosed in sections 12.1 and 12.3.
15. 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 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.

Question	Answer	More information
What are the risks associated with the Transaction and Sigma Shares?	Chemist Warehouse Shareholders should be aware that there are a number of risks relating to Sigma Shares and associated with the Transaction. Further details on these risks are detailed in section 10.1 10.2 and 10.3.	Sections 10.1 and 10.3.

Overview of the Scheme Consideration

Question	Answer	More information
What is the Scheme Consideration?	If the Scheme is implemented (and provided that you are not an Ineligible Foreign Shareholder), you will receive: • approximately $0.446469 cash per Chemist Warehouse Share that you hold as at the Scheme Record Date; and • approximately 6.317841 New Sigma Shares per Chemist Warehouse Share that you hold as at the Scheme Record Date, assuming that there is no Leakage adjustment to the Scheme Cash Consideration, the total number of Chemist Warehouse Shares as at the Scheme Record Date remains the same as at the Last Practicable Date and the fully diluted number of Sigma Shares on issue as at the Scheme Record Date remains the same as at the Last Practicable Date.[16] As at the date of this Scheme Booklet, each of Sigma and Chemist Warehouse are not aware of any circumstances which would cause, and do not expect, any Sigma Leakage or Chemist Warehouse Leakage, respectively.	Section 4.2
Who is entitled to receive the Scheme Consideration?	You are entitled to receive the Scheme Consideration if you hold Chemist Warehouse Shares on the Scheme Record Date (currently expected to be 7.00pm (Melbourne time) on 6 February 2025). If you are an Ineligible Foreign Shareholder, you will not receive the Scheme Share Consideration.	Section 4.2(c)
When will I receive my Scheme Consideration?	If the Scheme is implemented, on the Implementation Date, you will receive the Scheme Consideration (provided that you are not an Ineligible Foreign Shareholder). If the Scheme Meeting is adjourned or the Effective Date is otherwise delayed, the issuing and payment (as applicable) of the Scheme Consideration will also be delayed. If you are an Ineligible Foreign Shareholder, the cash proceeds (less any applicable brokerage, stamp duty and other costs, taxes and charges) of the sale of the New Sigma Shares to which you would otherwise have been entitled will be paid to you as described in section 4.2(d).	Section 4.2
What happens if the Scheme does not proceed?	If the Scheme is not implemented: • you will remain a Chemist Warehouse Shareholder; • Chemist Warehouse Shareholders will not receive the Scheme Consideration; • a break fee of $25 million may be payable by Chemist Warehouse to Sigma under certain circumstances; • a reverse break fee of $10 million may be payable by Sigma to Chemist Warehouse under certain circumstances; and • Chemist Warehouse will remain an unlisted company.	Section 4.8

16. The above figures are an estimate, and as discussed in section 4.2, the Scheme Cash Consideration will be adjusted for any Leakage prior to the Implementation Date 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 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.

Question	Answer	More information
Will I be able to hold and trade Sigma Shares received as Scheme Consideration?	Yes. Sigma Shares currently trade on ASX and, if the Scheme is implemented, the New Sigma Shares will trade on ASX. Subject to the escrow restrictions for certain Chemist Warehouse Shareholders discussed in section 12.6, it is expected that you will be able to trade the New Sigma Shares on a normal settlement basis from the first Business Day after the Implementation Date.	Section 4.2(b)
Who is an Ineligible Foreign Shareholder?	Ineligible Foreign Shareholders are Chemist Warehouse Shareholders whose address shown in the Chemist Warehouse Share Register at the Scheme Record Date is in a place outside Australia and its external territories or New Zealand.	Section 4.2(d)
What will Ineligible Foreign Shareholders receive under the Scheme?	If you are an Ineligible Foreign Shareholder, you will not receive New Sigma Shares. Instead, you will receive the cash proceeds (less any applicable brokerage, stamp duty and other costs, taxes and charges) of the sale of the New Sigma Shares to which you would otherwise have been entitled.	Section 4.2(d)
Will I have to pay brokerage as a result of the Scheme?	You will not have to pay brokerage on the transfer of your Chemist Warehouse Shares to Sigma under the Scheme.	N/A
What are the taxation implications of the Scheme?	The taxation implications of the Scheme will depend on your particular circumstances. Section 11 provides a general description of the Australian taxation consequences for Scheme Shareholders. You should seek independent, professional taxation advice with respect to your particular circumstances. Chemist Warehouse has received a draft class ruling from the ATO to confirm the key taxation implications of the Scheme. The class ruling has not been finalised as at the date of this Scheme Booklet. The final class ruling is not expected to be issued until after Implementation. When the final class ruling is published by the ATO, it will be available on the ATO's website at www.ato.gov.au and sent to Chemist Warehouse Shareholders.	Section 11
Conditions to the Scheme		
Are there any conditions to the Scheme?	Yes. The Conditions Precedent are summarised in section 12.4(c). As at the date of this Scheme Booklet, the Chemist Warehouse Directors are not aware of any reason why any Condition Precedent to the Scheme will not be satisfied.	Section 12.4(c)

Question	Answer	More information
What is required for the Scheme to become Effective?	The Scheme will become Effective if: • the Scheme is approved by the Scheme Requisite Majorities of Chemist Warehouse Shareholders at the Scheme Meeting to be held at 6.00pm (Melbourne time) on 29 January 2025; • the Court approves the Scheme at the Second Court Hearing and the Court order is lodged with ASIC; and • all of the other Conditions Precedent are satisfied or waived (as applicable).	Section 4.4(c)
Can the Scheme be terminated?	The Merger Implementation Agreement may be terminated in certain circumstances. If the Merger Implementation Agreement is terminated, the Scheme will not proceed. A break fee of $25 million may be payable by Chemist Warehouse to Sigma, or a reverse break fee of $10 million may be payable by Sigma to Chemist Warehouse, depending on the circumstances of termination. The termination rights under the Merger Implementation Agreement are summarised in section 12.4(j).	Section 12.4(j)
Scheme Meeting		
When and where will the Scheme Meeting be held?	The Scheme Meeting will be held in person at the Olympic Hotel, 31 Albert Street, Preston VIC 3072 and virtually at https://meetnow.global/MV5LCT9 at 6.00pm (Melbourne time) on 29 January 2025.	Annexure 6
What will Chemist Warehouse Shareholders be asked to vote on at the Scheme Meeting?	At the Scheme Meeting, Chemist Warehouse Shareholders will be asked to vote on whether to approve the Scheme.	Annexure 6
What is the Chemist Warehouse Shareholder approval threshold for the Scheme?	In order to become Effective, the Scheme must be approved by the Scheme Requisite Majorities, being: • 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 • 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 at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Chemist Warehouse Shareholders, body corporate representative). Even if the Scheme is approved by the Scheme Requisite Majorities of Chemist Warehouse Shareholders at the Scheme Meeting, the Scheme is still subject to the approval of the Court at the Second Court Hearing and the satisfaction or waiver of the other Conditions Precedent.	Section 4.4(a)
Am I entitled to vote at the Scheme Meeting?	If you are registered as a Chemist Warehouse Shareholder on the Chemist Warehouse Share Register at 7.00pm (Melbourne time) on 27 January 2025, you will be entitled to attend and vote at the Scheme Meeting.	Annexure 6
How can I vote if I cannot attend the Scheme Meeting?	If you would like to vote but cannot attend the Scheme 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. You can also participate and vote via the online platform at https://meetnow.global/MV5LCT9.	Annexure 6

Question	Answer	More information
How do I vote?	You can vote: • **in person:** by attending the Scheme Meeting at the Olympic Hotel, 31 Albert Street, Preston VIC 3072; • **online:** by participating and voting via the online platform at https://meetnow.global/MV5LCT9; • **by proxy:** by appointing a proxy to vote at the Scheme Meeting on your behalf. Proxy forms must be received by the Chemist Warehouse Share Registry by 6.00pm (Melbourne time) on 27 January 2025 to be effective; • **by attorney:** by appointing an attorney to vote at the Scheme Meeting on your behalf. A power of attorney must be received by the Chemist Warehouse Share Registry by 6.00pm (Melbourne time) on 27 January 2025; or • **by corporate representative:** if you are a body corporate, by appointing a corporate representative to vote at the Scheme Meeting on your behalf. A certificate of appointment must be received by the Chemist Warehouse Share Registry prior to the Scheme Meeting.	Annexure 6
When will the results of the Scheme Meeting be known?	The results of the Scheme Meeting are expected to be available to Chemist Warehouse Shareholders shortly after the conclusion of the Scheme Meeting by way of email to the email address shown on the Chemist Warehouse Share Register and will be announced by Sigma to ASX (www.asx.com.au) once available.	N/A
What happens to my Chemist Warehouse Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective and is implemented?	If you do not vote, or vote against the Scheme, and the Scheme becomes Effective and is implemented, any Scheme Shares held by you on the Scheme Record Date (currently expected to be 7.00pm (Melbourne time) on 6 February 2025) will be transferred to Sigma and you will receive the Scheme Consideration (unless you are an Ineligible Foreign Shareholder), despite not having voted or having voted against the Scheme.	Section 4.4(a)
The Merged Group		
What is the Merged Group?	The Merged Group is the combined Sigma and Chemist Warehouse group of entities upon implementation of the Scheme. 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.	Section 8
What will be the Merged Group's operations?	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**).	Section 8.2(b)

Question	Answer	More information
Who will own the Merged Group post-Implementation?	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.[17]	N/A
What will be 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 Merged Group's growth strategy is expected to include pursuing multiple lower-risk 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.	Section 8.8
Who will the Merged Group Board and management team be following Implementation?	The Merged Group Board will comprise of: • four existing non-executive directors from Sigma, being Michael Sammells, Annette Carey, Neville Mitchell and Chris Roberts AO; • four nominee directors from Chemist Warehouse, being: – 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). Mark Davis, the current Chief Financial Officer of Chemist Warehouse, will be the Chief Financial Officer of the Merged Group following Implementation. The Merged Group will be led by Mr Ramsunder as Chief Executive Officer, and Mario Verrocchi, reporting to Mr Ramsunder, will continue to lead the Chemist Warehouse business.	Section 8.9
What is the Merged Group's dividend framework?	The Merged Group's proposed dividend policy is set out in section 8.17(o).	Section 8.17(o)

17. 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 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.

Question	Answer	More information
What are the risks associated with the Merged Group?	Chemist Warehouse Shareholders should be aware that there are a number of risks relating to the business and operations of the Merged Group. Further details on these risks are detailed in section 10.2.	Section 10.2
What voting rights will Chemist Warehouse Shareholders have in the Merged Group?	The Scheme Share Consideration comprises New Sigma Shares. Accordingly, Chemist Warehouse Shareholders as at the Scheme Record Date (other than Ineligible Foreign Shareholders) will receive New Sigma Shares upon Implementation. Holders of New Sigma Shares will have the same voting rights as all other Sigma Shareholders.	Section 7.13
Other questions		
What are the costs of the Transaction?	Chemist Warehouse will incur fees related to the Transaction of approximately $40 million if the Scheme is implemented and approximately $23 million if the Scheme is not implemented. Chemist Warehouse may also be required to pay a break fee to Sigma if the Scheme does not proceed, depending on the circumstances. Sigma may also be required to pay a reverse break fee to Chemist Warehouse if the Scheme does not proceed, depending on the circumstances. Further information regarding the break fee and reverse break fee, and the circumstances in which either may become payable, are described in sections 12.4(g) and 12.4(h).	Sections 12.9, 12.4(g) and 12.4(h)
Is a Chemist Warehouse Superior Proposal likely to emerge?	Since the announcement of the execution of the Merger Implementation Agreement on 11 December 2023, and up to the date of this Scheme Booklet no Chemist Warehouse Superior Proposal has emerged. The Chemist Warehouse Directors are not aware of any Superior Proposal likely to emerge as at the date of this Scheme Booklet.	N/A
What happens if a Chemist Warehouse Competing Proposal is received?	If a Chemist Warehouse Competing Proposal is received, the Chemist Warehouse Directors will carefully consider it. Chemist Warehouse must notify Sigma of the Chemist Warehouse Competing Proposal in accordance with the Merger Implementation Agreement. Chemist Warehouse Shareholders should note that Chemist Warehouse has agreed to certain exclusivity and break fee provisions in favour of Sigma under the Merger Implementation Agreement. These are described in sections 12.4(f) and 12.4(h).	Sections 12.4(f) and 12.4(h)
What if I have further questions about the Scheme?	For further information, please contact the Chemist Warehouse Shareholder Information Line on +61 3 9462 9111, between 8.30am and 5.00pm (Melbourne time), Monday to Friday (excluding public holidays). If you are in doubt about anything in this Scheme Booklet, please contact your legal, financial, tax or other professional adviser immediately.	N/A

4 Overview of the Transaction

4. Overview of the Transaction

4.1 Background to 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, the parties have agreed to implement the Scheme between Chemist Warehouse and its shareholders and effect the Transaction.

A full copy of the Merger Implementation Agreement can be obtained from the ASX website (www.asx.com.au/markets/company/sig).

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

If the Scheme is approved by Chemist Warehouse Shareholders at the Scheme Meeting and by the Court at the Second Court Hearing, and if all other Conditions Precedent are satisfied or waived (as applicable):

- Sigma will acquire all Scheme Shares;
- Chemist Warehouse will become a wholly owned subsidiary of Sigma; and
- Scheme Shareholders will receive the Scheme Consideration, noting that Scheme Shareholders who are Ineligible Foreign Shareholders will not receive the Scheme Share Consideration but will instead receive the Ineligible Cash Consideration.

If the Scheme is not approved by Chemist Warehouse Shareholders, the Scheme will not be implemented, Scheme Shareholders will not receive the Scheme Consideration and Chemist Warehouse will continue as an unlisted, standalone public entity.

Chemist Warehouse and Sigma, acting together, reserve the right to amend the Merger Implementation Agreement and the Scheme.

4.2 Scheme Consideration

If the Scheme is approved and implemented, on the Implementation Date (currently expected to be 12 February 2025), Scheme Shareholders will be entitled to receive:

- the Scheme Cash Consideration; and
- the Scheme Share Consideration,

noting that Scheme Shareholders who are Ineligible Foreign Shareholders will not receive the Scheme Share Consideration and will instead receive the Ineligible Cash Consideration.

It is important to note that you will only receive the Scheme Consideration if you are a Scheme Shareholder. You will be a Scheme Shareholder if you hold Chemist Warehouse Shares at the Scheme Record Date (currently expected to be 7.00pm (Melbourne time) on 6 February 2025).

(a) Overview of the Scheme Cash Consideration

If the Scheme is approved and implemented, Scheme Shareholders who have validly registered their bank account details with the Chemist Warehouse Share Registry and elected to receive dividend payments by electronic funds transfer before the Scheme Record Date may have their Scheme Cash Consideration sent electronically to their nominated bank account. Scheme Shareholders may also nominate a bank account for payment of the Scheme Cash Consideration by an appropriate authority to Chemist Warehouse. Otherwise, Scheme Shareholders will have their Scheme Cash Consideration sent by cheque to their address shown on the Chemist Warehouse Share Register as at the Scheme Record Date.

For each Scheme Share held by a Scheme Shareholder, the cash amount per Scheme Share held by a Scheme Shareholder will be calculated as follows:

$$N = \frac{\$700\ million + A}{B}$$

where:

N is the cash amount per Scheme Share held by a Scheme Shareholder;

A is the net amount of any Leakage calculated in accordance with clause 11 of the Merger Implementation Agreement, provided that:

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

B is the total number of Scheme Shares.

Chemist Warehouse Leakage includes dividends or distributions to Chemist Warehouse Shareholders, payments to a Chemist Warehouse Shareholder in respect of securities, payments for the benefit of a Chemist Warehouse Shareholder, incurring indebtedness in favour of a Chemist Warehouse Shareholder, cancelling, waiving or forgiving amounts or obligations owed by a Chemist Warehouse Shareholder or transferring assets or other benefits to a Chemist Warehouse Shareholder.

Chemist Warehouse Leakage excludes 'Chemist Warehouse Permitted Leakage', which covers permitted dividends, certain payments in the ordinary course of business and consistent with past practice, certain payments disclosed to Sigma, Chemist Warehouse Leakage that is reversed, eliminated or reduced, Chemist Warehouse Leakage below specified thresholds and payments approved by Sigma.

Sigma Leakage and Sigma Permitted Leakage is defined in a substantially equivalent manner.

Each of Chemist Warehouse and Sigma must notify the other party if it becomes aware of Leakage (as applicable to it). Each party must also provide a certificate on the Scheme Record Date certifying either that no Leakage has occurred during the period or that Leakage did occur, together with reasonable details regarding the Leakage.

As at the date of this Scheme Booklet, each of Sigma and Chemist Warehouse are not aware of any circumstances which would cause, and do not expect, any Sigma Leakage or Chemist Warehouse Leakage, respectively.

As an estimate, assuming that there is no Leakage adjustment to the Scheme Cash Consideration and the total number of Chemist Warehouse Shares as at the Scheme Record Date remains the same as at the Last Practicable Date, a Scheme Shareholder will receive approximately $0.446469 cash per Scheme Share held.

(b) Overview of the Scheme Share Consideration

If the Scheme is approved and implemented, Scheme Shareholders (except for Ineligible Foreign Shareholders) will be entitled to receive the Scheme Share Consideration. The Scheme Share Consideration is the number of New Sigma Shares for each Chemist Warehouse Share held on the Scheme Record Date (currently expected to be 7.00pm (Melbourne time) on 6 February 2025) calculated as follows:

$$N = \frac{0.8575 \times \left(\frac{A}{0.1425}\right)}{B}$$

where:

N is the number of New Sigma Shares;

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:

1. excludes any options, rights or securities existing as at the date of the Merger Implementation Agreement that are convertible into Sigma Shares, which will be cancelled or otherwise extinguished for nil consideration on or before the Implementation Date; and
2. 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, which will be settled fully or partially for cash consideration; and

B is the total number of Scheme Shares.

New Sigma Shares will be fully paid, rank equally with all other Sigma Shares in all respects and be listed on ASX. Sigma must use reasonable endeavours to ensure the New Sigma Shares are listed for quotation on ASX from the first Business Day after the Effective Date.

As an estimate, assuming that the total number of Chemist Warehouse Shares as at the Scheme Record Date remains the same as at the Last Practicable Date and the fully diluted number of Sigma Shares on issue as at the Scheme Record Date remains the same as at the Last Practicable Date,[18] a Scheme Shareholder will receive approximately 6.317841 New Sigma Shares per Scheme Share held.

18. The above figures are an estimate, and as discussed in section 4.2, the Scheme Cash Consideration will be adjusted for any Leakage prior to the Implementation Date 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 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.

(c) Eligibility and limitations

A Scheme Shareholder is only entitled to receive the Scheme Consideration in respect of all of its Chemist Warehouse Shares held on the Scheme Record Date.

Ineligible Foreign Shareholders will receive the Ineligible Cash Consideration in respect of any New Sigma Shares that would otherwise have been issued to them under the Scheme. They will not receive any Scheme Share Consideration, unless Sigma and Chemist Warehouse agree otherwise.

Ineligible Foreign Shareholders are those Scheme Shareholders who have an address in the Chemist Warehouse Share Register as at the Scheme Record Date in a place outside Australia and its external territories or New Zealand, unless Sigma and Chemist Warehouse agree otherwise.

(d) Ineligible Cash Consideration

Under the Scheme, Sigma will be under no obligation to issue any New Sigma Shares under the Scheme to any Ineligible Foreign Shareholder. Sigma will issue the New Sigma Shares that would have otherwise been required to be issued to the Ineligible Foreign Shareholders to the Sale Agent.

As soon as reasonably practicable after the Implementation Date, the Sale Agent will sell on-market, or procure the sale on-market of, all of the New Sigma Shares issued to it and remit the sale proceeds (less any applicable brokerage, stamp duty and other costs, taxes and charges) (**Proceeds**) to Chemist Warehouse for payment to the Ineligible Foreign Shareholders.

Promptly after receiving the Proceeds, Chemist Warehouse must pay, or procure the payment of, to each Ineligible Foreign Shareholder, the Ineligible Foreign Shareholder's pro-rata share of the Proceeds rounded down to the nearest cent (**Ineligible Cash Consideration**).

The Ineligible Cash Consideration received by Ineligible Foreign Shareholders will depend on the price at which the New Sigma Shares can be sold at the relevant time and other costs and charges incurred by the Sale Agent in connection with the sales. The amount of money received by each Ineligible Foreign Shareholder will be calculated on an averaged basis so that all Ineligible Foreign Shareholders will receive the same price per New Sigma Share, subject to rounding down to the nearest cent.

An Ineligible Foreign Shareholder's pro rata share of the Proceeds may be more or less than the value of the New Sigma Shares that the shareholder would have received. None of the Sale Agent, Chemist Warehouse or Sigma gives any assurance as to the price that will be achieved for the sale of these New Sigma Shares by the Sale Agent.

Ineligible Foreign Shareholders who have validly registered their bank account details with the Chemist Warehouse Share Registry and elected to receive dividend payments by electronic funds transfer before the Scheme Record Date may have their Ineligible Cash Consideration sent electronically to their nominated bank account. Ineligible Foreign Shareholders may also nominate a bank account for payment of their Ineligible Cash Consideration by an appropriate authority to Chemist Warehouse. Otherwise, Scheme Shareholders will have their Ineligible Cash Consideration sent by cheque to their address shown on the Chemist Warehouse Share Register as at the Scheme Record Date.

The payment of the Ineligible Cash Consideration to an Ineligible Foreign Shareholder will satisfy in full the Ineligible Foreign Shareholder's right to the Scheme Share Consideration.

(e) Fractional entitlements

Where the calculation of the Scheme Cash Consideration or number of New Sigma Shares to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent or New Sigma Share, then the fractional entitlement will be rounded down to the nearest whole cent or number of New Sigma Shares (as applicable).

4.3 Conditions precedent

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.

The Conditions Precedent are summarised in section 12.4(c) of this Scheme Booklet.

4.4 Key steps in the Scheme

(a) Scheme Meeting

The Court has ordered Chemist Warehouse to convene the Scheme Meeting at which Chemist Warehouse Shareholders will be asked to approve the Scheme.

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure 6.

The Scheme will only become Effective and be implemented if:

- it is approved by the Scheme Requisite Majorities of Chemist Warehouse Shareholders at the Scheme Meeting to be held at 6.00pm (Melbourne time) on 29 January 2025;
- it is approved by the Court at the Second Court Hearing, which is expected to be held at 10.15am (Melbourne time) on 3 February 2025, and the Court order is lodged with ASIC; and
- the other Conditions Precedent outlined in section 4.3 are satisfied or waived (as applicable).
- The Scheme Requisite Majorities of Chemist Warehouse Shareholders to approve the Scheme are:
- 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
- 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).

The Court has the power to waive the first Scheme Requisite Majorities requirement.

Chemist Warehouse Shareholders who are registered on the Chemist Warehouse Share Register at 7.00pm (Melbourne time) on 27 January 2025 will be entitled to attend and vote at the Scheme Meeting. Further details on how to attend and vote at the Scheme Meeting are set out in the Notice of Scheme Meeting in Annexure 6.

Voting is not compulsory. However, you should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Scheme Requisite Majorities of Chemist Warehouse Shareholders and the Court. If this occurs, your Chemist Warehouse Shares will be transferred to Sigma and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme.

The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced by Sigma on ASX once available.

(b) Court approval

In the event that:

- the Scheme is approved by the Scheme Requisite Majorities of Chemist Warehouse Shareholders at the Scheme Meeting to be held at 6.00pm (Melbourne time) on 29 January 2025; and
- all other Conditions Precedent (except Court approval of the Scheme) have been satisfied or waived (as applicable),

then Chemist Warehouse will apply to the Court for orders approving the Scheme.

Each Chemist Warehouse Shareholder has the right to appear at the Second Court Hearing, which is expected to be held at 10.15am (Melbourne time) on 3 February 2025.

(c) Effective Date

If the Court approves the Scheme at the Second Court Hearing, the Scheme will become Effective on the Effective Date (currently expected to be 4 February 2025), being the date an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC. Chemist Warehouse will, on the Scheme becoming Effective, give notice of that event to ASX via Sigma.

(d) Scheme Record Date and entitlement to participate in the Scheme

Chemist Warehouse Shareholders who are recorded on the Chemist Warehouse Share Register on the Scheme Record Date (currently expected to be at 7.00pm (Melbourne time) on 6 February 2025) or such other time and date as the parties agree in writing) will be entitled to receive the Scheme Consideration in respect of the Chemist Warehouse Shares they hold at that time.

(1) Dealings on or prior to the Scheme Record Date

For the purposes of determining which Chemist Warehouse Shareholders are eligible to participate in the Scheme, dealings in Chemist Warehouse Shares will be recognised only if:

- the transferee is registered on the Chemist Warehouse Share Register as the holder of the relevant Chemist Warehouse Shares before the Scheme Record Date; and
- registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received by the Chemist Warehouse Share Registry before the Scheme Record Date (and the transferee remains registered as at the Scheme Record Date).

For the purposes of determining entitlements under the Scheme, Chemist Warehouse will not accept for registration or recognise any transfer or transmission applications in respect of Chemist Warehouse Shares received after the Scheme Record Date.

(2) Dealings after the Scheme Record Date

For the purpose of determining entitlements to the Scheme Consideration, Chemist Warehouse must maintain the Chemist Warehouse Share Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders. The Chemist Warehouse Share Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- all statements of holding for Chemist Warehouse Shares will cease to have effect as documents relating to title in respect of such Chemist Warehouse Shares; and
- each entry current on the Chemist Warehouse Share Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Chemist Warehouse Shares relating to that entry.

(e) Implementation

By no later than the Business Day before the Implementation Date (currently expected to be 12 February 2025), Sigma will deposit (or will procure the deposit) an amount equal to the aggregate Scheme Cash Consideration to be provided to Scheme Shareholders into a Chemist Warehouse operated Australian dollar denominated trust account with an authorised deposit taking institution in Australia as trustee for the Scheme Shareholders. On the Implementation Date, Chemist Warehouse must pay, or procure the payment of, the Scheme Cash Consideration to each Scheme Shareholder.

Scheme Shareholders (other than Ineligible Foreign Shareholders) will be issued the Scheme Share Consideration on the Implementation Date. Immediately after the Scheme Share Consideration is issued to Scheme Shareholders, the Scheme Shares will be transferred to Sigma.

(f) Deed Poll

A Deed Poll has been entered into by Sigma in favour of the Scheme Shareholders, pursuant to which Sigma has undertaken to:

- provide, or procure the provision of, the Scheme Consideration to each Scheme Shareholder under the Scheme, subject to the Scheme becoming Effective; and
- take all other actions, and give each acknowledgement, representation and warranty attributed to it under the Scheme, in favour of each Scheme Shareholder.

A copy of the Deed Poll is set out in Annexure 5 to this Scheme Booklet.

4.5 Warranties by Scheme Shareholders

Under the terms of the Scheme, each Scheme Shareholder is taken to have warranted to Sigma, and appointed and authorised Chemist Warehouse as its attorney and agent to warrant to Sigma, on the Implementation Date, that:

- all their Chemist Warehouse Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the PPSA) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- they have full power and capacity to transfer their Scheme Shares to Sigma together with any rights and entitlements attaching to those shares.

4.6 Authority given by Scheme Shareholders

Under the terms of the Scheme, each Scheme Shareholder is taken to have appointed and authorised Chemist Warehouse as its attorney and agent to:

- on and from the Effective Date (currently expected to be 4 February 2025), enforce the Deed Poll against Sigma; and
- on and from the Implementation Date (currently expected to be 12 February 2025), execute any document or do or take any other act necessary, desirable or expedient to give effect to the Scheme and the transactions contemplated by it.

4.7 Chemist Warehouse Permitted Dividend

Under the Merger Implementation Agreement, Chemist Warehouse is permitted to declare and pay dividends up to an aggregate amount equal to 80% of the Chemist Warehouse Group's normalised net profit after tax (as adjusted to exclude the impact of any asset sales or items which are non-cash and non-recurring) for the period between 30 June 2023 and the date on which the dividend is declared. This is subject to Chemist Warehouse reasonably believing that payment of the dividend will not result in the Chemist Warehouse Group's net debt exceeding $300 million as at the last day of the Implementation month.

Any such dividend may be fully or partly franked, provided that the Chemist Warehouse franking account does not fall into deficit upon payment.

Chemist Warehouse intends to declare and pay a permitted dividend to Chemist Warehouse Shareholders. The quantum of the dividend will be confirmed by the Chemist Warehouse Board closer to Implementation and payment is expected to occur prior to the Implementation Date. The payment of this dividend is not conditional on the Scheme and will not affect the Scheme Consideration.

4.8 Consequences if the Scheme does not proceed

If the Scheme is not implemented:

- Chemist Warehouse Shareholders will continue to hold Chemist Warehouse Shares and will be exposed to general risks as well as risks specific to Chemist Warehouse, including those set out in section 10.4;
- Chemist Warehouse Shareholders will not receive the Scheme Consideration;
- a break fee of $25 million (excluding GST) may be payable by Chemist Warehouse to Sigma under certain circumstances. Those circumstances do not include the failure by Chemist Warehouse Shareholders to approve the Scheme at the Scheme Meeting. Further information on the break fee is set out in section 12.4(h);
- a reverse break fee of $10 million (excluding GST) may be payable by Sigma to Chemist Warehouse under certain circumstances. Further information on the reverse break fee is set out in section 12.4(g); and
- Chemist Warehouse will continue as an unlisted, standalone public entity with management continuing to implement the business plan and financial and operating strategies it had in place prior to 11 December 2023, being the date that Chemist Warehouse and Sigma entered into the Merger Implementation Agreement.

5 Industry overview

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 5.5). 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:

(a) **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.

(b) **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.

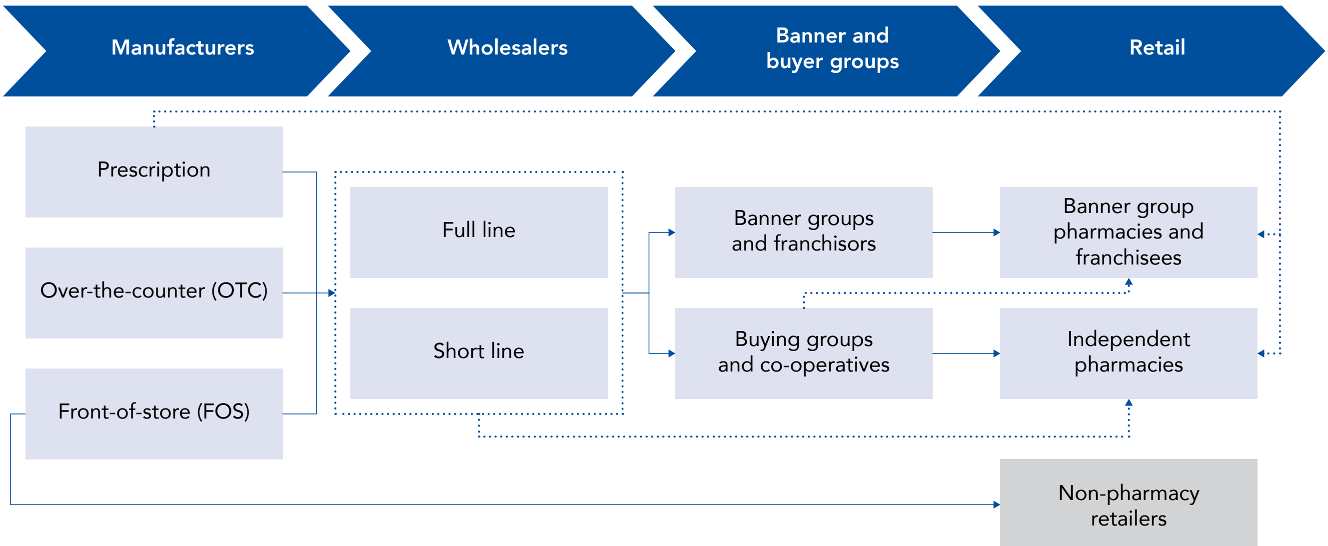
(c) **Banner and buying groups:** Banner groups are groups of pharmacies operating under a common brand, which are often operated as franchises. Banner groups typically provide services and support to their members. Many banner groups also provide their members with intellectual property and branding 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.

(d) **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.[19] The number of registered pharmacies in Australia has been broadly stable over time, increasing from approximately 5,800 pharmacies in 2019.[20]

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

(1) **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%.[21] This age group demographic is estimated to account for 53%[22] 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.

(2) **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.[23] 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.[24]

Total Government expenditure on PBS medicines was $17.0 billion in 2022-23 and has grown at a CAGR of 6.7% since 2001-02 until 2022-23.[25] 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.[26]

(3) **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.

(4) **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.[27]

(5) **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.[28]

(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.
- **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.

19. 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).
20. 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).
21. 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).
22. 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).
23. 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).
24. Australian Federal Budget Paper No. 1, 14 May 2024 (https://budget.gov.au/content/bp1/download/bp1_2024-25.pdf).
25. 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).
26. 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).
27. CommBank Pharmacy Insight 2023, 17 August 2023 (https://www.commbank.com.au/articles/newsroom/2023/08/Pharmacy-Insights-2023.html).
28. IBISWorld Vitamin and Supplement Manufacturing in Australia Report, accessed 28 October 2024 (https://www.ibisworld.com/au/industry/vitamin-and-supplement-manufacturing/5417/).

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

(1) 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)(6).

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)(6). 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.

(2) Banner groups and buying groups

Around 60% of Australia's pharmacies are part of a banner group, with the remainder being independents.[29]

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 IP 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:[30]

- **The Merged Group (from Implementation):** Chemist Warehouse, MyChemist, Amcal, and Discount Drug Stores brands, and Pipeline Stores (880 franchise pharmacies operating under these brands).[31]
- **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).[32]

29. 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).
30. 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 Scheme Booklet, 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 Scheme Booklet 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.
31. 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.
32. 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).

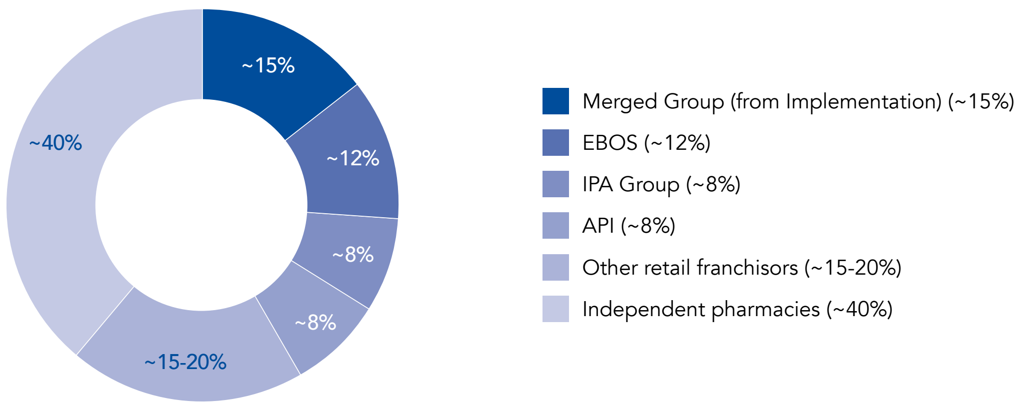
- **Independent Pharmacies of Australia Group (IPA Group):** a buying group, which also offers brand services under the Alliance Pharmacy, Advantage Pharmacy, and Chemist Discount Centre brands (approximately 500 franchise pharmacies operating under these brands).[33]
- **Australian Pharmaceutical Industries (API):** Priceline, Soul Pattinson Chemist, and Pharmacist Advice brands (approximately 500 franchise pharmacies operating under these brands).[34]

A further 15-20% of pharmacies operate under banner brands owned by small to medium retail franchisors.[35] 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)[36]



(3) 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.

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. 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).
35. 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).
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).

(d) Consumer trends

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

(1) **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).[37] In turn, real wages have fallen significantly over the same period.[38] 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.

(2) **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.[39]

(3) **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.

(4) **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.[40] 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(b) 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).

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

37. 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).
38. 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).
39. NAB Pharmacy Survey 2021, 19 August 2021 (https://business.nab.com.au/wp-content/uploads/2021/08/NAB-Pharmacy-report-FINAL.pdf).
40. Digital Health, Electronic Prescriptions, accessed 28 October 2024 (https://www.digitalhealth.gov.au/initiatives-and-programs/electronic-prescriptions).

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)(7)(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)(7)(A) 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:

(1) **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 2022[41] 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.[42]

(2) **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)(7)(A) for further details).

(3) **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.

(4) **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.

41. 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).
42. Australian Federal Budget Paper No. 2, 14 May 2024 (https://budget.gov.au/content/bp2/download/bp2_2024-25.pdf).

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).

Figure 3: Key international markets

Geography	Key characteristics and drivers
New Zealand[43]	• The New Zealand retail pharmacy industry is mature and is characterised by pharmacy ownership regulation and increasing competitive pressures. • Key legislation includes the *Medicines Act 1981* (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) • 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. • There are approximately 1,000 registered pharmacies in New Zealand.[44]
Ireland[45]	• The Irish pharmacy retail industry is characterised by pricing regulations, recent industry consolidation, and corporate fragmentation. • 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). • 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. • 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. • The are approximately 2,000 registered pharmacies in Ireland.[46]
China[47]	• The Merged Group's operations in China relate to FOS goods and OTC products, but no prescription products are sold. • The Chinese health and beauty industry is a large and growing market. • For information on the regulatory framework in China, please refer to section 5.5(d). • 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. • The health and beauty industry in China is highly fragmented.
Dubai[48]	• The Dubai retail pharmacy industry is characterised by convenience-focused consumers given the high-population density and growing competition from international brands. • For information on the regulatory framework in Dubai, please refer to section 5.5(e). • 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. • There are approximately 1,500 registered pharmacies in Dubai.[49]

43. 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).
44. Health New Zealand, Community Pharmacy, accessed 28 October 2024 (https://www.tewhatuora.govt.nz/health-services-and-programmes/community-pharmacy).
45. IBISWorld Dispensing Chemists in Ireland Report, accessed 28 October 2024 (https://www.ibisworld.com/ireland/market-research-reports/dispensing-chemists-industry/#Methodology).
46. Pharmaceutical Society of Ireland, 2023 Annual Report, 28 June 2024 (https://www.psi.ie/sites/default/files/2024-06/Annual%20Report_2023.pdf).
47. 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/).
48. Tech Sci Research, UAE Pharmacy Retail Market, accessed 1 November 2024 (https://www.techsciresearch.com/report/uae-pharmacy-retail-market/9407.html).
49. Dubai Health Authority, Dubai Medical Registry (https://services.dha.gov.ae/sheryan/wps/portal/home/medical-directory).

5.5 Regulatory framework

(a) Australia

(1) 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.

(2) 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'[50] 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.

(3) 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.

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50. The sponsor is a person or company who exports or imports therapeutic 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.

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.

(4) 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.

(5) 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.

(6) 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 pharmacist[51] 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 Queensland[52] 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.

51. Or, in some jurisdictions, a pharmacist's spouse and / or other close relatives.
52. 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.[53] NSW's and Queensland's laws additionally render void any requirement that the pharmacy business must purchase goods or services from a particular supplier.

(7) Pharmaceutical benefits scheme

(A) Pricing and co-payments

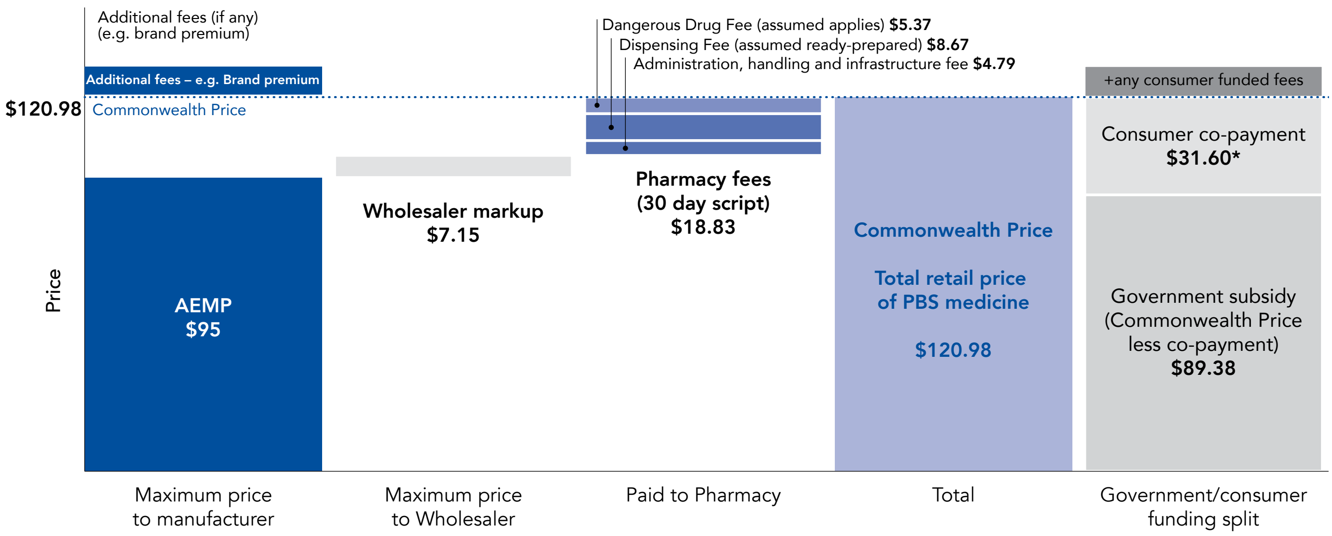
Most of the prescription products which are commonly used in Australia are listed on the PBS, which means that when an Australian citizen or resident buys the pharmaceutical from a pharmacy, the Federal Government regulates the retail price charged by the pharmacy.

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'.[54] 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).[55]

Figure 4 below provides a simplified illustration of the components of the Commonwealth Price.[56]

Figure 4: Commonwealth Price components – simplified overview



* 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.

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53. This is an offence in the Northern Territory.
54. 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.
55. 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.
56. 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; (xi) 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).

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

- **Australian ex-manufacturer price (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).[57]

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)(7)(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)(7)(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).

(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;

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

- 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);[58]
- 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.

(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 (**CPAs**). The CPAs are agreements previously between the Commonwealth, the Pharmacy Guild of Australia (**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),[59] but most recently only between the Commonwealth and the Pharmacy Guild. The CPAs generally run for 5 years. The current CPA, known as '8CPA'[60] 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.

(8) 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.

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.

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58. Compliance with the Wholesaling Code is also a condition of the wholesale licence in some States and Territories.
59. 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.
60. It is the 8th iteration of this agreement.

(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 that is 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.

(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.

Additional registrations may be relevant depending on the product range, for example, whether the stores sell food.

(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 Chemist Warehouse

6. Information about Chemist Warehouse

6.1 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**).[61] 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**.[62]

For the financial year ended 30 June 2024, Chemist Warehouse reported:[63]

- 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.

6.2 History of Chemist Warehouse

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

6.3 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)(2)(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)(2);[64]
- advertising and marketing activities (**Advertising and marketing services**). Further details regarding advertising and marketing activities are set out in section 8.2(g);
- 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)(1);[65] and
- strategic equity positions in several suppliers (**Partnerships and investments**). Further details regarding partnerships and investments are set out in section 8.2(j)(2).

61. 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.
62. Other Retail Brands include Ultra Beauty and Optometrist Warehouse. Refer to section 8.2(d) for further information.
63. 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).
64. 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.
65. 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'.

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)(2)(A).

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

6.4 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 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

6.5 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%

6.6 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.
- The transfers occurred at a price agreed between the relevant parties. The transfer price was $4.50 per Chemist Warehouse Share.

6.7 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 at the discretion of the Merged Group Board.

6.8 Historical financial information

(a) Overview

This section 6.8 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 6.8 should be read in conjunction with the risk factors set out in section 10, 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 Scheme Booklet.

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 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.

6. Information about Chemist Warehouse continued

(c) Chemist Warehouse Historical Income Statements

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

Figure 5: 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**

(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 6: 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 7: 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**

(f) Management Discussion and Analysis

Refer to sections 8.17(m) and 8.17(n) for management discussion and analysis of the Merged Group Pro Forma Historical Financial Information, which includes the Chemist Warehouse Historical Financial Information.

6.9 Material changes in financial position

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.

6.10 Chemist Warehouse Directors' intentions

If the Scheme 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).[66] As Sigma may reconstitute the Chemist Warehouse Board, it is not possible for all Chemist Warehouse Directors to provide a statement of their intentions after the Scheme is implemented. However in relation to the Chemist Warehouse Directors who will join the Sigma Board on Implementation, their current intention is that the Chemist Warehouse 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 Chemist Warehouse and future employment of present Chemist Warehouse 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 Chemist Warehouse business, any major changes to the Chemist Warehouse business and the future employment of Chemist Warehouse 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.

If the Scheme is not implemented, the Chemist Warehouse Directors intend to continue to operate Chemist Warehouse in the ordinary course of business.

6.11 Publicly available information about Chemist Warehouse

As discussed in section 12.4(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.

66. 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 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.

7 Information about Sigma

7. Information about Sigma

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

7.1 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 313[67] 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 8: 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[68] 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[69] • 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[70]
People	• Over 800 full time employees[71]
Key financials[72]	• 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;

67. 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.
68. As at 30 June 2024. Includes pharmacies within the Sigma Franchise Network, as well as independent pharmacy customers.
69. Sigma's distribution network does not include Sigma's Eastern Creek distribution centre, which Sigma is sub-leasing.
70. For the 12 months to 31 July 2024.
71. As at 30 June 2024.
72. For the 12 months to 31 July 2024.

- 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.

7.2 History

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

7.3 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.

(1) Wholesale distribution

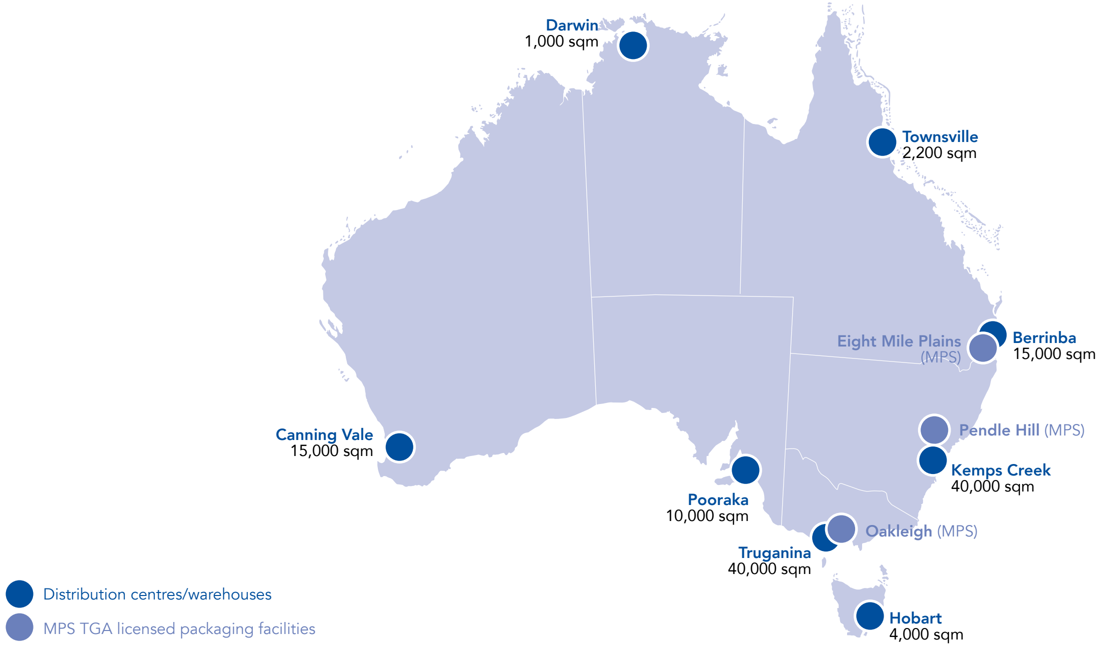
For the 12 months to 31 July 2024, Sigma derived $3.4 billion in wholesale revenue (representing 96% of its total revenue). Sigma primarily generates wholesale revenue by buying products in bulk from pharmaceutical manufacturers and distributing them to over 3,500 pharmacies across Australia, including 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(b) 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 9: Sigma distribution centres and packing facilities[73]



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

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.

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.

(2) 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.[74]
- **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.[75]

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 10: Sigma Franchise Network

	Amcal+	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 pharmacies[76]	• 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 program[77]	• 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)(2)(B).

The process of identifying new franchisees for Amcal and DDS is through enquiries from individuals and does not require referrals from existing franchises. New Amcal and DDS franchisees are provided with a number of benefits that are set out in section 8.2(e)(3)(B).

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

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)(2).

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 350 (as at 30 June 2024), with the reduction of 89 of those stores being attributable to the consolidation.[78] 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 11: Private and exclusive label brands

Pharmacy Care	Beauty Theory	Amcal	Skin Theory
Range of over 200[79] prescription medicines, OTS and FOS products, including skincare, pain relief medication, vitamins, beauty, and baby products. Pharmacy Care 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.	Range of over 100[80] FOS beauty and hair products, including tweezers and hairbrushes. Beauty Theory products are offered to both independent pharmacies and Sigma Franchise Network stores.	Range of over 110[81] products, including medicines and FOS products. 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.	Products include hand wash, body wash, shampoo and conditioner. Skin Theory products are offered to both independent pharmacies and Sigma Franchise Network stores. 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.[82] 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.

(3) 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.

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78. As at 30 June 2024, there were 313 Sigma Franchise Network stores excluding PharmaSave and Guardian, comprising 209 Amcal and 104 DDS stores. There are 350 stores when including PharmaSave (37 pharmacies as at 30 June 2024) and Guardian (no stores as at 30 June 2024).
79. As at 30 June 2024.
80. As at 30 June 2024.
81. As at 30 June 2024.
82. Sigma derived less than 1% of revenue from PEL products for the 12 months to 31 January 2024.

(4) 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 12: 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 pharmacy 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

7.4 Funding for the Scheme Cash Consideration

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 8.14, 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. For further information on the Banking Facilities, please refer to section 8.14.

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

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.

7.5 Sigma Board and senior management

(a) Sigma Board

(1) Michael Sammells (Independent non-executive Chair)

Mr Sammells' experience and background are set out in section 8.9(a).

(2) Vikesh Ramsunder (Chief Executive Officer and Managing Director)

Mr Ramsunder's experience and background are set out in section 8.9(a).

(3) Kathryn (Kate) D Spargo (Independent non-executive director)

Ms Spargo was appointed a Director of Sigma in December 2015.

Ms Spargo is currently a non-executive director of the following listed entities: Sonic Healthcare Limited and Bapcor Ltd. In addition, Ms Spargo is also currently a non-executive director at CIMIC Ltd (now unlisted). Over the last three years, Ms Spargo was a non-executive director at Adairs Limited and Xenith IP Ltd. In September 2021, Ms Spargo retired from her position as Chairman of CoInvest and at the same time joined the board of the unlisted company Jellis Craig.

Ms Spargo is also director at the Geelong Football Club and Future Fuels Cooperative Research Centre.

(4) Annette Carey (Independent non-executive director)

Ms Carey's experience and background are set out in section 8.9(a).

(5) Dr Christopher (Chris) Roberts AO (Independent non-executive director)

Dr Roberts' experience and background are set out in section 8.9(a).

(6) Neville Mitchell (Independent non-executive director)

Mr Mitchell's experience and background are set out in section 8.9(a).

(b) Sigma senior management

(1) Vikesh Ramsunder (Chief Executive Officer and Managing Director)

Mr Ramsunder's experience and background are set out in section 8.9(a).

(2) Mark Conway (Chief Financial Officer)

Mr Conway commenced as Chief Financial Officer of Sigma on 30 October 2023. Prior to joining Sigma, Mark worked at Fonterra for over 14 years where he held a number of senior finance roles including strategy, commercial and supply chain and most recently as Chief Financial Officer of their Australian business. Mark also has broad experience at Accenture, Fosters Group, Downer EDI and Rio Tinto. Mark brings a wealth of knowledge and experience from working in businesses with similar aspects to Sigma such as detailed supply chains and wholesale customer relationships.

7.6 Interests of Sigma Directors

(a) Interests in Sigma Shares

Sigma has a Minimum Shareholding Policy that applies to Sigma Directors.

The interests of Sigma Directors in Sigma Shares and other securities in Sigma as at the Last Practicable Date are set out in the table below.

	Sigma Shares held at the Last Practicable Date		Sigma Shares held at Implementation	
Sigma Director (and associated entities)	**Fully diluted**	**Shares on issue**	**Fully diluted**	**Shares on issue**
Michael Sammells	258,448	258,448	258,448	258,448
Vikesh Ramsunder	17,750,912[83]	11,662,028	15,805,735	12,829,134
Chris Roberts	12,014	12,014	12,014	12,014
Annette Carey	21,212	21,212	21,212	21,212
Neville Mitchell	30,295	30,295	30,295	30,295
Kate Spargo	719,679	719,679	719,679	719,679

(b) Interests in Chemist Warehouse Shares

As at the Last Practicable Date, none of the Sigma Directors have a Relevant Interest in any Chemist Warehouse Shares.

(c) Other interests in the outcome of the Scheme

Other than as disclosed in this Scheme Booklet, none of Sigma or any of its associates will be making any payment or giving any benefit to any current Sigma Director, secretary or executive officer of Sigma or any of its Related Bodies Corporate as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

7.7 Historical financial information

(a) Overview

This section 7.7 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; and
  - the years ended 31 July 2022, 31 July 2023 and 31 July 2024,

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

83. For the purposes of this table, the fully diluted calculation as at the Last Practicable Date includes 1,945,177 Sigma Performance Rights that will lapse upon Implementation and be replaced with cash bonuses of equivalent value (see "Treatment under the Transaction" in Figure 25 and Figure 29).

- 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; and
  - the years ended 31 July 2022, 31 July 2023 and 31 July 2024,

  (together, the **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 7.7 should be read in conjunction with the risk factors set out in section 10, 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.sigmahealthcare.com.au/ or on the ASX (www.asx.com.au) and other information contained in this Scheme Booklet.

All amounts disclosed in this section 7.7 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; and
- 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 July 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 13: 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 14: 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**

(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 15: 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.

7. Information about Sigma continued

Figure 16: 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.

(e) Sigma Historical Statement of Financial Position

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

Figure 17: 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 7.7(f) are the Sigma Historical Income Statements and the Sigma Historical Statements 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 Statements 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 Statements 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.

(1) 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 18: 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 13 and Figure 14.

Figure 19: 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 18 note.

Figure 20: 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 18 note.

(2) 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 21: 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.

Figure 22: 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 21 note. The same reclassification has been made for the 6 months ended 31 July 2022.

Figure 23: 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 21 note. The same reclassification has been made for the 6 months ended 31 July 2021 and the 12 months ended 31 January 2022..

(g) Management Discussion and Analysis

Refer to sections 8.17(m) and 8.17(n) for management discussion and analysis of the Merged Group Pro Forma Historical Financial Information, which includes the Sigma Historical Financial Information.

7.8 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.

7.9 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

7.10 Substantial holders in Sigma Shares

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

Name	Number of Sigma Shares	Voting power[84]	Date of substantial holder notice[85]
Challenger	121,157,064	7.4%	11 November 2024
Cooper	119,834,772	7.3%	6 August 2024
HMC Capital Limited	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

7.11 Sigma share price performance

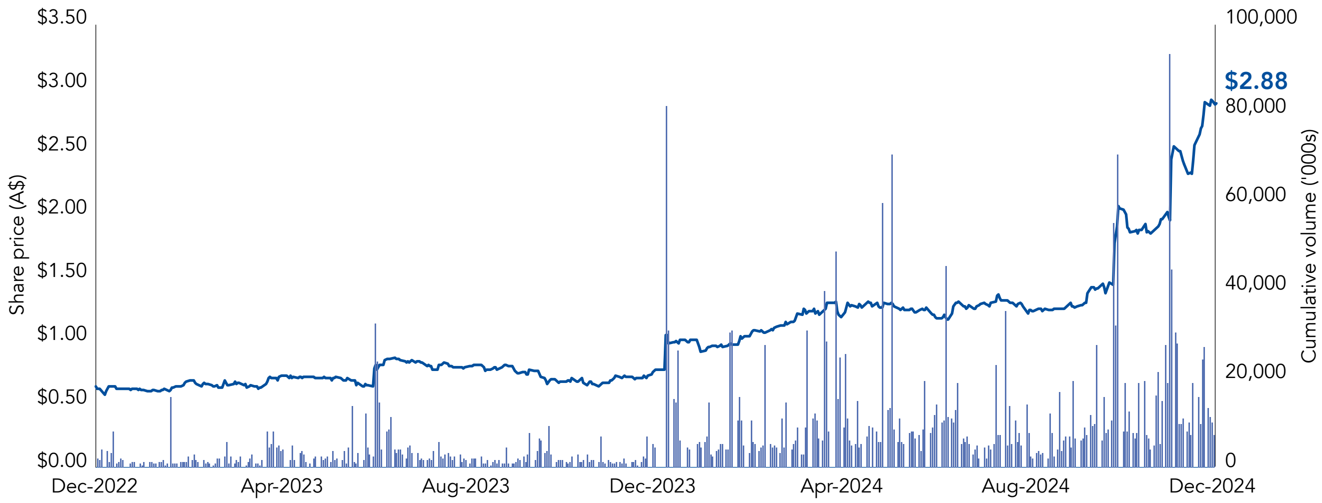
Sigma Shares are quoted on the ASX under the code 'SIG'.

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).

84. 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.
85. As set out in the substantial holder notice lodged with ASX.

7.12 Sigma incentive arrangements

Sigma has in place several equity-based, incentive plans (**Sigma Incentive Plans**) under which eligible participants have been granted equity securities in Sigma (**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 24 below summarises the Sigma 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 7.12(a) to 7.12(b), including how these Sigma Incentive Securities will be impacted if the Transaction completes.

Following Implementation, any future grants of equity-based incentives will be determined by the Merged Group Board.

Figure 24: Overview of Sigma Incentive Plans

Plan	Participants[1]	Sigma Incentive Securities
Short term equity incentive plans		
2022/23 Short Term Incentive Deferral Rights Plan	Chief Executive Officer and Chief Financial Officer[86]	240,462 Performance Rights (vested and unexercised)
2023/24 Short Term Incentive Deferral Rights Plan	Chief Executive Officer and Chief Financial Officer[87]	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[88]	Up to $341,472 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)

Notes:

1. Although eligibility under each Sigma Incentive Plan is broad, grants of Sigma Incentive Securities are typically restricted to these persons.
2. Rounded to the nearest dollar. If the Scheme 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. 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 $341,472 (rounded to the nearest dollar) 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.

(a) Short term equity incentive plans

The short term incentive (**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 25 below.

86. That is, the CFO 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).
87. That is, the CFO of Sigma as at the Last Practicable 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.
88. Mark Conway.

Figure 25: Summary of STI Rights Plans

Term	Description
Eligibility	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**). Grants under each STI Rights Plan have typically been restricted to the participants outlined in Figure 24 above.
Type and number of securities	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. 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.
Vesting	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. The STI Rights granted under the STI Rights Plans (as set out in Figure 24 above) are subject to time-based vesting as follows: • 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, 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).
Issue price and exercise price	The Sigma Board may determine the issue price and exercise price of an STI Right. In respect of the STI Rights set out in Figure 24 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.
Exercise period	The Sigma Board may determine the period during which an STI Right may be exercised (**STI Term**). In respect of the STI Rights set out in Figure 24 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.
Cessation of employment	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': • 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. 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: • 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).

Term	Description
Clawback and preventing inappropriate benefits	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.
Change of control	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. **Treatment under the Transaction** In respect of the 2024/25 Short Term Incentive Deferral Rights Plan, if the Scheme 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. 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.
Reorganisations, corporate actions, bonus issues, etc	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.
Restrictions on dealings	A participant must not: • 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. 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.
Expiry date	STI Rights will lapse and be incapable of exercise on the earlier to occur of the following: • 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.

Figure 26 below sets out the STI Rights held by the Sigma KMP as at the Last Practicable Date.

Figure 26: 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 25 above.	As set out in Figure 25 above.
2023/24 Short Term Incentive Deferral Rights Plan	242,994	As set out in Figure 25 above.	As set out in Figure 25 above.
2024/25 Short Term Incentive Deferral Rights Plan	Up to $267,159 of Performance Rights[1]	As set out in Figure 25 above.	As set out in Figure 25 above.
Mark Conway			
2023/24 Short Term Incentive Deferral Rights Plan	17,850	As set out in Figure 25 above.	As set out in Figure 25 above.
2024/25 Short Term Incentive Deferral Rights Plan	Up to $74,313 of Performance Rights[1]	As set out in Figure 25 above.	As set out in Figure 25 above.

Note:

1. Rounded to the nearest dollar. See note 2 under Figure 24 above.

(b) Long term equity incentive plans

The long term incentive (**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.

(1) 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 27 below.

Figure 27: Summary of 2022 Loan Funded Share Plan

Term	Description
Eligibility	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. Grants under the 2022 Loan Funded Share Plan have typically been restricted to the participants outlined in Figure 24 above.
Type and number of securities	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. The number of Loan Funded Shares to be issued to a participant is determined at the time of making the grant.
Vesting	The Loan Funded Shares issued under the 2022 Loan Funded Share Plan (as set out in Figure 24 above) are subject to the following vesting conditions: • 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: – 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, (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)).
Acquisition price	The Sigma Board may determine the price at which a Loan Funded Share may be acquired by a participant. In respect of the Loan Funded Shares set out in Figure 24 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.

<table>
<tr><th>Term</th><th>Description</th></tr>
<tr><td>Limited recourse loan</td><td>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.

In respect of the Loan Funded Shares issued under the 2022 Loan Funded Share Plan (as set out in Figure 24 above), the loans were generally made on the following key terms:
• 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:
– 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:
– 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.</td></tr>
<tr><td>Cessation of employment</td><td>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':
• 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).</td></tr>
<tr><td>Change of control</td><td>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).

Treatment under the Transaction
Pursuant 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.</td></tr>
</table>

Term	Description
Reorganisations, corporate actions, bonus issues, etc	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.
Restrictions on dealings	Loan Funded Shares are subject to restrictions on dealing such that: • 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. Dealing includes transferring, encumbering, hedging, disposing of or otherwise dealing with Loan Funded Shares.
Forfeiture	Loan Funded Shares are subject to forfeiture by a participant: • 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 28 below sets out the Loan Funded Shares held by the Sigma KMP as at the Last Practicable Date.

Figure 28: 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 27 above.

Note: As described in Figure 27, the acquisition price has been fully funded by an interest free, limited recourse loan by Sigma on the terms set out in Figure 27.

(2) 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 29 below.

Figure 29: Summary of LTI Rights Plans

Term	Description
Eligibility	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**). Grants under each LTI Rights Plan have typically been restricted to the participants outlined in Figure 24 above.
Type and number of securities	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. The number of LTI Rights to be issued to a participant is determined at the time of making the grant.

<table>
<tr><th>Term</th><th>Description</th></tr>
<tr><td>Vesting</td><td>The LTI Rights issued under the LTI Rights Plan (as set out in Figure 24 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)).

2023 Executive Equity Grant Plan
LTI Rights will vest on 31 January 2026 dependent on meeting the following vesting conditions:
• 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:
– 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.

2024 Long Term Incentive Plan
LTI Rights will vest on 31 January 2027 dependent on meeting the following vesting conditions:
• 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:
– 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.</td></tr>
<tr><td>Issue price and exercise price</td><td>The Sigma Board may determine the issue price and exercise price of an LTI Right.

In respect of the LTI Rights set out in Figure 24 above, no amount was or is payable by participants to acquire or exercise, respectively, those LTI Rights.</td></tr>
<tr><td>Exercise period</td><td>The Sigma Board may determine the period during which an LTI Right may be exercised (LTI Term).

In respect of the LTI Rights set out in Figure 24 above, they must be exercised before the expiry of those LTI Rights (being 5 years from their grant date).</td></tr>
<tr><td>Cessation of employment</td><td>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':
• 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.

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:
• 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).</td></tr>
</table>

Term	Description
Clawback and preventing inappropriate benefits	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.
Change of control	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. **Treatment under the Transaction** 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 Shareholder approval at the Sigma Shareholder Meeting, as follows: • 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; and • 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. 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.
Reorganisations, corporate actions, bonus issues, etc	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.
Restrictions on dealings	A participant must not: • 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. 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.
Expiry date	LTI Rights will lapse and be incapable of exercise on the earlier to occur of the following: • 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.

7. Information about Sigma continued

Figure 30 below sets out the LTI Rights held by the Sigma KMP as at the Last Practicable Date.

Figure 30: 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 29 above.	As set out in Figure 29 above.
2024 Long Term Incentive Plan	1,010,723	As set out in Figure 29 above.	As set out in Figure 29 above.
Mark Conway			
2023 Executive Equity Grant Plan	N/A	As set out in Figure 29 above.	As set out in Figure 29 above.
2024 Long Term Incentive Plan	281,141	As set out in Figure 29 above.	As set out in Figure 29 above.

(3) 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 31 below.

Figure 31: 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	The CEO Sign-On Rights were subject to the following vesting conditions: • 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, 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. The CEO Sign-On Rights have all vested.
Issue price and exercise price	No amount was or is payable by Mr Ramsunder to acquire or exercise, respectively, the CEO Sign-On Rights.
Exercise period	The CEO Sign-On Rights must be exercised before their expiry (being 4 years from their issue date). Mr Ramsunder has exercised 1,482,423 CEO Sign-On Rights to Sigma Shares, leaving 1,482,422 still to be exercised.

Term	Description

Cessation of employment	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):
	• Bad Leaver – all CEO Sign-On Rights (unvested or vested) will be forfeited.
	• Good Leaver
	  – 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.
	
	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:
	• 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	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. **Treatment under the Transaction** The CEO Sign-On Rights have all already vested in their ordinary course.
Reorganisations, corporate actions, bonus issues, etc	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.
Restrictions on dealings	Mr Ramsunder must not: • 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. 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.
Expiry date	CEO Sign-On Rights will lapse and be incapable of exercise on the earlier to occur of the following: • 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.

7.13 Rights and liabilities attaching to Sigma Shares and Sigma Constitution

The rights and liabilities attaching to the ownership of Sigma Shares are:

- detailed in the Sigma Constitution which may be inspected during normal business hours at the registered office of Sigma; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASX Settlement Rules and all other applicable laws and regulations.

A summary of the significant rights, liabilities and obligations attaching to the Sigma Shares and a description of other material provisions of the Sigma Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Sigma Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Sigma Shareholders.

(a) Meeting of Sigma Shareholders

Each Sigma Shareholder is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of Sigma and receive all financial statements, notices and other documents required to be sent to Sigma Shareholders under the Sigma Constitution, the Corporations Act and the Listing Rules. At least 28 days' notice of a meeting must be given to Sigma Shareholders.

(b) Voting at a general meeting

At a general meeting of Sigma, every Sigma Shareholder present in person or by proxy, attorney or representative has:

- on a show of hands, one vote; and
- on a poll, one vote for each Sigma Share held.

On a poll, every Sigma Shareholder (or his or her proxy, attorney or representative) is entitled to vote for each fully paid Sigma share held (with adjusted voting rights for partially paid shares). Sigma's chair has a casting vote in certain circumstances.

(c) Dividends

Subject to the Corporations Act, the Sigma Constitution and any special terms and conditions of issue, the Sigma Directors may, from time to time, pay, resolve to pay, or declare any interim, special or final dividend as, in their judgement, the financial position of Sigma justifies.

The Sigma Directors may fix the amount, time and method of payment of the dividends. The payment, resolution to pay, or declaration of a dividend does not require any confirmation by a general meeting.

(d) Transfer of Sigma Shares

Subject to the Sigma Constitution and to the rights or restrictions attached to any shares or class of shares in Sigma, a Sigma Shareholder may transfer all or any of the shareholder's shares by:

- a Proper ASTC transfer (as that term is defined in the Corporations Regulations); or
- an instrument in writing in any usual form or in any other form that the Sigma Directors approve, as permitted by the Corporations Act and Listing Rules.

Sigma may, in circumstances permitted under the Listing Rules or ASX Settlement Rules, decline to register a transfer of Sigma Shares or apply a holding lock to prevent a transfer of Sigma Shares.

If the Sigma Directors decline to register a transfer or apply a holding lock, Sigma must give the party lodging the transfer written notice of the refusal or holding lock and the reason for refusal or holding lock.

(e) Issue of further Sigma Shares

Subject to the Sigma Constitution, the Listing Rules, the ASX Settlement Rules and the Corporations Act, the Sigma Directors may issue shares or grant options over unissued shares to any person and they may do so at such times and on the conditions, they think fit. The shares may be issued with preferred, deferred or special rights, or special restrictions about dividends, voting, return of capital, participation in the property of Sigma on a winding up or otherwise as the Sigma Directors see fit.

(f) Preference shares

Sigma may issue preference shares including preference shares which are liable to be redeemed. The rights attaching to preference shares are those set out in the Sigma Constitution unless other rights have been approved by special resolution of Sigma.

(g) Winding up

If Sigma is wound up, then subject to the Sigma Constitution and to the rights or restrictions attached to a class of shares, any surplus assets must be divided among Sigma's Shareholders in proportion to the shares held by them (irrespective of the amounts paid or credited as paid on the shares), less any amounts which remain unpaid on these shares at the time of distribution.

(h) Sale of non-marketable parcels

Provided that the procedures set out in the Sigma Constitution are followed, Sigma may sell the shares of a Sigma Shareholder who holds less than a marketable parcel of those shares. A non-marketable parcel of shares is defined in the Listing Rules and is, generally, a holding of shares with a market value of less than $500.

(i) Share buy-backs

Sigma may buy back shares in itself in accordance with the provisions of the Corporations Act and, where applicable, the Listing Rules.

(j) Variation of class rights

Subject to the Corporations Act and the terms of issue of a class of shares, wherever the capital of Sigma is divided into different classes of shares, the rights attached to any class of shares may be varied with:

- the written consent of the holders of at least three quarters of the issued shares in the particular class; or
- the sanction of a special resolution passed at a separate meeting of the holders of shares in that class.

(k) Reduction of share capital

Subject to the Sigma Constitution, Corporations Act and Listing Rules, Sigma may reduce its share capital in any way permissible by the Corporations Act.

(l) Proportional takeover provisions

The Sigma Constitution contains provisions requiring Sigma Shareholder approval before any proportional takeover bid can proceed. The provision will cease to have effect three years from the date of adoption of the Sigma Constitution unless it is renewed by special resolution of Sigma Shareholders in a general meeting.

(m) Dividend reinvestment plan

The Sigma Constitution contains a provision allowing Sigma Directors, on the terms and conditions they think fit, to implement a dividend reinvestment plan (under which any Sigma Shareholder or any class of shareholders may elect that the dividends payable by Sigma be reinvested by a subscription for Sigma Shares in Sigma).

(n) Directors – appointment and removal

Under the Sigma Constitution, the minimum number of Sigma Directors is three, or another number determined by the Sigma Directors in accordance with the Sigma Constitution. Sigma Directors are elected or re-elected by resolution at a general meeting of Sigma Shareholders.

No Sigma Director (other than the managing director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Sigma Director was last elected or re-elected (whichever is later).

(o) Sigma Directors – voting

Questions arising at a meeting of Sigma Directors will be decided by a majority of votes of the Sigma Directors present at the meeting and entitled to vote on the matter.

In the case of an equality of votes on a resolution, the Sigma chair of the meeting has a casting vote, unless there are only two Sigma Directors present or qualified to vote, the Sigma chair is not entitled to vote, or if the Sigma chair does not have a second or casting vote under rule 12.6(a) of the Sigma Constitution, in which case the proposed resolution is taken as having been lost.

(p) Variation of the Sigma Constitution

The Sigma Constitution can only be amended by a special resolution passed by at least three quarters of Sigma Shareholders present and voting at a general meeting of Sigma. Sigma must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

(q) Sigma Directors' and officers' indemnity

Sigma, to the extent permitted by law, must indemnify each person who is a current or former Sigma Director, executive officer or officer (and may indemnify the auditor) of Sigma, and such other officers or former officers of Sigma or its Related Bodies Corporate as the Sigma Directors in each case determine, against any losses or liability of any kind (whether actual or contingent and whether fixed or unascertained), including costs, incurred by that person as an officer or auditor of Sigma or of a Related Body Corporate of Sigma on a full indemnity basis.

Sigma, to the extent permitted by law, may enter into and pay premiums on a contract insuring any person who is a current or former Sigma Director, executive officer, officer or auditor of Sigma, and such other officers or former officers of Sigma or its Related Bodies Corporate as the Sigma Directors in each case determine, against any liability of any kind (whether actual or contingent and whether fixed or unascertained), including costs, incurred by the person as an officer or auditor of Sigma or of a Related Body Corporate of Sigma.

7.14 Sigma interests in Chemist Warehouse

(a) Interest in Chemist Warehouse Shares

As at the Last Practicable Date, none of Sigma or any of its associates have a Relevant Interest in any Chemist Warehouse Shares or any class of securities of Chemist Warehouse or any voting power in Chemist Warehouse.

(b) No dealing in Chemist Warehouse Shares in previous four months

Neither Sigma nor any of its associates have provided, or agreed to provide, consideration for Chemist Warehouse Shares under any transaction or agreement during the period of four months before the date of this Scheme Booklet except for the Scheme Consideration which Sigma has agreed to provide under the Scheme (as reflected in the Merger Implementation Agreement and Deed Poll).

(c) No inducing benefits given during previous four months

Neither Sigma nor any of its associates have, during the period of four months before the date of this Scheme Booklet, given, or offered to give, or agreed to give, a benefit to another person which was likely to induce the other person or an associate to:

- vote in favour of the Scheme; or
- dispose of Chemist Warehouse Shares,

where the same benefit was not offered to all Chemist Warehouse Shareholders under the Scheme.

(d) No payment or benefits to Chemist Warehouse officers

Neither Sigma nor any of its associates will be making a payment or giving any other benefit to any current Chemist Warehouse Director, secretary or executive officer of Chemist Warehouse (or any of its Related Bodies Corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in Chemist Warehouse (or any of its Related Bodies Corporate) as a result of the Scheme.

7.15 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.

7.16 Sigma Directors' intentions

If the Scheme 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).[89]

The Merged Group Board will comprise of Sigma Chief Executive Officer Vikesh Ramsunder, four existing non-executive directors from Sigma and four nominee directors from Chemist Warehouse.

The current intentions of the Merged Group regarding the continuation of the Chemist Warehouse business, any major changes to the Chemist Warehouse business and the future employment of Chemist Warehouse employees cannot be specified as 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. Section 8.8 provides an indication of the nature of growth opportunities that the Merged Group expects to have.

If the Scheme is not implemented, the Sigma Directors intend to continue to operate Sigma in the ordinary course of business.

7.17 No other material information

Other than as disclosed in this Scheme Booklet, there is no information regarding Sigma, or its intentions regarding Chemist Warehouse, that is material to the making of a decision by a Chemist Warehouse Shareholder on whether or not to vote in favour of the Scheme that is within the knowledge of any director of Sigma as at the date of this Scheme Booklet that has not previously been disclosed to Chemist Warehouse Shareholders.

89. 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 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.

8 Overview of the Merged Group

8. Overview of the Merged Group

8.1 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.[90] 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.[91] 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.[92]

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.[93] 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.

(a) 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.

90. 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)(3) for further information). The Merged Group does not own or operate any pharmacies in Australia.
91. The Retail Network includes stores in the Australian Franchise Network, Other Retail Brand 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.
92. Other Retail Brands include Ultra Beauty and Optometrist Warehouse. Refer to section 8.2(d) for further information.
93. As at 30 June 2024. Includes pharmacies within the Retail Network, as well as third party pharmacy customers.

8. Overview of the Merged Group continued

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.[94]
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.

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

(b) 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.

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.[95]
2024	The 50th Chemist Warehouse Retail Network store in New Zealand opens. The first Chemist Warehouse branded pharmacy opens in Dubai (party owned by Chemist Warehouse).

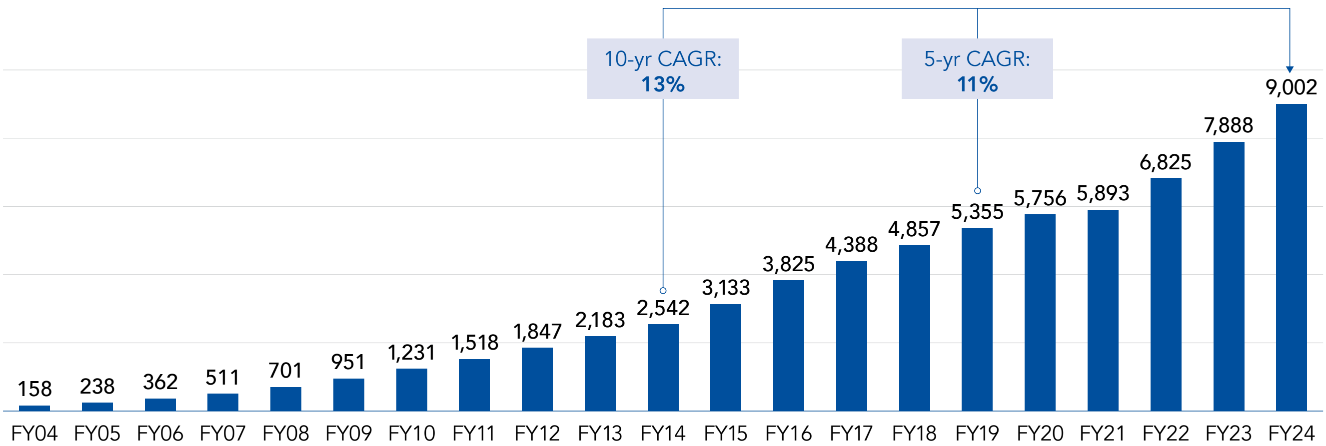
95. The Chemist Warehouse Retail Network includes franchised retail pharmacies in Australia, Other Retail Brand stores, partly owned stores in New Zealand, Ireland and Dubai, and Chemist Warehouse stores operated in China through services agreements with local companies. Chemist Warehouse does not own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

8. Overview of 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 32 and Figure 33).[96]

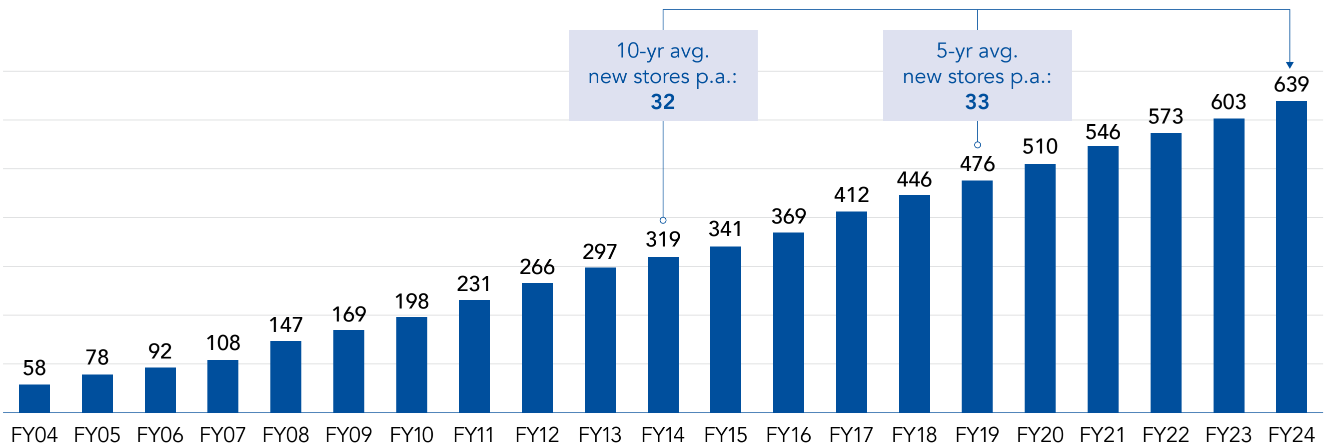
In the period from 30 June 2004 to 30 June 2024, the number of Chemist Warehouse Retail Network stores has increased by approximately 11x, while Chemist Warehouse Retail Network Sales have increased by approximately 57x, demonstrating strong growth not only from the rollout of new Chemist Warehouse Retail Network stores but also from strong like-for-like sales growth.[97]

Figure 32: Chemist Warehouse Retail Network Sales evolution ($m)[98,99]



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.[100] 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 33: Chemist Warehouse Retail Network evolution (no. of stores)[101,102]



96. 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.
97. 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.
98. FY04 to FY24, financial year ended 30 June.
99. Management information (unaudited).
100. 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).
101. FY04 to FY24, financial year ended 30 June.
102. 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).

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**);[103]
- 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**).

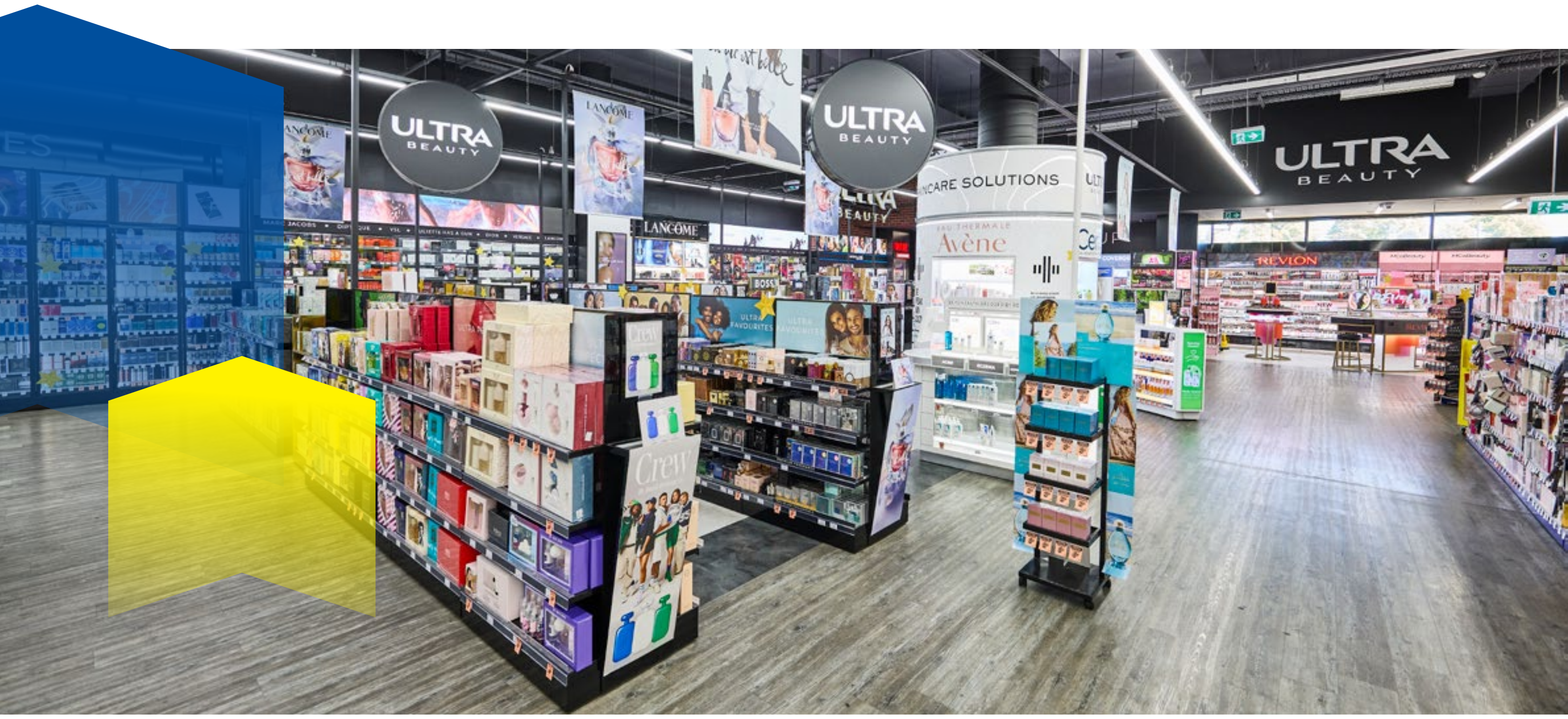
103. As at 30 June 2024.

(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'.[104]

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	Stop Paying Too Much!! CHEMIST WAREHOUSE	Significant Australian pharmacy brand with franchise pharmacies known for offering a wide range of FOS products, and everyday low prices on all product lines[105]	• 517 stores in Australia[106] • 522 sqm avg. store size[107]
Full-service pharmacy	Amcal+	An Australian pharmacy brand with a focus on expert advice and service	• 209 stores in Australia[108] • 217 sqm avg. store size[109]
	my CHEMIST	Full-service pharmacy brand providing high quality products and health services, as well as expert advice	• 21 stores in Australia[110] • 278 sqm avg. store size[111]
Discount pharmacy	Discount Drug Stores	Discount pharmacy brand offering low prices and special offers, as well as a wide range of health services	• 104 stores in Australia[112] • 222 sqm avg. store size[113]



104. 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.
105. 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)(7)).
106. As at 30 June 2024.
107. As at 31 October 2024.
108. As at 30 June 2024.
109. Pharmacy Guild, Digest 2020-2021, p 18. Available at: https://www.guild.org.au/news-events/news/forefront/v11n13/guild-digest-2021.
110. As at 30 June 2024.
111. As at 31 October 2024.
112. As at 30 June 2024.
113. Pharmacy Guild, Digest 2020-2021, p 18. Available at: https://www.guild.org.au/news-events/news/forefront/v11n13/guild-digest-2021.

‘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)(2)(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 sqm[114] (the size of non-Chemist Warehouse pharmacies is approximately 252 sqm on average).[115]

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.

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.[116]

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!”*.[117] 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)(7)), 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.[118]

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

114. As at 31 October 2024.
115. Pharmacy Guild, Digest 2020-2021, p 18. Available at: https://www.guild.org.au/news-events/news/forefront/v11n13/guild-digest-2021.
116. Management information (unaudited). Represents total FOS sales as a proportion of total network sales across Chemist Warehouse branded stores in Australia in FY24.
117. 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.
118. Instant Consult is a platform for instant connection to an Australian qualified online doctor 24x7, facilitating affordable and effective telehealth consultations.

'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)(2)(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).[119] 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.[120]

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 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.[121]

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

119. Management information (unaudited). For the twelve months ended 30 June 2024.
120. Pharmacy Guild, Digest 2020-2021, p 18. Available at: https://www.guild.org.au/news-events/news/forefront/v11n13/guild-digest-2021.
121. Active members represents number of loyalty members that have made a purchase in the last 12 weeks to 30 June 2024.

‘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)(2)(A)).

My Chemist branded stores are typically medium sized, with an average total store size of approximately 278 sqm.[122]

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.[123]

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

‘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)(2)(B)).

DDS branded stores are typically small to medium in size, with the average total store size being approximately 222 sqm.[124]

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.[125]

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 offerss
- Offers a wide range of health and wellness services
- Traditional pharmacy retail format

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122. As at 31 October 2024.
123. As at 30 June 2024.
124. Pharmacy Guild, Digest 2020-2021, p 18. Available at: https://www.guild.org.au/news-events/news/forefront/v11n13/guild-digest-2021.
125. Active members represents number of loyalty members that have made a purchase in the last 12 weeks to 30 June 2024.

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.

(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.

'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.[126]

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

126. As at 30 June 2024.

'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.[127]

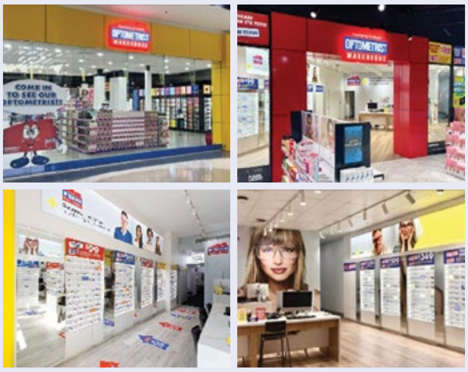
Optometrist Warehouse provides bulk-billed eye care services and discounted prices on glasses and contact lenses.

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

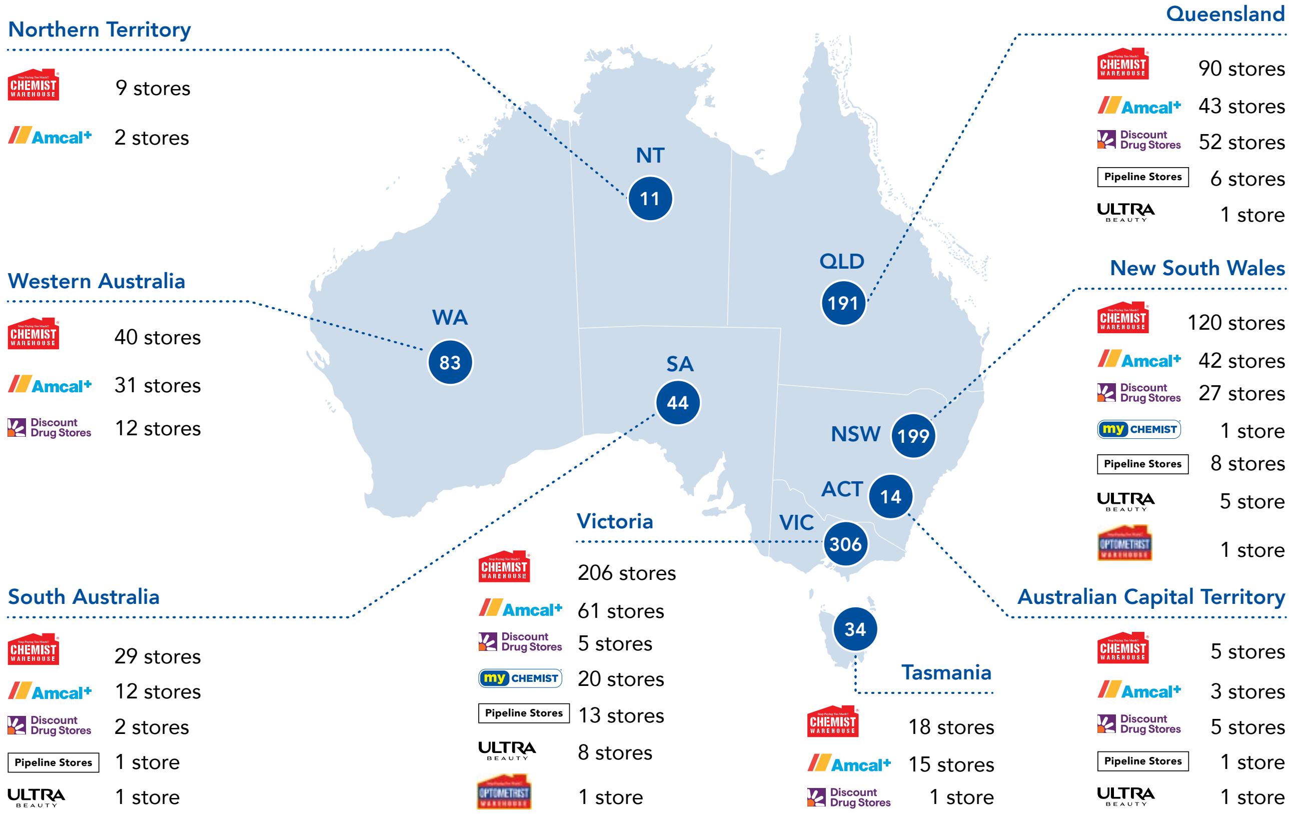


- ✔ Offers discounted prices on glasses and contact lenses and bulk-billed eye care
- ✔ Full suite of eye care services
- ✔ Stocks large and well-known range of glasses and contact lenses
- ✔ Standalone, or co-located with existing Chemist Warehouse branded stores

127. 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:[128]

Figure 34 The Australian Retail Network (as at 30 June 2024)[129]



(e) Retail pharmacy franchisor services

(1) 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.

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.

128. 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.

129. 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.

(2) 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)(2)(A) and 8.2(e)(2)(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:

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;[130]

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

- marketing and advertising services which are described further in section 8.2(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.

(3) 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.[131] 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.[132] 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)(6)), 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)(6)). 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.

131. 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.

132. 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).

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)(2)(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;[133] 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.[134] 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

(1) Overview

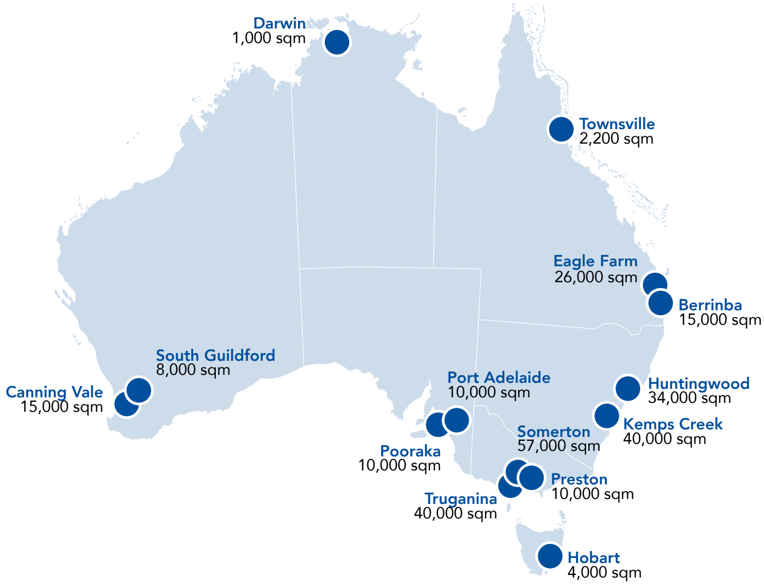
The Merged Group will be a national full-line CSO wholesaler with its distribution network servicing pharmacies Australia wide. It will supply a wide range of products, such as prescription products (including PBS medicines), OTC and FOS products.

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.[135] 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.[136] 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.

133. 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.
134. From 1 July 2019 to 30 June 2024.
135. Sigma's Canning Vale, Townsville and Truganina distribution centres are owned.
136. 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.

Figure 35: The Merged Group's Australian distribution centre network[137]



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.[138] 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 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.

(2) 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(b)).

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137. The Merged Group's distribution network does not include the Eastern Creek distribution centre (8,000 sqm) which Sigma is sub-leasing.
138. 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

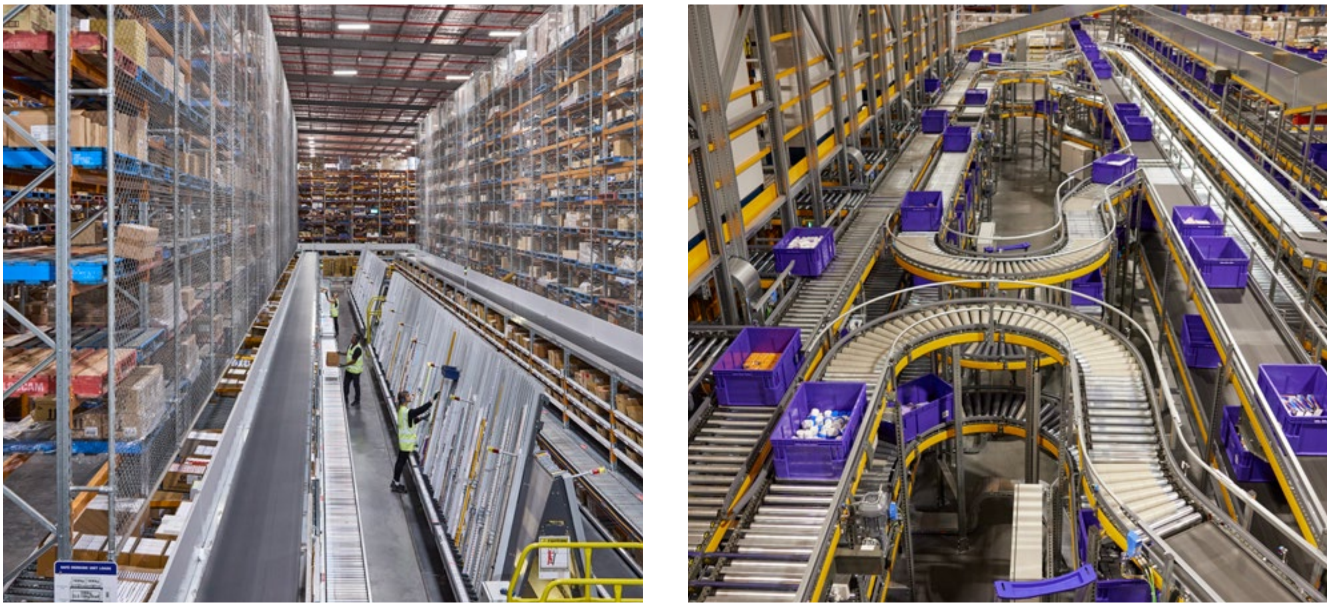
In addition to its wholesale activities, the Merged Group will also utilise its distribution infrastructure to provide third party logistics services to customers. The Merged Group's third-party logistics business generates income by providing warehousing, order fulfillment and transportation services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

(3) 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 36: 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.[139]

(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.[140]

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.

139. Sigma Healthcare Limited – 1H25 Results Announcement (page 13).
140. Sales of suppliers' products across the Merged Group's online channels will initially be through the Chemist Warehouse and My Chemist branded online stores.

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

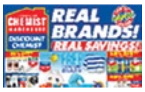
(1) franchisees: Advertising and marketing services provided to Australian Franchise Network stores under their franchise agreements, including in-store promotions, catalogues, loyalty programs and online promotions which drive customer recognition and footfall; and

(2) 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    	• 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.[141]
In-store and online advertising  	• 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  	• 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.[142] • Chemist Warehouse distributed 51 million House of Wellness magazines in FY24.[143]

141. Management information. Distributed in the twelve months to 30 June 2024.
142. OzTAM: 1 July 2023 – 30 June 2024. Friday 2.00pm – 3.00pm, and Sunday 12.00pm – 1.00pm; 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.
143. Management information. Distributed in the twelve months to 30 June 2024.

Platform	Overview
TV advertising, newspaper, radio and out-of-home 	• 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.[144] • 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.
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.[145]
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.[146] 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)(3)). 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.

144. OzTAM: 1 July 2023 – 30 June 2024. Monday – Sunday, 9.00am – 11.00am; 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.
145. NRL sponsorship includes the naming rights to 'Chemist Warehouse Sunday Football'.
146. The Merged Group also has an online channel in New Zealand and China; see further information in section 8.3.

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

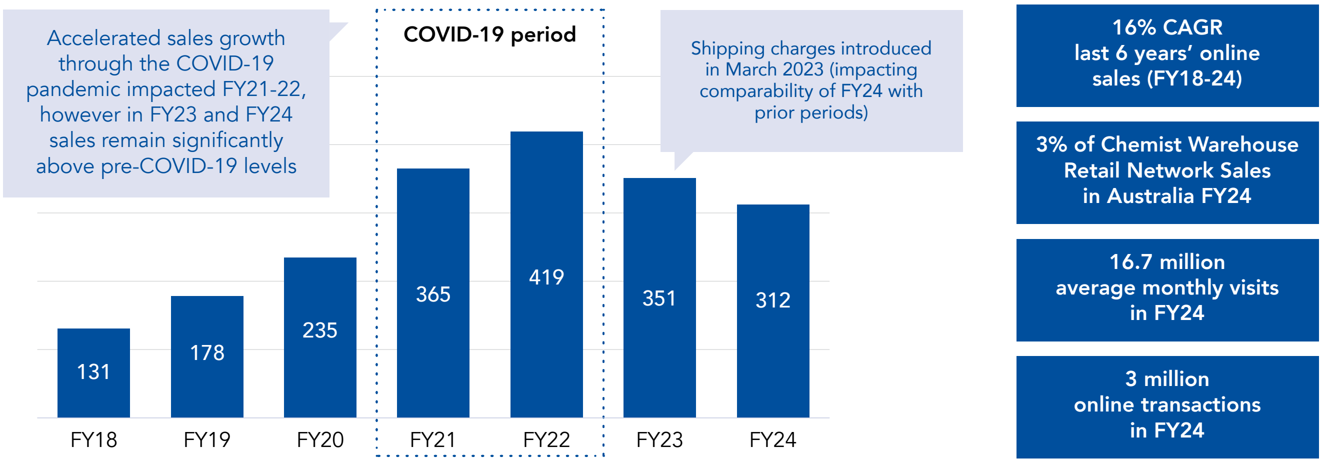
The Chemist Warehouse website in Australia – www.chemistwarehouse.com.au – offers a single 'digital front door' and complements in-store trading, by offering same day delivery, free Click & Collect and Fast Delivery with tracking functionality.

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 37: Chemist Warehouse Online Sales in Australia ($m)[147,148,149,150]



(2) 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.

(3) Optometrist Warehouse online channel

The Optometrist Warehouse website – www.optimetristwarehouse.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.

147. 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.
148. FY18 to FY24, financial year ended 30 June.
149. Management information (unaudited).
150. Google Analytics in respect of monthly visits and online transactions.

(i) 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.[151] 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).[152]

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.

(1) Fully/partly owned brands, private label/licenced brands[153]

	Select brands	Overview
Chemist Warehouse	WAGNER	Australian pharmacy brands with premium medicinal and vitamin products across a broad range of categories, as well as general health accessories.
	INC.	Nutritionally balanced, high quality and affordable range of sports nutrition products.
	MICRO genics	Australian vitamin brand with a premium range of high-quality vitamins and supplements.
	Goat	Innovative range of goat milk skincare, personal care and hair care products.
	BONDI PROTEIN CO	Range of healthy protein and supplement powders, including collagen powders and creamers, vegan and keto protein powders, and healthy confectionary.
Sigma	Amcal+	Private label range of prescription, OTC and FOS products, available to Amcal franchisees.
	Guardian pharmacycare	Private label range of prescription, OTC and FOS products, including skincare, pain relief medication, vitamins, beauty, and baby products.[154] 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).[155]

(2) 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).[156]

151. 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).
152. Such as Pharmacy Care.
153. 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).
154. Available to Sigma franchise pharmacies and independent pharmacy customers.
155. 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.
156. 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.

(j) Other activities in Australia

(1) 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	100%	• 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! Product Group	100%	• Manufacturer and distributer 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.[157] These products are ranged in a wide variety of leading retailers (in addition to Chemist Warehouse and My Chemist branded stores).
MPS Connect	100%	• 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%[158]	• 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%	• 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.

(2) 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
bubs, OptiPharm, McPherson's, Cannatrek, Wanderlust, SklareXen, Liber, Nordia, Wellnexlife, Novomins Nutrition, The Calmer Co.	valorem, Slyp, insiteAI

157. Game On's license with NFL International excludes the United States of America.
158. 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 38: New Zealand Retail Network Sales evolution ($m)[159,160]

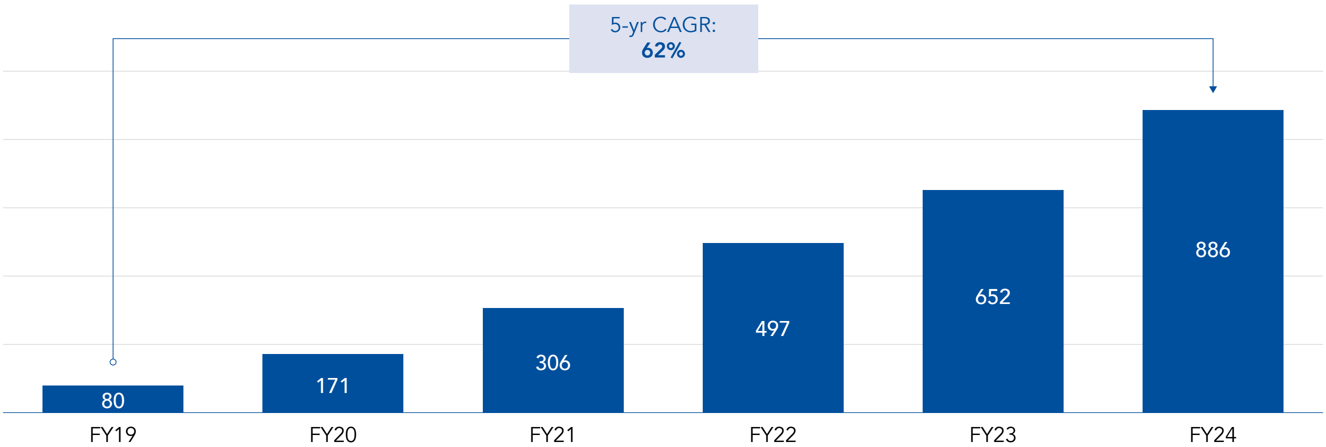
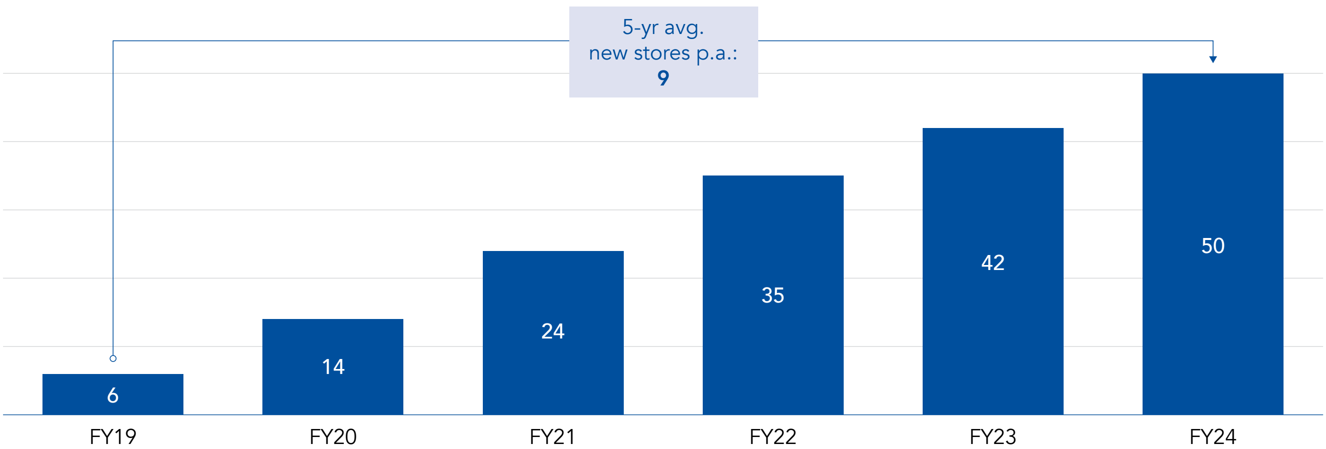


Figure 39: New Zealand Retail Network evolution (no. of stores)[161]



159. FY19 to FY24, financial year ended 30 June.
160. Management information (unaudited).
161. FY19 to FY24, financial year ended 30 June.

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.[162] 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.[163] 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 40: Retail Network stores in Ireland[164]

Figure 41: Ireland Retail Network evolution (no. of stores)[165]

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.

(1) 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.

162. Pharmaceutical orders are dispensed and delivered by a Chemist Warehouse branded pharmacy located nearby the distribution centre.
163. 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.
164. As at 30 June 2024.
165. FY19 to FY24, financial year ended 30 June.

8. Overview of the Merged Group continued

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);[166,167]
- International Health & Beauty Retailer of the Year by APAC Insider Southeast Asia Business Awards (2023 – 2024);[168,169] and
- Finalist, eCommerce (including cross-border eCommerce) – Governor of Victoria Export Awards (2024).[170]

(2) 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.

Figure 42: China Retail Network evolution (no. of stores)[171]

FY20	FY21	FY22	FY23	FY24	Store growth FY20-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.[172]

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

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.

166. https://retailasia.com/videos/retail-asia-awards-2023-winner-chemist-warehouse#:~:text=Chemist%20Warehouse%20wins%20the%20International,model%20and%20supporting%20its%20expansion.
167. https://retailasia.com/co-written-partner/event-news/retail-asia-awards-2024-crowns-regions-top-retail-innovators
168. https://apacinsider.digital/winners/chemist-warehouse/
169. https://apacinsider.digital/winners/chemist-warehouse-2/
170. https://global.vic.gov.au/our-programs-and-services/our-programs/governor-of-victoria-export-awards
171. FY19 to FY24, financial year ended 30 June.
172. Not including staff employed in the Retail Network, who are not employees of the Merged Group.

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.[173] 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 43: Technology functions in the operations of the Merged Group

	Function	Description	Activities	Selected examples
Wholesale and distribution	Supply chain, logistics and wholesale operations	Technology infrastructure supporting the management of stock flows efficiently across transportation, storage and handling	• Whole of market wholesale operations • Supplier management • Customer account management • Warehouse management • Order fulfillment • Freight scheduling • Shipment tracking and documentation • Inventory planning	Figure 44: Sigma's automated storage and retrieval systems Figure 45 Chemist Warehouse's Autostore systems
Retail pharmacy franchising	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	• Retail point of sales (**POS**) • Promotion management • Dispensing • Human capital management and payroll	Figure 46 Chemist Warehouse's POS system Figure 47 Chemist Warehouse's dispensing system
	Online operations	Technology infrastructure supporting online shopfront and retail trade	• Website infrastructure • e-Commerce operations • Chemist Warehouse mobile application	Figure 48 Chemist Warehouse's online infrastructure
Corporate operations	Head office operations	Technology infrastructure supporting the Merged Group's corporate and head office functions	• 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.

173. As at 30 June 2024.

Figure 44 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 45 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 46 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 47 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.[174]

Figure 48 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.

174. Management information. For the twelve months ended 30 June 2024.

(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 (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 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.[175] 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:

(a) 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 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).

(b) 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.

(c) 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.

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175. https://investorcentre.sigmahealthcare.com.au/corporate-sustainability#:~:text=Sigma%20Healthcare%20is%20committed%20to,policies%20and%20decision%2Dmaking%20processes.

(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.[176]

Upon Implementation, the Australian Franchise Network will have multiple retail franchise brands represented in every State and Territory.[177] 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.[178] 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.

(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.[179]

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.

176. Refer section 8.2(e)(3).
177. Refer map of Australia in section 8.2(c).
178. Refer section 8.3.
179. Management information (unaudited).

(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.[180] 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.[181]

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.

(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)(7)(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.

180. As at 30 June 2024.
181. IBISWorld; Optometry and Optical Dispensing in Australia (September 2024). Based on industry revenue for 2024-25.

8.9 Directors and management of the Merged Group following Implementation

(a) Board

Director	Experience and background
Michael Sammells Independent Non-Executive Chairman 	Mr Sammells was appointed as a Director of Sigma in February 2020 and Chairman in August 2022. 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. Further, Mr Sammells is a former Chief Financial Officer of Healthscope Limited and Medibank Private. *BBUs (Acc), FCPA, GAICD*
Vikesh Ramsunder Chief Executive Officer & Managing Director 	Mr Ramsunder commenced as the Managing Director and Chief Executive Officer of Sigma on 1 February 2022. 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. 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. *B.Com (Logistics), MBL (Corporate Strategy)*
Dr Christopher (Chris) Roberts AO Non-Executive Director[182] 	Dr Roberts was appointed as a Director of Sigma on 6 October 2023. 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. He is currently a non-executive director of HMC Capital Limited (ASX:HMC), 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. *B.Eng (Honours), MBA, PhD*
Annette Carey Independent Non-Executive Director 	Ms Carey was appointed as a Director of Sigma in April 2023. Ms Carey is a current non-executive director of National Intermodal Corporation and a non-executive director of the Kinetic bus group. 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. 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. Ms Carey is a member of Chief Executive Women. *LLB, BA*

182. As at the Last Practicable Date, Dr Roberts 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 Roberts will be considered to be independent in that case. If the Scheme is not implemented, Dr Roberts will continue to be considered to be a non-independent director.

Director | **Experience and background**

Neville Mitchell

Independent
Non-Executive Director

Mr Mitchell was appointed a Director of Sigma in February 2023.

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.

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.

He has also performed roles with a number of industry and Government committees.

B.Com, CA

Jack Gance

Proposed
Non-Executive Director

Mr J Gance is a qualified pharmacist who co-founded Chemist Warehouse with Sam Gance. He is currently Chair of Chemist Warehouse.

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.

Mr J Gance also created the brands Le Specs, Le Tan and Colours of Australis.

PhC MPS, MBA, GAICD, AFAIM

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
Vikesh Ramsunder Chief Executive Officer and Managing Director 	Please see section 8.9(a) for further detail.
Mark Davis Chief Financial Officer 	Mr Davis joined Chemist Warehouse in 2020 as the Chief Financial Officer of Chemist Warehouse. 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. 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 Computershare's business and operations in the Australasian region. *B.Com, LLB (Honours), PostGradDip Applied Finance and Investment*
Mario Verrocchi Executive Director 	Please see section 8.9(a) for further detail. Mr Verrocchi, reporting to Mr Ramsunder, will continue to lead the Chemist Warehouse business.
Damien Gance Executive Director 	Please see section 8.9(a) for further detail.
Danielle Di Pilla Executive Director 	Please see section 8.9(a) for further detail.

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 Offer 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	Mr Ramsunder would ordinarily be entitled to earn a maximum 'at target' benefit of 100% of his fixed annual remuneration and up to 50% 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. 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). The foregoing is subject to Sigma Shareholder approval.
Long term incentive	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. Details of Mr Ramsunder's current interests in the LTI Plans are set out in section 7.12(b).
Other benefits	Mr Ramsunder also received a one-off grant of CEO Sign-On Rights as set out in section 7.12(b)(3).
Notice period, termination and termination payments	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). 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.

Term	Description
Non-solicitation/ restrictions of future activities	Mr Ramsunder's employment contract will contain post-employment restraints, including restraints on: • 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. These restrictions purport to operate for up to 12 months post-employment and purport to apply within Australia. The enforceability of these restraints is subject to all usual legal requirements.

(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).
Short term incentive	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. 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). The foregoing will be subject to Sigma Shareholder approval to the extent required.
Long term incentive	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. The foregoing will be subject to Sigma Shareholder approval to the extent required.
Notice period, termination and termination payments	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). 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.

Term	Description
Non-solicitation/ restrictions of future activities	Mr Davis' employment contract contains post-employment restraints, including restraints on: • 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 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. These restrictions purport to operate for up to 12 months post-employment. The enforceability of these restraints is subject to the usual legal requirements.

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)(3).

(c) Mario Verrocchi (Executive Director of the Merged Group and Chief Executive Officer of Chemist Warehouse)

Term	Description
Employer	CW Retail Services
Fixed annual remuneration	Mr Verrocchi's fixed remuneration will be $995,565 per annum (inclusive of superannuation).
Short term incentive	Following Implementation, Mr Verrocchi may be eligible to participate in the Merged Group's short term Sigma Incentive Plans. Grants of Sigma Incentive Securities to Mr Verrocchi are subject to Sigma Shareholder approval.
Long term incentive	Following Implementation, Mr Verrocchi may be eligible to participate in the Merged Group's long term Sigma Incentive Plans. Grants of Sigma Incentive Securities to Mr Verrocchi are subject to Sigma Shareholder approval.
Notice period, termination and termination payments	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). 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.
Non-solicitation/ restrictions of future activities	Mr Verrocchi's employment contract contains post-employment restraints, including restraints on: • 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. These restrictions purport to operate for up to 12 months post-employment and purport to apply within Australia. The enforceability of these restraints is subject to the usual legal requirements.

(d) Damien Gance (Executive Director of the Merged Group and Chief Commercial Officer of Chemist Warehouse)

Term	Description
Employer	CW Retail Services
Fixed annual remuneration	Mr D Gance's fixed remuneration will be $673,652 per annum (inclusive of superannuation).
Short term incentive	Following Implementation, Mr D Gance may be eligible to participate in the Merged Group's short term Sigma Incentive Plans. Grants of Sigma Incentive Securities to Mr D Gance are subject to Sigma Shareholder approval.
Long term incentive	Following Implementation, Mr D Gance may be eligible to participate in the Merged Group's long term Sigma Incentive Plans. Grants of Sigma Incentive Securities to Mr D Gance are subject to Sigma Shareholder approval.
Notice period, termination and termination payments	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). 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.
Non-solicitation/ restrictions of future activities	Mr D Gance's employment contract contains post-employment restraints, including restraints on: • 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 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. These restrictions purport to operate for up to 12 months post-employment and purport to apply within Australia. The enforceability of these restraints is subject to the usual legal requirements.

(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	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	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: • 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. These restrictions purport to operate for up to 12 months post-employment and purport to apply within Australia. The enforceability of these restraints is subject to the usual legal requirements.

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 Roberts, as at the Last Practicable Date, he is not considered independent as he is a director of 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 Scheme is not implemented, Dr 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.

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;
- 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.

(1) 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 the 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 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 12.5(j)).

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 12.5(f) of this Scheme Booklet for a summary of the proposed Related Party Governance Framework.

(2) 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.

(3) 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.

(4) 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.

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.

(1) 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).

(2) 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).

(3) 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 sections 7.6 and 12.3. 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).

(4) 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).

(5) 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).

(6) 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).

(7) 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. Overview of the Merged Group continued

8.12 Equity-based remuneration arrangements

The existing equity based remuneration arrangements for Sigma are set out in section 7.12.

Following Implementation, any future grants of equity-based incentives will be determined by the Merged Group Board.

8.13 Dividend policy

The proposed dividend policy for the Merged Group is set out in section 8.17(o).

8.14 Merged Group financing arrangements

(a) Description of the 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 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**).

Facility	Facility Type	Facility Limit	Borrower	Purpose	Maturity Date
A	Revolving cash advance	$940,000,000	Sigma and certain other Sigma Group Members	Funding the Transaction (including refinancing of any existing indebtedness and financing costs associated with the Transaction) and general corporate purposes	Earlier of 3 years from financial close and 30 June 2028
C	Re-drawable multi-option	$60,000,000		General corporate and working capital purposes (for the issuance of credit support documents) and any working capital adjustments in respect of the Transaction	
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 earnings 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.

8.15 Capital structure of the Merged Group

Sigma's securityholding structure on the Last Practicable Date and, as expected, immediately following Implementation and Completion of the Offer is set out below.

Equity security	Last Practicable Date	Implementation and Completion of the Offer[183,184,185]
Ordinary shares	1,631,866,135	11,541,009,584
Performance rights	14,232,555	10,560,170
Total securities (fully diluted)	1,646,098,690	11,551,569,754

The interests of Merged Group Directors in Sigma Shares and other securities in Sigma immediately following Implementation are set out below.

Merged Group Director (and associated entities)	Sigma Shares held at Implementation[186]		Percentage shareholding at Implementation[187]	
	Fully diluted	Shares on issue	Fully diluted	Shares on issue
Michael Sammells	258,448	258,448	0.00%[188]	0.00%[189]
Vikesh Ramsunder	15,805,735[190]	12,829,134	0.14%	0.11%
Chris Roberts	12,014	12,014	0.00%[191]	0.00%[192]
Annette Carey	21,212	21,212	0.00%[193]	0.00%[194]
Neville Mitchell	30,295	30,295	0.00%[195]	0.00%[196]
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%[197]	22.14%
Damien Gance	400,211,349	400,211,349	3.47%	3.47%
Danielle Di Pilla[198]	105,479,690	105,479,690	0.91%	0.91%

Final shareholdings held directly or indirectly by the Merged Group Directors (and their associated entities) will be notified to ASX following Implementation.

8.16 Substantial holders of the Merged Group

Name (and associated entities)	Number of Sigma Shares[199]	Percentage shareholding[200,201]
Mario Verrocchi	2,555,101,850	22.13[202]
Jack Gance	1,578,936,930	13.68%
Sam Gance	1,446,760,358	12.53%

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. 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.
184. Approximately 48% of the Merged Group's shares will be held by the founders of Chemist Warehouse – Mario Verrocchi, Jack Gance and Sam Gance (**Chemist Warehouse Founders**) or entities controlled by them. The Chemist Warehouse Founders are subject to the escrow restrictions outlined in section 12.6.
185. For the purposes of this table, this 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 25 and Figure 29).
186. 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.
187. 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.
188. Based on 6 decimal places, this is equal to 0.002239%.
189. Based on 6 decimal places, this is equal to 0.002239%.
190. 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 25 and Figure 29).
191. Based on 6 decimal places, this is equal to 0.000104%.
192. Based on 6 decimal places, this is equal to 0.000104%.
193. Based on 6 decimal places, this is equal to 0.000184%.
194. Based on 6 decimal places, this is equal to 0.000184%.
195. Based on 6 decimal places, this is equal to 0.000262%.
196. Based on 6 decimal places, this is equal to 0.000262%.
197. 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).
198. This figure includes Danielle Di Pilla's interest in 15,973 Sigma Shares which are held by Di Pilla Superannuation Pty Ltd as trustee for Di Pilla Superannuation Fund (which is the superannuation fund of Danielle Di Pilla) as at the Last Practicable Date.
199. 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.
200. These figures are an estimate and are dependent on the fully diluted number of Sigma Shares on issue as at the Scheme Record Date.
201. 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.
202. 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).

8.17 Merged Group Pro Forma historical financial information

(a) Introduction

This section 8.17 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 Scheme Booklet, 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 8.17 are:

- the basis of preparation and presentation of the Merged Group Pro Forma Historical Financial Information (see section 8.17(b));
- information regarding certain non-IFRS financial measures (see section 8.17(c));
- the pro forma adjustments made to derive the Merged Group Pro Forma Historical Financial Information (see sections 8.17(e), 8.17(h) and 8.17(i));
- a summary of the key pro forma operating and financial measures (see section 8.17(f));
- a summary of the Merged Group's pro forma net cash/(debt) as at 30 June 2024 (see section 8.17(j));
- a summary of the Merged Group's lease commitments as at 30 June 2024 (see section 8.17(k));
- management discussion and analysis of the Merged Group Pro Forma Historical Financial Information (see section 8.17(m) and section 8.17(n));
- a summary of the Merged Group's proposed dividend policy (see section 8.17(o)); and
- a summary of the Merged Group's financial outlook (see section 8.17(p)).

The information in this section 8.17 should be read in conjunction with the risk factors set out in section 10, the summary of significant accounting policies described in Annexure 1 and other information contained in this Scheme Booklet.

The Financial Information presented in this Scheme Booklet 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. Chemist Warehouse Shareholders should note the scope and limitations of the Investigating Accountant's Report (contained in Annexure 3).

All amounts disclosed in this section 8.17 and Annexure 1 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 Financial Information

(1) Overview

The Sigma Directors and the 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 Annexure 1.

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 8.17(h).

Chemist Warehouse Shareholders should note that past results are not a guarantee of future performance.

(2) 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.

(3) 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 Scheme Booklet 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 Scheme Booklet 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 8.17, no other material accounting policy differences that would have a material impact on the Merged Group Pro Forma Historical Financial Information were identified.

Section 8.17(e), Figure 51, Figure 52 and Figure 53 set out the reconciliation of the Chemist Warehouse 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 8.17(h), Figure 56, Figure 57 and Figure 58 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 8.17(i) and Figure 59 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.

(4) 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 8.17 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 Scheme Booklet; 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.

(5) 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 8.17.

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 10;
- 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(c);
- 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.

(6) 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 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 8 November 2024 and the Implementation Date, the estimated goodwill balance will increase or decrease by $16.3 million.

Figure 49: 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 AASB 3, 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.

(7) 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 8.17.

(c) 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 8.17 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. Chemist Warehouse Shareholders are cautioned not to place undue reliance on any non-IFRS financial measures included in this Scheme Booklet.

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 Scheme Booklet 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 Australia, New Zealand and Ireland 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.

(d) 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 8.17(e) for the Chemist Warehouse and Sigma Historical Income Statement to Merged Group Pro Forma Historical Income Statement reconciliation.

Figure 50: 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:

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) Warehousing and distribution expenses comprises warehouse, depreciation and amortisation, employee costs, occupancy expenses, freight costs, consumables and other minor related expenses.

(6) 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.

(7) 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.

(8) Net finance costs represents net interest (paid)/received, net interest accounted for under AASB 16 Leases and other minor finance (cost)/income items.

(9) Income tax represents the income tax expense in respect of the net income generated in each period.

(e) Pro forma adjustments to the Historical Income Statements

Set out in Figure 51, Figure 52 and Figure 53 are the pro forma adjustments made to derive the Merged Group Pro Forma Historical Income Statements for FY22, FY23 and FY24.

Figure 51: 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 53 for associated notes.

Figure 52: 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 53 for associated notes.

Figure 53: 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:

(1) **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.

(2) **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.

(3) **Discontinued operations:** reflects the removal of income and costs associated with Cura and WholeLife Pharmacy businesses which were discontinued by Sigma in December 2022.

(4) **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.

(5) **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.

(6) **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.

(f) Merged Group Pro Forma Key Financial and Operating Measures

Set out in Figure 54 is a summary of the Merged Group's Pro Forma Key Historical Financial and Operating Measures for FY22, FY23 and FY24.

Figure 54: 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.

(g) Merged Group Pro Forma Historical Statements of Cash Flows

Set out in Figure 55 are the Merged Group Pro Forma Historical Statements of Cash Flows for FY22, FY23 and FY24.

Figure 55: 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:

(1) 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.

(2) Depreciation and amortisation represents the non-cash expense captured within EBIT.

(3) 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.

(4) 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.

(5) Payment for financial assets represents the total amounts paid for equity securities. These securities are not held for trading as they are considered as strategic investments.

(6) Proceeds from sale of investments reflects cash received from the disposal of investments held by the Merged Group.

(7) 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

(8) 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 8.17(k) for further detail.

(9) 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.

(h) Pro forma adjustments to the Historical Statements of Cash Flows

Set out in Figure 56, Figure 57 and Figure 58 are the pro forma adjustments made to derive the Merged Group Pro Forma Historical Income Statements of Cash Flows for FY22, FY23 and FY24.

Figure 56: 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 58 for associated notes.

Figure 57: 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 58 for associated notes.

Figure 58: 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:

(1) **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.

(2) **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.

(3) **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.

(4) **Impact of the Transaction:** Reflects the cash flow impact of the change in capital structure and non-cash amortization on the intangible assets. See note 5 below Figure 53.

(5) **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.

(i) Merged Group Pro Forma Historical Statement of Financial Position

Set out in Figure 59 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.

Figure 59: 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. Intercompany 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**

$m	Chemist Warehouse 30 June 2024	Sigma 31 July 2024	1. Intercompany eliminations	2. Accounting policy application	3. Impact of the Transaction	Merged Group Pro Forma 30 June 2024
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	**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:

(1) **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.

(2) **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.

(3) **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 8.17(b)(6) 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 approximately $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.

(j) 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 60 sets out the net cash/(debt) of the Merged Group as at 30 June 2024.

Figure 60: 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 8.14 for further details on the Banking Facilities.

(k) 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 61 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.

Figure 61: Lease Commitments by Duration as at 30 June 2024

$m	1 year or less	Between 1 and 5 years	Over 5 years	Total
Lease commitments	141.2	678.9	483.7	1,303.8

(l) 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.

(m) Management Discussion and Analysis of the Merged Group Pro Forma Historical Income Statement

This section 8.17(m) 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 10 and other information contained in this Scheme Booklet. As this section 8.17(m) 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 62: Merged Group Pro Forma Historical Income Statement Breakdown

	Chemist Warehouse			Sigma			Pro forma adjustments			Merged Group		
$m	**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**

(1) 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.

8. Overview of the Merged Group continued

Figure 63: 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:

(1) **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 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.

(2) **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.

(3) **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.

(4) **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.

(5) **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.

(2) 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 franchise and related fees, marketing, advertising and other revenue. A breakdown of Merged Group revenue is included as Figure 64.

(A) Merged Group Revenue

Figure 64: 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:

(1) 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.

(2) 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 8.17(m)(2)(B) 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 8.17(m)(1). 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 DDS 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.

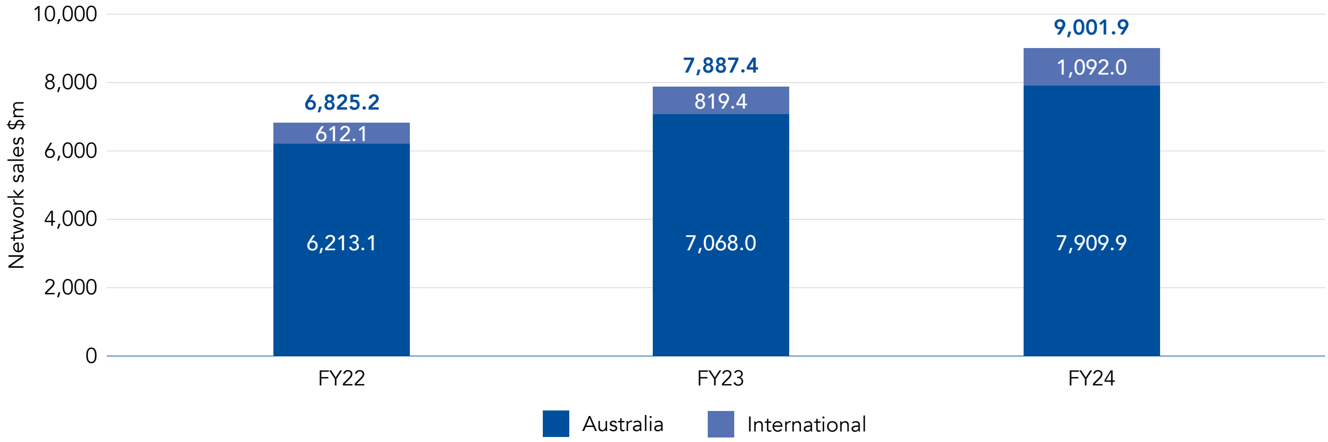
Merged Group revenue increased by $169.5 million (2.6%) from $6,486.2 million in FY23 to $6,655.7 million in FY24 driven by:

- 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 8.17(m)(2)(B) 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 8.17(m)(1). 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.

(B) 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 65: 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.

(3) Cost of sales

Figure 66: 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%*

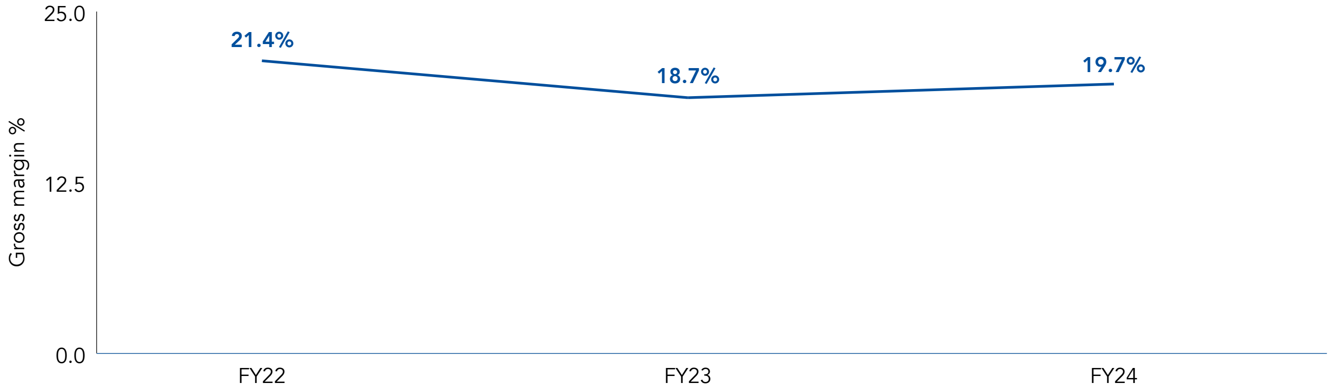
Cost of sales increased by 4.2% in FY23 and 1.4% in FY24 primarily driven by Merged Group revenue growth during this period. Cost of sales as percentage of revenue increased by 2.7% from FY22 to FY23 before reducing by 1.0% from FY23 to FY24. This was driven by the same factors as described in section 8.17(m)(4) 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.

(4) 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 67: 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 8.17(m)(1); 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 8.17(m)(1); and
- sales volume growth of PBS medicines which are higher value but generate a lower average wholesale gross profit margin (%).

(5) Other income

Figure 68: 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 8.17(m)(1); and
- a one-off gain of $8.8 million relating to the sale of certain hospital operations and assets to Clifford Hallam Healthcare Limited.

(6) Share of profits of associates and joint ventures accounted for using the equity method

Figure 69: 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.

(7) Warehousing and Distribution expenses

Figure 70: 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 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.

(8) Marketing and sales expenses

Figure 71: 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) Administration and general expenses

Figure 72: 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 8.17(m)(1) 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 8.17(m)(1).

(10) Depreciation and amortisation

Figure 73: 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 8.17(m)(1). 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).

(11) EBIT

Figure 74: 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.

(12) Finance income and costs

Figure 75: 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 8.17(m)(1).

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.

(13) Income tax expense

Figure 76: 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.

(14) 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 77: 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)**

(n) Management Discussion and Analysis of the Merged Group Pro Forma Historical Statements of Cash Flows

This section 8.17(n) 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 10 and other information contained in this Scheme Booklet.

Figure 78: Merged Group Pro Forma Historical Statements of Cash Flows Breakdown

	Chemist Warehouse			Sigma			Pro forma adjustments			Merged Group		
$m	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**

(1) Movement in net working capital

Figure 79: 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.

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.

(2) 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.

(o) 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.

(p) 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 Franchise 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.

9 Prospectus lodged in connection with the Transaction

9. Prospectus lodged in connection with the Transaction

One of the conditions of 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 was that Sigma must issue a prospectus (that meets the requirements of section 710 of the Corporations Act) and lodge the prospectus with ASIC and ASX before or concurrently with Implementation. The Prospectus will be issued for that purpose.

For regulatory reasons, the Prospectus will contain a nominal offer new Sigma Shares at the Offer Price to be determined to certain investors who have been invited to apply for Sigma Shares (**Offer**).

Any proceeds from the Offer will be used for general corporate purposes. The Offer will not be underwritten.

The Offer is conditional on Implementation and is made on the terms, and is subject to the conditions, set out in the Prospectus. The Offer will have no material impact on the financial position or capital structure of the Merged Group.

10 Risk factors

10. Risk factors

In considering the Scheme, Chemist Warehouse Shareholders should be aware that there are a number of risks, both general and specific, associated with the Transaction. This section 10 describes a number of risks associated with:

- the Transaction (section 10.1);
- the Merged Group (section 10.2);
- Sigma Shares and general risks (section 10.3); and
- Chemist Warehouse if the Scheme is not implemented (section 10.4).

A number of these risks are, or will be, risks to which Chemist Warehouse Shareholders are already exposed. However, the nature of the Merged Group's business will differ from that of Chemist Warehouse as a standalone business and Chemist Warehouse Shareholders may be subject to additional or differently weighted risks to those that exist presently, relating to Chemist Warehouse 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 Chemist Warehouse currently.

In deciding whether to vote in favour of the Scheme, Chemist Warehouse Shareholders should read this Scheme Booklet in full and consider the risks. These risks do not take into account the individual investment objectives, financial situation, position or particular needs of Chemist Warehouse Shareholders. In addition, this section 10 is a summary only and does not contain an exhaustive list of all risks related to the Transaction, Merged Group, Sigma Shares and Chemist Warehouse. 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.

10.1 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 Banking Facilities). Refer to section 12.4(c) for further information regarding the material conditions for the Transaction.

There can be no certainty, nor can Chemist Warehouse 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. Chemist Warehouse will have incurred significant transaction costs in relation to the Transaction even if it does not proceed. These costs may include a break fee of $25 million payable by Chemist Warehouse in certain circumstances to Sigma. These costs may also be offset by a reverse break fee of $10 million payable by Sigma in certain circumstances to Chemist Warehouse.

The break fee is not payable merely because the Transaction is terminated as a result of failing to satisfy or waive a condition. Further detail regarding the break fee is set out in section 12.4(h).

(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.

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).[203] 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 Scheme Booklet and on the date of the Scheme 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 12.6. See also the risks associated with related parties in section 10.2(s).

(d) Tax consequences for Chemist Warehouse Shareholders

If the Scheme is implemented, there may be tax consequences for Chemist Warehouse Shareholders.

The tax treatment may vary depending on the nature and characteristics of each Chemist Warehouse Shareholder and their specific circumstances.

Accordingly, Chemist Warehouse Shareholders should seek independent professional tax advice in relation to their particular circumstances.

For further information about the general Australian tax consequences of the Scheme, please refer to section 11 of this Scheme Booklet.

(e) Reliance on information provided

Chemist Warehouse 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 Sigma. If any such information provided to, and relied upon by, Chemist Warehouse in its due diligence, and in its preparation of this Scheme Booklet 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 Sigma may be materially different to Chemist Warehouse's understanding, or the realisable synergies from the Transaction will be less than anticipated including those reflected in this Scheme Booklet. 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 Chemist Warehouse (for example, Chemist Warehouse 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 Sigma, and reliance has, by necessity, been placed by those undertaking due diligence on the accuracy of information and confirmations provided by Sigma and its representatives.

Further, as is usual in undertaking mergers and acquisitions, the due diligence process undertaken identified a number of risks associated with Sigma, which Chemist Warehouse 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 Chemist Warehouse 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.

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203. 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 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.

(f) 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 Scheme Booklet, 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.

(g) 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 8.17 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 8.17 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 8.17 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 8.17(b) 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.

(h) Historical liabilities

If the Scheme is implemented, Chemist Warehouse may become directly or indirectly exposed to liabilities that Sigma 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 and Chemist Warehouse Shareholders will not be indemnified or otherwise compensated for any of these liabilities or other adverse effects resulting from other factors.

Sigma 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 Sigma's existing frameworks were inadequate. For example, if Sigma's tax and regulatory frameworks were inadequate, there is a risk that Sigma 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 Sigma 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.

(i) Analysis of merger opportunity

Chemist Warehouse has undertaken financial, tax, legal, commercial and technical analysis of Sigma 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 Chemist Warehouse, 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 Chemist Warehouse'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 Scheme Booklet. There is also a risk that Chemist Warehouse'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.

(j) 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. Chemist Warehouse 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.

(k) Funding

As described in section 7.4, it is intended that the Scheme Cash Consideration will be funded through 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.

(l) 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).

(m) 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 8.17, 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.

(n) 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.

10.2 Risks relating to 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)(7)). 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 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 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. 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 certain jurisdictions.

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.

In NSW, as in other Australian States and Territories, fees that represent fair value for goods, services and IP 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 8.14) 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 the 'Changes to competitive landscape and operating performance of retail pharmacies' risk in section 10.2(b)), 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 from Implementation, 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 enterprise resource planning 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.

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)) 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, the Sigma Franchise Network has reduced by approximately 47. Further details regarding the rationalisation of the PharmaSave banner brand are set out in section 7.3(a)(2). 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 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 the risk factor titled 'Cyber risk' in section 10.2(j) for more further information). 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.

(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 12.5, the Existing Related Party Arrangements and Future Related Party Dealings require approval by Sigma Shareholders at the Sigma Shareholder Meeting. 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 12.5, 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 Sigma Shareholder 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 Sigma Shareholder 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 12.5.

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;
- 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.[204] 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; and
- approximately 48% of the Merged Group's shares will be held by the Chemist Warehouse Founders or entities controlled by them. Should 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.

204. 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 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.

(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.

(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 Group 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 or 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.

10.3 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 12.6. 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.

(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. Refer to section 11 for additional taxation considerations.

(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 8.13.

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 Scheme Booklet 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 Chemist Warehouse, Sigma or the Merged Group or any other person referred to in this Scheme Booklet that a particular outcome or future event is guaranteed.

10.4 Risks relating to Chemist Warehouse if the Scheme is not implemented

(a) Chemist Warehouse Shareholders will not receive the Scheme Consideration

If the Scheme is not implemented, Chemist Warehouse Shareholders will retain their Chemist Warehouse Shares and will not receive the Scheme Consideration. If the Scheme is not implemented, Chemist Warehouse will remain an unlisted public company and would continue to operate its business. In those circumstances, Chemist Warehouse Shareholders will continue to be exposed to the risks and benefits of owning Chemist Warehouse Shares.

(b) Chemist Warehouse Shares

There is currently no public market through which Chemist Warehouse Shares may be sold and any sale of Chemist Warehouse Shares will need to comply with the terms of the Chemist Warehouse Shareholders' Deed. There can be no guarantee that there will be an opportunity to sell the Chemist Warehouse Shares, an active market in Chemist Warehouse Shares will develop or that the price of Chemist Warehouse Shares will increase. There may be relatively few potential buyers or sellers of the Chemist Warehouse Shares at any time. This may increase the volatility of the price of the Chemist Warehouse Shares. This may result in Chemist Warehouse Shareholders being unable to sell their Chemist Warehouse Shares or receiving a price for their Chemist Warehouse Shares that is less or more than the price that Chemist Warehouse Shareholder paid.

(c) Transaction costs will be incurred

If the Scheme is not implemented, Chemist Warehouse's transaction costs will be borne by Chemist Warehouse alone, subject to any off-set by way of any reverse break fee payment from Sigma (if applicable). Chemist Warehouse may also be required to pay a break fee to Sigma, depending on the circumstances in which the Transaction does not proceed. Further information regarding the break fee, reverse break fee and the circumstances in which either may become payable is set out in sections 12.4(g) and 12.4(h).

(d) The benefits associated with the Merged Group will not be realised

If the Scheme is not implemented, Chemist Warehouse will remain as an unlisted public company and standalone entity, and the benefits anticipated from the Merged Group as set out in this Scheme Booklet will not be realised.

11 Tax implications

11. Tax implications

11.1 Introduction

This section 11 outlines the general Australian income tax, GST and duty implications of the Scheme as it may apply to Scheme Shareholders.

The Australian tax implications outlined under this section are limited to Scheme Shareholders that are Australian tax residents, that:

- are individuals, companies (excluding life insurance companies), trusts or complying superannuation funds;
- have always held their Scheme Shares on capital account for Australian income tax purposes; and
- acquired the Scheme Shares on or after 30 September 1999.

To the extent that a Scheme Shareholder is a non-resident of Australia for income tax purposes, the Australian tax implications outlined under this section are limited to a non-resident Scheme Shareholder who is not a temporary resident, and whose New Sigma Shares are taxable Australian property (as defined in section 855-15 of the *Income Tax Assessment Act 1997* (Cth)) just after the Implementation Date.

As such, the Australian tax implications noted in this section will not apply to Scheme Shareholders to the extent that they:

- became Australian tax residents at any point in time after the acquisition of their Scheme Shares;
- hold any Scheme Shares on revenue account (including as trading stock) for Australian income tax purposes;
- are not an individual, company (or are a life insurance company), trust or complying superannuation fund;
- are exempt from Australian income tax;
- are under a legal disability for the purposes of the *Income Tax Assessment Act 1997* (Cth); or
- are subject to the taxation of financial arrangements rules listed in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Scheme Shares.

This section provides a general overview of the Australian income tax, GST and duty implications in relation to the Scheme as it may apply to Scheme Shareholders. This section only considers the Australian tax laws, case laws and relevant administrative guidance in force as at the Last Practicable Date. Any changes to the law with respect to Australian income tax, GST or duty may change the relevant tax implications outlined in this section.

This section does not consider the specific financial situation, tax position or financial objectives of any Scheme Shareholder and should not be construed as advice to any particular Scheme Shareholder. It is strongly recommended that Scheme Shareholders obtain independent, professional advice on the relevant tax implications of the Scheme as applicable to their individual circumstances.

Chemist Warehouse has sought a class ruling from the ATO (**ATO Class Ruling**) to confirm that Australian-resident Chemist Warehouse Shareholders who hold their Scheme Shares on capital account and make a capital gain from the exchange of their Scheme Shares for New Sigma Shares received under the Scheme will be eligible to choose partial scrip-for-scrip rollover under paragraph 124-780(3)(d) of Income Tax Assessment Act 1997 (Cth). A draft ATO Class Ruling has been received confirming the above. The ATO Class Ruling, when issued, will be available to view via the website of the ATO (www.ato.gov.au) and will be sent to Chemist Warehouse Shareholders.

11.2 Income tax consequences

(a) Australian Capital Gains Tax (CGT)

If the Scheme is Effective, on the Implementation Date, Sigma will acquire all the Scheme Shares and the Scheme Shareholders will be paid the Scheme Consideration, consisting of:

- approximately $0.446469 cash per Scheme Share held as at the Scheme Record Date; and
- approximately 6.317841 New Sigma Shares per Scheme Share held as at the Scheme Record Date,

assuming that there is no Leakage adjustment to the Scheme Cash Consideration, the total number of Chemist Warehouse Shares as at the Scheme Record Date remains the same as at the Last Practicable Date and the fully diluted number of Sigma Shares on issue as at the Scheme Record Date remains the same as at the Last Practicable Date.[205] The Scheme Consideration is further described in section 4.2 of this Scheme Booklet.

205. The above figures are an estimate, and as discussed in section 4.2, the Scheme Cash Consideration will be adjusted for any Leakage prior to the Implementation Date 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 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.

Subject to the availability of rollover relief (detailed below), any Australian-resident Scheme Shareholder will make a capital gain to the extent that the capital proceeds received for the Scheme Shares exceed their cost base.

Alternatively, an Australian-resident Scheme Shareholder will make a capital loss to the extent that their capital proceeds from the Scheme Shares are less than the reduced cost base of those Scheme Shares.

Under the Australian CGT provisions, the capital proceeds for the Scheme Shares will be equal to the Scheme Cash Consideration plus the market value of the New Sigma Shares received by Scheme Shareholders on the Implementation Date.

(b) The availability of partial scrip-for-scrip rollover relief

Chemist Warehouse has lodged a request for the ATO Class Ruling to confirm that partial scrip-for-scrip rollover relief will be available for Australian-resident Scheme Shareholders on capital account that make a capital gain from the Scheme. Chemist Warehouse has received a draft ATO Class Ruling confirming that the aforementioned Australian-resident Scheme Shareholders will be eligible to choose scrip-for-scrip rollover to disregard any capital gain, to the extent that the capital gain is attributable to the Scheme Shares for which they receive replacement New Sigma Shares. Any capital gain attributable to the Scheme Cash Consideration will be taxable.

The draft ATO Class Ruling confirms the following Australian tax implications:

- An Australian-resident Scheme Shareholder who holds the Scheme Shares on capital account and makes a capital gain from the disposal of the Scheme Shares in exchange for New Sigma Shares under or in connection with the Scheme will be eligible to choose partial scrip-for-scrip rollover relief pursuant to Subdivision 124-M of the *Income Tax Assessment Act 1997* (Cth).
- On the basis that Australian resident Scheme Shareholders will also receive Scheme Cash Consideration, then only a partial rollover will be available. The rollover will only be available to the extent of that part of the capital gain which is attributable to the receipt of the New Sigma Shares received. Any capital gain that is referable to the receipt of cash will not be disregarded under the rollover and will give rise to a capital gain or loss as appropriate.
- For completeness, a Scheme Shareholder that only receives Scheme Cash Consideration will not be eligible for scrip-for-scrip rollover and will recognise a taxable capital gain or loss to the extent of the Cash Consideration received.

There are no formal requirements for a Scheme Shareholder to follow if they elect for scrip-for-scrip rollover to apply. Rather, the ATO considers that the Scheme Shareholder has made an election of this nature where the tax return for the relevant entity or individual is completed on the basis that scrip-for-scrip rollover has been applied.

For completeness, any Scheme Shareholder regarded as a 'significant stakeholder' will need to jointly elect rollover relief with Sigma. A 'significant stakeholder' electing rollover relief will also be required to disclose their cost base to Sigma in this circumstance.

The final ATO Class Ruling is not expected to be issued until after Implementation.

(c) Consequences if partial scrip-for-scrip rollover relief is chosen

Where an Australian-resident Scheme Shareholder chooses to apply partial scrip-for-scrip rollover to any capital gain made on the exchange of their Scheme Shares for New Sigma Shares pursuant to the Scheme, the Australian-resident Shareholder can disregard the capital gain.

For the purpose of determining whether a subsequent disposal of the New Sigma Shares by an Australian-resident Scheme Shareholder can qualify as a discounted capital gain for Australian CGT purposes, the acquisition date of the New Sigma Shares will be the date on which the Australian-resident Scheme Shareholder acquired the Scheme Shares that were subsequently exchanged for New Sigma Shares.

To the extent that an Australian-resident Scheme Shareholder qualifies for partial scrip-for-scrip rollover relief, the cost base and reduced cost base of the Scheme Shares will be apportioned between the New Sigma Shares received and the Scheme Cash Consideration received. The capital gain in respect of each Scheme Share would be equal to the Scheme Cash Consideration for that Scheme Share less the cost base attributable to Scheme Cash Consideration. The balance of the cost base and reduced cost base would be spread proportionally over the New Sigma Shares.

Whether a Scheme Shareholder is able to apply a CGT discount is dependent upon their individual circumstances. Refer to section 11.2(d) for further details in relation to the availability of the CGT discount.

For completeness, the cost base of the Scheme Shares for each Scheme Shareholder will depend on their individual circumstances.

(d) Consequences if partial scrip-for-scrip rollover relief is not chosen

An Australian-resident Scheme Shareholder who does not choose rollover, or cannot choose rollover, must take into account any capital gain or capital loss from the disposal of the Scheme Shares in working out their net capital gain or net capital loss for the income year in which the CGT event occurs. This may occur, for example, because a capital loss arises at the time that a Scheme Shareholder disposes of the Scheme Shares.

Where an Australian-resident Scheme Shareholder makes a capital gain and rollover is not chosen or cannot be chosen, they may be entitled to a CGT discount as outlined below.

In order to be entitled to a discounted gain, an Australian-resident Scheme Shareholder must have held their interest in the Scheme Shares for at least 12 months. Under the discount CGT provisions, a Scheme Shareholder who is an Australian-resident individual or the trustee of a trust can obtain a 50% discount on any realised capital gain. Where the Scheme Shareholder is a qualifying Australian superannuation fund, a discount of 33⅓% is available. A CGT discount is not available to companies.

To the extent that a capital loss is made, scrip-for-scrip rollover relief will not be available. Instead, a capital loss is treated as arising at the time of the disposal of the Scheme Shares. This capital loss could be utilised to offset a capital gain derived by an Australian-resident Scheme Shareholder in that or later income years (subject to satisfying certain conditions). However, this capital loss cannot be offset against ordinary income, nor be carried back to offset net gains arising in earlier income years.

(e) Where Scheme Shares are held as trading stock or on revenue account

Australian-resident Scheme Shareholders that hold their interests as either trading stock or on revenue account will not be eligible for scrip-for-scrip rollover relief.

Any gain or loss made on the disposal of the Scheme Shares will be included in the assessable income of the Australian-resident Scheme Shareholder. The gain is calculated as the market value of the New Sigma Shares received less the cost base (or reduced cost base) of the Scheme Shares.

The tax cost base of the New Sigma Shares received from the transfer should be their market value at the time that the Scheme is implemented.

11.3 Duty consequences

Scheme Shareholders should not be liable for any duty in any Australian State or Territory on the disposal of their Scheme Shares under the Scheme.

Sigma will be liable for landholder duty on its acquisition of the Scheme Shares, but this will not be a direct cost to the Scheme Shareholders.

The acquisitions by the Scheme Shareholders of the New Sigma Shares may be considered acquisitions that arise 'from substantially one arrangement' by one or more of the State revenue offices and therefore aggregated. No duty should arise from this provided:

- the aggregate interest acquired from the issue of the New Sigma Shares, together with shares held by any existing Sigma Shareholders that are related persons or associated persons with the Scheme Shareholders (if any), is less than 90%; and
- Sigma is a 'listed company' or regarded as a 'listed company' for the purposes of the duties legislation in each relevant State or Territory.

Scheme Shareholders should obtain independent, professional tax advice on the duty implications of the issue of the New Sigma Shares as applicable to their individual circumstances.

11.4 GST consequences

No GST should be payable in respect of the disposal of Scheme Shares.

Scheme Shareholders should obtain independent, professional tax advice to determine whether they will be entitled to claim input tax credits for GST incurred on costs (such as brokerage or advisory fees) associated with the proposed Scheme.

12 Additional information

12. Additional information

12.1 Interests of Chemist Warehouse Directors in Chemist Warehouse Shares

As at Last Practicable Date, the Chemist Warehouse Directors each have a Relevant Interest in 100% of the Chemist Warehouse Shares. This arises by virtue of the Chemist Warehouse Shareholders' Deed. The Chemist Warehouse Shareholders' Deed will terminate on Implementation.

The table below sets out the direct and indirect interests of each Chemist Warehouse Director in Chemist Warehouse Shares. This is a more reflective representation of their respective ownership interests.

Chemist Warehouse Director	Number of Chemist Warehouse Shares
Mario Verrocchi	404,426,435
Jack Gance	249,917,174
Samuel Gance	228,996,012
Damien Gance	63,346,222
Adrian Verrocchi	51,545,975
Marcello Verrocchi	51,545,975
Sunil Narula	26,256,000
Mario Tascone	24,860,308
Mark Finocchiaro	5,255,000

In the four months before the date of this Scheme Booklet:

- As scrip consideration for the acquisition of a business:
  - Mario Tascone acquired 1,000,000 Chemist Warehouse Shares;
  - Marcello Verrocchi acquired 1,000,000 Chemist Warehouse Shares; and
  - Adrian Verrocchi acquired 1,000,000 Chemist Warehouse Shares.

  The market price of these Chemist Warehouse Shares for the purposes of the acquisition was $4.79.

- In connection with a transfer between Chemist Warehouse Directors for prior shares issued 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.

  The transfers occurred at a price agreed between the relevant parties. The transfer price was $4.50 per Chemist Warehouse Share.

No other Chemist Warehouse Director acquired or disposed of a Relevant Interest in any Chemist Warehouse Shares during the four months before the date of this Scheme Booklet.

12.2 Chemist Warehouse equity incentive arrangements

As at the Last Practicable Date, Chemist Warehouse has no equity incentive arrangements in place.

12.3 Other benefits and agreements

(a) Interests of Chemist Warehouse Directors in Sigma securities

Chemist Warehouse Directors have the following Relevant Interests in securities in Sigma:

Chemist Warehouse Director	Relevant Interest in Sigma
Mario Verrocchi	10,478,523 Sigma Shares
Jack Gance	7,596,481 Sigma Shares
Samuel Gance	7,596,481 Sigma Shares
Damien Gance	7,596,481 Sigma Shares
Adrian Verrocchi	7,596,481 Sigma Shares
Marcello Verrocchi	7,596,481 Sigma Shares
Sunil Narula	7,596,481 Sigma Shares
Mario Tascone	7,596,481 Sigma Shares
Mark Finocchiaro	7,613,683 Sigma Shares

As at Last Practicable Date, the Chemist Warehouse Directors each have a Relevant Interest in 100% of the Chemist Warehouse Shares, and therefore have a Relevant Interest in Chemist Warehouse's indirect holding of 7,596,481 Sigma Shares. In addition:

- Mario Verrocchi has a Relevant Interest in an additional 2,882,042 Sigma Shares indirectly through his interest in Goat Properties Pty Ltd; and
- Mark Finocchiaro has a Relevant Interest in Sigma Shares through his direct holding of 17,202 Sigma Shares.

As discussed in section 6.7, the 7,596,481 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 at the discretion of the Merged Group Board. If this occurs, the Chemist Warehouse Directors' Relevant Interest in securities in Sigma will be reduced or eliminated accordingly.

No Chemist Warehouse Director has acquired or disposed of a Relevant Interest in any securities in Sigma during the four months before the date of this Scheme Booklet.

(b) Interests of Chemist Warehouse Directors in contracts with Sigma

No Chemist Warehouse Director has any interest in any contract entered into by Sigma, or any of its Related Bodies Corporate other than as set out in this section 12.3(b).

No contract set out in this section 12.3(b) is connected to, or conditional on, the outcome of the Scheme.

(1) Sigma supply contracts

Each Chemist Warehouse Director, in their capacity as Chemist Warehouse franchisees, has an interest in supply contracts with Sigma in respect of PBS medicines non-PBS prescription medicines and OTC products. In accordance with the Sigma Supply Agreement, Sigma enters into standard form trading terms with each such franchisee it supplies to. These trading terms are on arm's length terms and apply identically to all franchisees, including in respect of pricing.

For the three months from 1 July 2024 to 30 September 2024, the payments made to Sigma from each Chemist Warehouse Director's franchises were approximately as follows:

Chemist Warehouse Director	Supply agreement payments
Mario Verrocchi	$81,548,000
Jack Gance	$65,442,000
Samuel Gance	$40,815,000
Damien Gance	$27,082,000
Adrian Verrocchi	$27,548,000
Marcello Verrocchi	$32,959,000
Sunil Narula	$20,229,000
Mario Tascone	$25,079,000
Mark Finocchiaro	$7,157,000

(2) Software licence and dose administration agreement

Each Chemist Warehouse Director, in their capacity as pharmacy franchisees, will also have an interest in a software licence and dose administration agreement (**SLDAA**) with MPS, a wholly owned subsidiary of Sigma. Under the SLDAA, MPS will provide dose administration services and license electronic medication management software to Chemist Warehouse franchisees. The SLDAA will be on arm's length terms and apply identically to all franchisees, including in respect of pricing.

As at the Last Practicable Date, Chemist Warehouse is negotiating the SLDAA with MPS and expects the SLDAA to commence by 31 March 2025.

(c) Benefits in connection with retirement from office

There is no payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of Chemist Warehouse (or any of its Related Bodies Corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in Chemist Warehouse (or any of its Related Bodies Corporate) in connection with the Scheme.

(d) Benefits from Sigma

Other than as discussed below, no Chemist Warehouse Director has agreed to receive, or is entitled to receive, any benefit from Sigma, or any of its Related Bodies Corporate, which is conditional on, or is related to, the Scheme.

Mario Verrocchi, Jack Gance and Damien Gance will be appointed to the Merged Group Board following Implementation. Mario Verrocchi and Damien Gance will be entitled to receive remuneration as employees of the Merged Group. Jack Gance will be entitled to receive remuneration as a non-executive director of the Merged Group Board. Each of Mario Verrocchi, Jack Gance and Damien Gance will be entitled to enter into a deed of access, indemnity and insurance with the Merged Group.

(e) Agreements connected with or conditional on the Scheme

Other than as disclosed in this section 12.3, there are no agreements or arrangements made between any Chemist Warehouse Director and any other person in connection with, or conditional on, the outcome of the Scheme.

12.4 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)

(1) 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 12.4(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.

(2) 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 relevant related party arrangements are both not fair and not reasonable;
- Sigma receives a Sigma Competing Proposal, the 'matching right' procedure under section 12.4(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.

(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 this 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 relevant 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.
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).

Condition Precedent
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.
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.

As at the date of this Scheme Booklet, each of Sigma and Chemist Warehouse are not aware of any circumstances which would cause any Condition Precedent to not be satisfied.

In respect of regulatory or third party approval Conditions Precedent:

- the OIO approval Condition Precedent was satisfied on 5 July 2024, following receipt by Sigma of a direction order from the OIO in respect of the Transaction;
- the rollover relief Condition Precedent was satisfied on 29 October 2024, following receipt by Chemist Warehouse of a draft ruling from the ATO confirming that scrip-for-scrip rollover relief will be available for eligible Chemist Warehouse Shareholders; and
- the ACCC approval Condition Precedent was satisfied on 7 November 2024, following the ACCC's public announcement and notification to Sigma and Chemist Warehouse that it would not oppose the Transaction, after accepting an undertaking provided by Sigma pursuant to section 87B of the CCA (the **Merger Undertaking**) as described below.

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 earnt 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.

(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.

(f) Exclusivity arrangements (clauses 14 and 15)

The Merger Implementation Agreement contains certain customary exclusivity provisions that apply to Chemist Warehouse. There are also equivalent exclusivity provisions that apply to Sigma in respect of Sigma Competing Proposals.

(1) **No shop:** During the Exclusivity Period, Chemist Warehouse 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 Chemist Warehouse Competing Proposal.

(2) **No talk:** During the Exclusivity Period, subject to a fiduciary exception, Chemist Warehouse must not enter into any agreement, arrangement or understanding, or participate in any discussions or negotiations in relation to, an actual, proposed or potential Chemist Warehouse Competing Proposal. Additionally, during the Exclusivity Period, Chemist Warehouse must not provide any Third Party with non-public information relating to its business or affairs in connection with obtaining or receiving a Chemist Warehouse Competing Proposal (including providing information for the purposes of due diligence investigations).

The fiduciary exception provides that Chemist Warehouse is not prohibited from an action in relation to an actual, proposed or potential Chemist Warehouse Competing Proposal where the Chemist Warehouse Board determines (in good faith and having regard to external advice):

(A) that the Chemist Warehouse Competing Proposal is or could reasonably be expected to lead to a Chemist Warehouse Superior Proposal; and

(B) that the failure to take (or not take) action would likely constitute a breach of the Chemist Warehouse Board's fiduciary or statutory duties.

(3) **Notification:** During the Exclusivity Period, Chemist Warehouse must notify Sigma (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, Chemist Warehouse;

(C) request made by a Third Party for any material non-public information concerning the business or operations of Chemist Warehouse (except where the Chemist Warehouse 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 Chemist Warehouse's business or operations to any Third Party,

in connection with an actual, proposed or potential Chemist Warehouse Competing Proposal.

(4) **Matching right:** Chemist Warehouse must not enter into any binding agreement, arrangement or understanding to undertake or give effect to an actual, proposed or potential Chemist Warehouse Competing Proposal, and must use reasonable endeavours to procure that no Chemist Warehouse Director adversely modifies their recommendation of the Scheme or publicly recommends a Chemist Warehouse Competing Proposal, unless:

(A) the Chemist Warehouse Board determines that the Chemist Warehouse Competing Proposal constitutes a Chemist Warehouse Superior Proposal;

(B) Chemist Warehouse has provided Sigma with the material terms and conditions of the Chemist Warehouse Competing Proposal;

(C) Chemist Warehouse has given Sigma at least five Business Days after receiving this information to provide an equivalent or superior proposal to the Chemist Warehouse Competing Proposal; and

(D) Sigma has not provided a counterproposal by the expiry of that five Business Day period, or the Chemist Warehouse Board determines that Sigma has not provided an equivalent or superior proposal to the Chemist Warehouse 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 relevant 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.

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.

12.5 Summary of related party arrangements

Following Implementation, the Merged Group:

- will be party to a number of existing related party arrangements; and
- is expected to enter into a number of new related party arrangements, including as a result of renewals or amendments to existing related party arrangements.

The existing related party arrangements are arrangements between Chemist Warehouse and its related parties which, on Implementation, will become related party arrangements of the Merged Group, as well as arrangements between Sigma and parties (being existing related parties of Chemist Warehouse) who will become related parties of the Merged Group on Implementation.

Sections 12.5(a) to 12.5(d) address the existing related party arrangements and sections 12.5(e) to 12.5(i) address the new related party arrangements and associated governance framework.

(a) Overview

The **Existing Related Party Arrangements** are arrangements in place at the Last Practicable Date with Existing Related Persons (defined below) comprised of the:

- Existing Related Person franchise arrangements (discussed in section 12.5(b)); and
- Existing Related Person property arrangements (discussed in section 12.5(c)); and
- Other Related Person Arrangements (discussed in section 12.5(d)).

The **Existing Related Persons** are:

- Mario Verrocchi;
- Jack Gance;
- Damien Gance;
- Danielle Di Pilla;
- Sam Gance; and
- Sasha Robertson (the spouse of Damien Gance).

(b) Existing Related Person franchise arrangements

The majority of the Existing Related Party Arrangements occur because the Existing Related Persons are, or have an interest in, Chemist Warehouse franchisees with whom Chemist Warehouse Group has entered into a suite of documents for each pharmacy (with the suite dependent on whether the pharmacy is in New South Wales or another Australian State or Territory).

The pro forma suite of documents for:

- New South Wales (effective for the Existing Related Persons from January 2025) is a services agreement, supply agreement, trade mark licence and occupancy licence;[206] and
- each other Australian State or Territory is a pro forma franchise agreement, pro-forma supply arrangement and 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 12.5(d)(4).

Chemist Warehouse has confirmed that the arrangements with the Existing Related Persons are materially consistent with the pro forma suite of documents.

In relation to the existing arrangements, pricing and fees under the agreements were negotiated individually with each relevant Chemist Warehouse franchisee. In the future, pricing under new, certain amended or renewed franchise arrangements with Related Parties will be charged consistently with Chemist Warehouse's standard and Merged Group Board-approved[207] pricing for all franchisee pharmacies, which will apply for all new Chemist Warehouse branded pharmacies and will be implemented following Implementation (**Standard Pricing**), irrespective of whether the pharmacy business is owned by a Related Party or a non-Related Party.

Furthermore, each Chemist Warehouse franchisee (including the Existing Related Persons) has entered into standard trading terms with Sigma (**Sigma Trading Terms**).

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.

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 (a friendly society jointly owned-by Mario Verrocchi and Jack Gance)[208]	43
Sasha Robertson	19
Eliminations[209]	-16
Total Existing Related Person pharmacies	**180**

206. There may be a limited number of NSW pharmacies on legacy arrangements should the relevant franchisee not agree to the revised arrangements.
207. With Related Party directors who are or have an interest in a franchisee abstaining.
208. Mario Verrocchi and Jack Gance each own 50% of EYFS.
209. 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.

12. Additional information continued

The following table identifies the aggregate revenue derived from the Existing Related Persons in respect of the franchising arrangements (excluding the occupancy licence which is discussed further below) in all States and Territories for FY24 and for the first quarter of FY25. The change of arrangements in NSW from January 2025 are not expected to have a material impact on the earnings of the Merged Group.

	FY24			1 July 2024 to 30 September 2024			
Existing Related Person	Sales of goods (,000)[210]	Other revenue (,000)[211]	Total (,000)	Sales of goods (,000)[212]	Sigma Trading Terms (,000)[213]	Other revenue (,000)[214]	Total (,000)
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[215]	($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

Whilst the figures above for FY24 include amounts payable for the supply of goods under the franchising arrangements, the Sigma Supply Agreement[216] came into effect on 1 July 2024 and introduced several pricing changes relevant for Supply Arrangements, meaning the FY24 figures provided above are not necessarily representative of the total fees expected to be paid by Existing Related Persons going forward. Furthermore, figures for the supply of goods under the Sigma 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.

For the reasons stated above, while figures for FY24 are provided, the period from 1 July 2024 to 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").

(c) Existing Related Person property arrangements

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 Chemist Warehouse Group from a commercial landlord under a lease (**Head Lease**). The properties leased under the Head Lease are then licensed to the Chemist Warehouse franchisee for the purpose of operating their pharmacy under an occupancy licence, which is based on the pro forma occupancy licence. Chemist Warehouse receives payments through licence fees (**Licence Fee**) paid under these occupancy licences. This Licence Fee is a pass through of the rent payable under the Head Lease.

A number of the properties the subject of Head Leases in Australia and New Zealand are owned by the Existing Related Persons. Franchises associated with the Existing Related Persons are also licensees under the occupancy licences. In some, but not all cases, an Existing Related Person is both the landlord and has an interest in the licensee in respect of the same property. The terms of each Existing Related Person leases and Existing Related Person licence are based on pro forma documents.

210. 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.
211. Includes services revenue and fees revenue.
212. 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.
213. This column includes all sales made under the Sigma Trading Terms.
214. Includes services revenue and fees revenue.
215. 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.
216. Prior to Implementation, Chemist Warehouse arranged for Sigma to supply goods to Chemist Warehouse's franchisees. This is pursuant to the Sigma Supply Agreement, which was announced by Sigma to ASX on 6 June 2023. This agreement covers the supply by Sigma of PBS medicines, non-PBS prescription medicines, OTC products and FOS products to Chemist Warehouse franchisees. The Sigma Supply Agreement governs the supply of goods from:
    - in respect of PBS medicines, non-PBS prescription medicines and OTC products, Sigma direct to Chemist Warehouse franchisees (including Existing Related Person franchisees), under the Sigma Trading Terms; and
    - in respect of FOS products, Sigma to Chemist Warehouse (which will become an intragroup arrangement from Implementation), with those FOS products then being on-sold by Chemist Warehouse to Chemist Warehouse franchisees (including Existing Related Person franchisees).

The table below sets out the number of leases and licences the group has entered into with each Existing Related Person, as at the Last Practicable Date. The number of leases below are predominantly for store premises, but also include a distribution centre / 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 leases[217]	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[218]	-358	-61
Total	**133**	**192**

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[219]	-121.0	-17.8
Total	**41.9**	**56.2**

(d) Other related party arrangements

(1) 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 guarantees will be released progressively as the three My Beauty Spot stores are closed.

(2) 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).

217. As at the Last Practicable Date, one of the Existing Related Persons also leases some office premises in Preston to Chemist Warehouse. It is intended that the lease is terminated prior to Implementation and it has not been included in the figures in this table.
218. Eliminations made to ensure there is no double counting of the same lease and licences where they relate to multiple Existing Related Persons.
219. 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.

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).

(3) Tilley Soaps

Tilley Soaps Australia Pty Ltd (**Tilley Soaps**) is a manufacturer of soap, fragrance and skincare products and supplies goods to the Chemist Warehouse Group. Shares in Tilley Soaps are held by Goat Consortium Pty Ltd (**Goat Consortium**) (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 third 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 to Tilley Soaps in relation to the purchase of goods.

(4) Related Party Loans and Fit-out Leases

As discussed in section 12.5(b), 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, 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, or pro forma fit-out lease.

(e) Overview of Future Related Party Dealings

Given the number of related party arrangements which will be relevant to the ongoing operation of the Merged Group, and the need to operate the Merged Group without having to frequently seek the approval of Sigma Shareholders, a Related Party Governance Framework has been developed. This governs the process and terms on which the Merged Group and Related Parties may undertake certain future related party dealings after Implementation (including entering into new arrangements or renewing or amending existing arrangements), subject to the Sigma Shareholder approval sought at the Sigma Shareholder Meeting (**Related Party Approval**).

Future related party dealings will not require further Sigma Shareholder approval under Listing Rule 10.1, provided the arrangement is identified in column 'A' in the table in section 12.5(g) and:

- is entered into in accordance with the Related Party Governance Framework (described in section 12.5(f));
- complies with any Approval Conditions (described in column 'B' in section 12.5(g)); and
- is entered into in the Future Related Party Dealings Framework Period (discussed below),

where the dealing meets these criteria, it is a **Future Related Party Dealing**.

The **Future Related Party Dealings Framework Period** commences on the Implementation Date and ends at the close of the sixth annual general meeting of Sigma following the Sigma Shareholder Meeting, at which point the ability to engage in Future Related Party Dealings without obtaining further Sigma Shareholder approval ends. At or prior to this time, 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 further shareholder approval) and future related party dealings under it. 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 annual general meeting.

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 categories of Future Related Party Dealings).

(f) Related Party Governance Framework

To manage the ongoing related party arrangements on an ongoing basis and to ensure they remain on arm's length terms, as well as to be able to undertake Future Related Party Dealings pursuant to (and subject to receipt of) the Related Party Approval, the Merged Group Board will:

- establish an independent board committee to oversee the ongoing related party arrangements;
- 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 (**IBC Protocols**) 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.

(g) 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, if Implementation occurs, the Related Party Approval will have been obtained).

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 further approved by Sigma Shareholders.

Item	'A' Type of future related party arrangement	'B' Approval Conditions
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.
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[220] • 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: • In respect of a change to a commercial term of an Existing Related Person franchise agreement, the change: – conforms to the then-current Merged Group Board[221] approved Standard Pricing[222] for franchisees or is more favourable to the Merged Group; – is consistent with the Principles (discussed in section 12.5(j) below); 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: – 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.

220. 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.
221. With Related Party directors who are or have an interest in a franchisee abstaining.
222. From time to time, the Merged Group Board may amend the Standard Pricing with Related Party directors who are or have an interest in a franchisee abstaining.

Item	'A' Type of future related party arrangement	'B' Approval Conditions
2 *continued*		• In respect of the entry into a new franchise agreement with a Related Party, the new franchise agreement: – conforms to the then-current Merged Group Board[223] approved Standard Pricing for franchisees or is more favourable to the Merged Group; – 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 the case of the NSW Documents: • In respect of a change to a commercial term of a NSW Document, the change: – conforms to the then-current Merged Group Board[224] approved Standard Pricing or is more favourable to the Merged Group;[225] – 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: – 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: – conforms to the then-current Merged Group Board[226] approved Standard Pricing for franchisees or is more favourable to the Merged Group;[227] – 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).
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 the Merged Group and the franchise in connection with the acquisition.
4	Changes to commercial or non-commercial term of franchise arrangements in either NSW or other States and Territories initiated by the Merged Group (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.

223. With Related Party directors who are or have an interest in a franchisee abstaining.
224. With Related Party directors who are or have an interest in a franchisee abstaining.
225. From time to time, the Merged Group Board may amend the Standard Pricing with Related Party directors who are or have an interest in a franchisee abstaining.
226. With Related Party directors who are or have an interest in a franchisee abstaining.
227. From time to time, the Merged Group Board may amend the Standard Pricing 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
5	Changes to overall or particular franchise arrangements in either NSW or other States and Territories in response to regulatory changes	If the change: • is a regulatory change imposed on the operations of the Merged Group (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.
Existing Related Person supply agreements		
6	Renewing, amending, or entering into new Supply Arrangements	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 the Merged Group). It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters under this item 6.
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.
8	Entering into future leases, renewals and amendments to Existing Related Person leases[228]	• 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 – substantively consistent with the terms of the relevant then pro forma lease; – consistent with the Principles; and – approved by the Related Party IBC.
9	Acquisition by a Related Party of a property leased to the Chemist Warehouse Group	• 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. It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters under this item 9.
10	Entering into future licences, renewals and amendments to Existing Related Person licences	• 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. It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters under this item 10.

228. The framework for entering into new leases, renewals of existing leases and amendments to existing leases needs to be re-approved at the sixth annual general meeting following the meeting of Sigma Shareholders at which the Related Party Approval is granted. 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.

12. Additional information continued

Item	'A' Type of future related party arrangement	'B' Approval Conditions
Financing arrangements		
11	Entering into financing arrangements with franchisees, including renewals and amendments to the financing arrangements approved as Existing Related Party Arrangements	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. It is intended that the Related Party IBC delegate authority to the Related Party Working Group to approve the matters under this item 11.

(h) 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 the Merged Group 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.

(i) Related Party IBC and Related Party Working Group

The Related Party IBC will be delegated authority by the Merged Group 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 Merged Group Board-approved protocols.

The Related Party Working Group will be established to manage related party arrangements on an everyday basis, to ensure the related party arrangements are within the scope of the Related Party Approval and to administer the Related Party Manual on a day to day basis at a management level. The Related Party Working Group will also be governed by a set of Merged Group 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 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.

(j) 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 Merged Group 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 Approval, Listing Rule Chapter 10 and Chapter 2E.

In administering the ongoing related party arrangements, interpreting the Related Party Manual and making any decision in relation to an ongoing related party arrangement, the Merged Group 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 the Merged Group 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 the Merged Group,

together, the **Principles**.

12.6 Escrow Arrangements

(a) Escrow arrangements

Jack Gance, Sam Gance and Mario Verrocchi 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 Shares[229]	Escrow Period	Number of Escrowed Shares eligible for early release[230]
Mario Verrocchi and associated entities	2,555,101,850	As above	255,510,185
Jack Gance and associated entities	1,578,936,930	As above	157,893,693
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.

229. 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.

230. 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.

(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.

(d) Other escrow arrangements

In addition to the above Escrow Arrangements, Sigma Shares to be issued at Implementation on the conversion of LTI Rights granted under the 2023 Executive Equity Grant Plan will be subject to escrow until 31 January 2026 (see section 7.12(b) for further details).

12.7 Regulatory relief

Other than as set out in this Scheme Booklet, no regulatory relief or waiver is required by Chemist Warehouse to implement the Scheme.

12.8 Foreign disclaimers

No action has been taken to register or qualify the New Sigma Shares or otherwise permit a public offer of such securities in any jurisdiction outside Australia.

Based on the information available to Sigma, Chemist Warehouse Shareholders whose addresses are shown in the Chemist Warehouse Share Register on the Scheme Record Date as being in the following jurisdictions will be entitled to receive this Scheme Booklet and have the New Sigma Shares issued to them under the Scheme subject to any qualifications set out below in respect of that jurisdiction:

- Australia and its external territories;
- New Zealand; and
- any other jurisdiction in respect of which Sigma determines that it is lawful and not unduly onerous or impracticable to issue Scheme Shareholders with New Sigma Shares when the Scheme becomes Effective.

New Zealand

This Scheme Booklet is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the *Financial Markets Conduct Act 2013* or any other New Zealand law. The offer of New Sigma Shares under the Scheme is being made to Chemist Warehouse Shareholders with registered addresses in New Zealand in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021 and, accordingly, this Scheme Booklet is not a product disclosure statement under the *Financial Market Conducts Act 2013* and may not contain all the information that a disclosure document is required to contain under New Zealand law.

12.9 Fees

The fees set out in this section 12.9 only relate to fees paid or payable by Chemist Warehouse in connection with the Transaction and the preparation of this Scheme Booklet. As at the Last Practicable Date, such fees include:

- amounts paid or payable to:
  - Rothschild & Co Australia Limited for acting as financial adviser to Chemist Warehouse;
  - Oaktower Partnership Pty Ltd for acting as financial adviser to Chemist Warehouse;
  - Herbert Smith Freehills for acting as legal adviser to Chemist Warehouse;
  - PricewaterhouseCoopers Securities Ltd for acting as the Investigating Accountant;
  - Kroll Australia Pty Ltd for acting as the Chemist Warehouse Independent Expert;
  - KPMG for acting as tax adviser to Chemist Warehouse; and
  - Computershare Investor Services Pty Limited for acting as the Chemist Warehouse Share Registry; and
- other fees and expenses associated with the Court proceedings, Scheme Booklet design, printing and distribution, convening and holding the Scheme Meeting and other general and administrative expenses.

In aggregate, if the Scheme is implemented, Chemist Warehouse expects to pay approximately $40 million (excluding GST) in transaction costs. In aggregate, if the Scheme is not implemented, Chemist Warehouse expects to pay approximately $23 million (excluding GST) in transaction costs, being costs that have already been incurred as at the date of this Scheme Booklet or will be incurred even if the Scheme is not implemented (excluding any break fee payable).

12.10 Consents and disclosures

(a) Consents

This Scheme Booklet contains statements made by, or statements said to be based on statements made by:

- Sigma in respect of the Sigma Information only;
- Kroll Australia Pty Ltd as the Chemist Warehouse Independent Expert;
- KPMG as tax adviser to Chemist Warehouse; and
- PricewaterhouseCoopers Securities Ltd in respect of the Investigating Accountant's Report as the Investigating Accountant.

Each of those persons named above has consented to the inclusion of each statement or report it has made in the form and context in which the statements or reports appear and has not withdrawn that consent at the date of this Scheme Booklet.

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:

- Rothschild & Co Australia Limited as financial adviser to Chemist Warehouse;
- Oaktower Partnership Pty Ltd as financial adviser to Chemist Warehouse;
- Herbert Smith Freehills as legal adviser to Chemist Warehouse; and
- Computershare Investor Services Pty Limited as the Chemist Warehouse Share Registry.

(b) Disclosures and responsibility

Each person named in section 12.10(b):

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement or report in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than:
  - Sigma in respect of the Sigma Information only;
  - Kroll Australia Pty Ltd in respect of its Chemist Warehouse Independent Expert's Report;
  - KPMG in respect of section 11; and
  - PricewaterhouseCoopers Securities Ltd in respect of the Investigating Accountant's Report as the Investigating Accountant; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement or report (if any) included in this Scheme Booklet with the consent of that party as specified in this section 12.10(b).

12.11 No unacceptable circumstances

The Chemist Warehouse Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Chemist Warehouse that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

12.12 No other material information

Except as disclosed elsewhere in this Scheme Booklet, so far as the Chemist Warehouse Directors are aware, there is no other information that is:

- material to the making of a decision by a Chemist Warehouse Shareholder whether or not to vote in favour of the Scheme; and
- known to any Chemist Warehouse Director at the date of lodging this Scheme Booklet with ASIC for registration,

which has not previously been disclosed to Chemist Warehouse Shareholders.

12.13 Supplementary disclosure

Chemist Warehouse will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Second Court Date:

- a material statement in this Scheme Booklet is false or misleading in a material respect;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Chemist Warehouse may circulate and publish any supplementary document by:

- way of email to Chemist Warehouse Shareholders at their email address shown on the Chemist Warehouse Share Register;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia; and/or
- posting the supplementary document to Chemist Warehouse Shareholders at their address shown on the Chemist Warehouse Share Register,

as Chemist Warehouse, in its absolute discretion, considers appropriate.

Sigma will also make an announcement to ASX for any supplementary document, in accordance with ASX's in-principle advice to Sigma.

13 Glossary

13. Glossary

13.1 Definitions

In this Scheme Booklet, unless the context otherwise appears, the following terms have the meanings shown below:

Term	Meaning
AAS	the Australian Accounting Standards and Interpretations issued by the AASB.
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: 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.
AMS Constructions	has the meaning given in section 12.5(d)(2).
Approval Conditions	the conditions which much be approved in order for the Related Party IBC to enter into a Future Related Party Dealing in the applicable Future Related Party Dealing Framework Period, as further described in section 12.5(g).
ARTG	Australian register of therapeutic goods.
ASIC	Australian Securities and Investments Commission.
Associate	has the meaning given 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.
ASX Settlement Rules	the settlement operating rules of ASX Settlement Pty Limited (ABN 49 008 504 532).
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 in section 8.14.
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	*Competition and Consumer Act 2010* (Cth).
CEO Sign-On Rights	has the meaning given in section 7.12(b)(3).
CGT	capital gains tax.
Chapter 2E	Chapter 2E of the Corporations Act.
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.

Term	Meaning
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	1. a Chemist Warehouse IPO; or 2. 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): • 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, 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. Each successive material modification or variation of a Chemist Warehouse Competing Proposal will constitute a new Chemist Warehouse Competing Proposal.
Chemist Warehouse Director	a director of Chemist Warehouse.
Chemist Warehouse Disclosure Materials	has the meaning given 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 Warehouser 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)(2)(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.
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.

Term	Meaning
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 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 this 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	the entirety of the information included in this Scheme Booklet (or any amendment or supplement) other than the Sigma Information, the Chemist Warehouse Independent Expert's Report, the Investigating Accountant's Report, section 11 of this Scheme Booklet and any other report or opinion prepared by an external adviser to Chemist Warehouse or Sigma.
Chemist Warehouse IPO	has the meaning given in clause 1.1 of the Merger Implementation Agreement.
Chemist Warehouse Leakage	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; or 7. 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	1. an order, injunction, decision, judgement or decree is issued by any court or Government Agency which: • 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: • 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	has the meaning given in clause 1.1 of the Merger Implementation Agreement.

Term	Meaning
Chemist Warehouse Permitted Leakage	1. any payment that is expressly permitted or required to be done by or under the Merger Implementation Agreement; 2. the Chemist Warehouse Permitted Dividends and the $100.9 million dividend declared and paid by Chemist Warehouse in October 2023; 3. 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; 4. 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); 5. 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: • property lease agreements or arrangements; • provision of seed funding and fit out financing to franchisees of the Chemist Warehouse Group; or • payments made by a Chemist Warehouse Group Member that are recharged to stores or franchisees of the Chemist Warehouse Group; 6. 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; 7. 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; 8. 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; 9. any Chemist Warehouse Leakage which: • involves an individual amount, benefit or value of an asset less than $50,000; and • occurs 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; or 10. any payment which is approved in writing by Sigma for the purposes of this definition.

Term	Meaning
Chemist Warehouse Prescribed Occurrence	other than any matter: 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, the occurrence of any of the following: 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: • 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.

13. Glossary continued

Term	Meaning
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).
Chemist Warehouse Shareholder	a person who is registered as the holder of a Chemist Warehouse Share in the Chemist Warehouse Share Register.
Chemist Warehouse Shareholder Information Line	+61 3 9462 9111, open between 8.30am and 5.00pm (Melbourne time), Monday to Friday (excluding public holidays).
Chemist Warehouse Shareholders' Deed	the existing shareholders deed between the shareholders of Chemist Warehouse.
Chemist Warehouse Superior Proposal	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: 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 Chemist Warehouse Shareholders (taken as a whole) than the Transaction, 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).
China Retail Network	Chemist Warehouse stores operated in China through services agreements with local companies.
CIM	has the meaning given in section 12.5(d)(2).
Closely Related Party	has the meaning given in the Corporations Act.
Commonwealth Price	has the meaning given in section 5.5(a)(7).
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.

Term	Meaning
Control	has the meaning given in section 50AA of the Corporations Act, disregarding subsection 50AA(4).
Corporations Act	*Corporations Act 2001* (Cth).
Corporations Regulations	*Corporations Regulations 2001* (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.
CW Retail Services	CW Retail Services Pty Ltd (ACN 606 509 791).
Debt Commitment Letter	the binding, credit approved, executed debt commitment letter annexing, among 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, among others, Sigma and certain banks and financial institutions prior to the Implementation Date.
Debt Finance Documents	the Debt Facility Agreement and related finance documents.
Deed Poll	the deed poll in the form of Annexure 5 under which Sigma covenants in favour of the Scheme Shareholders to perform the obligations attributed to Sigma under the Scheme.
Discount Drug Stores 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.
EBITDA	earnings before interest, tax, depreciation and amortisation.
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	31 March 2025, unless extended in accordance with the Merger Implementation Agreement.
Escrow Arrangements	the voluntary escrow arrangements described in section 12.6.
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 12.6).
Escrowed Shares	the Sigma Shares which are subject to Escrow Arrangements.

13. Glossary continued

Term	Meaning
Exclusivity Period	the period from the date of the Merger Implementation Agreement until the earlier of: 1. the date of termination of the Merger Implementation Agreement; and 2. the End Date.
ESG	environmental, social, and governance.
Existing Related Party Arrangements	has the meaning given in section 12.5(a).
Existing Related Persons	has the meaning given in section 12.5(a).
EYFS	East Yarra Friendly Society Pty Ltd (ACN 087 648 913).
Fairly Disclosed	has the meaning given in clause 1.1 of the Merger Implementation Agreement.
Financial Information	the Chemist Warehouse Historical Financial Information, the Sigma Historical Financial Information and the Merged Group Pro Forma Historical Financial Information.
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard, or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard, with such hearing being the **First Court Hearing**.
First Escrow Period	has the meaning given in section 12.6.
Fit-out Leases	has the meaning given in section 12.5(d)(4).
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 Dealing	has the meaning given in section 12.5(e).
Future Related Party Dealings Framework Period	has the meaning given in section 12.5(e).
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.
Goat Consortium	has the meaning given in section 12.5(d)(3).
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.
GST	has the meaning given in the GST Act.
GST Act	the A New Tax System (Goods and Services Tax) Act 1999 (Cth).
Guardian	Guardian Pharmacies Australia Pty Ltd (ACN 005 092 839).

Term	Meaning
Head Lease	has the meaning given in section 12.5(c).
IASB	International Accounting Standards Board.
IBC Protocols	has the meaning given in section 12.5(f).
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board.
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 Cash Consideration	has the meaning given to it in section 4.2(d).
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 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 Scheme Booklet, and includes any update, revision, amendment or supplement to that report.
Ireland Retail Network	partly owned Chemist Warehouse branded retail pharmacies in Ireland.
Last Practicable Date	6 December 2024.
Leakage	1. when used in relation to Chemist Warehouse, Chemist Warehouse Leakage; and 2. when used in relation to Sigma, Sigma Leakage.
LFS Plan Rules	has the meaning given in section 7.12(b)(1).
Licence Fee	has the meaning given in section 12.5(c).
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 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 in section 7.12(b)(2).
LTI Rights Plan Rules	has the meaning given in section 7.12(b)(2).
LTI Rights Plans	has the meaning given in section 7.12(b)(2).

13. Glossary continued

Term	Meaning
LTI Term	has the meaning given in section 7.12(b)(2).
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.
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 in section 12.4(c).
MPS	MPS Hold Co. Pty Ltd (ACN 621 372 138).
My Beauty Spot	has the meaning given in section 12.5(d)(1).
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 of Scheme Meeting	the notice of scheme meeting contained in Annexure 6 of this Scheme Booklet.
NSW	New South Wales.

Term	Meaning
NSW Documents	The agreements that will replace the current arrangements in place with Chemist Warehouse branded pharmacies in New South Wales (provided those franchises agree to the revised arrangements), which are: 1. a services agreement, under which Chemist Warehouse in exchange for an administration charge provides administrative services to pharmacies in NSW; 2. a supply arrangement, under which Chemist Warehouse supplies goods and arranges for the supply of goods from third party suppliers to franchisees; 3. 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; and 4. a version of the occupancy licence currently used by Chemist Warehouse tailored for NSW.
Offer	the offer of new Sigma Shares by Sigma under the Prospectus.
Offer Price	the price payable for an Offer Share under the Offer.
Offer Shares	new Sigma Shares to be issued under the Offer.
OHS	occupational health and safety.
OIO	Overseas Investment Office.
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 receive services from the Merged Group under a service arrangement until such a time as they enter into a franchise agreement with Chemist Warehouse.
Poisons Standard	Standard for the Uniform Scheduling of Medicines and Poisons.
PPS Register	register established under the PPSA.
PPSA	*Personal Property Securities Act 2009* (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 in section 12.5(j).
Proposed Directors	the persons who will join the Merged Group Board upon Implementation (being Mario Verrocchi, Damien Gance, Jack Gance and Danielle Di Pilla).

13. Glossary continued

Term	Meaning
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).
Reference Accounts	1. when used in relation to Chemist Warehouse, the audited consolidated balance sheet of the Chemist Warehouse Group on the Reference Accounts Date; and 2. when used in relation to Sigma, the reviewed consolidated balance sheet of the Sigma Group on the Reference Accounts Date.
Reference Accounts Date	1. when used in relation to Chemist Warehouse, 30 June 2023; and 2. when used in relation to Sigma, 31 July 2023.
Related Body Corporate	has the meaning given 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 Approval	has the meaning given in section 12.5(e).
Related Party Governance Framework	has the meaning given in section 12.5(f).
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 in section 12.5(d)(4).
Related Party Manual	has the meaning given in section 12.5(f).
Related Party Working Group	has the meaning given in section 12.5(f).
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
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.
Sale Agent	the sale agent appointed under clause 5.5 of the Merger Implementation Agreement to sell the New Sigma Shares that would otherwise be issued to Ineligible Foreign Shareholders.
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between Chemist Warehouse and the Scheme Shareholders, substantially in the form of which is attached as Annexure 4, 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	this 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.

Term	Meaning
Scheme Cash Consideration	a cash amount per Scheme Share held by a Scheme Shareholder calculated as follows: $N = \frac{\$700\ million + A}{B}$ where: N is the cash amount per Scheme Share held by a Scheme Shareholder; A is the net amount of any Leakage calculated in accordance with clause 11 of the Merger Implementation Agreement, provided that: 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 B is the total number of Scheme Shares.
Scheme Consideration	the consideration to be provided by Sigma to each Scheme Shareholder for the transfer to Sigma of each Scheme Share, being: 1. the Scheme Cash Consideration; and 2. the Scheme Share Consideration, for each Chemist Warehouse Share held by a Scheme Shareholder as at the Scheme Record Date.
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	a resolution passed by: 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 Resolution	the resolution to the terms of the Scheme, as set out in the Notice of Scheme Meeting in Annexure 6.
Scheme Share	a Chemist Warehouse Share held by a Scheme Shareholder as at the Scheme Record Date.

Term	Meaning
Scheme Share Consideration	for each Scheme Share held by a Scheme Shareholder, the number of New Sigma Shares calculated as follows: $N = \frac{0.8575 \times (\frac{A}{0.1425})}{B}$ where: N is the number of New Sigma Shares; 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: 1. 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 2. 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 B is the total number of Scheme Shares.
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 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.
Seed Loans	has the meaning given in section 12.5(d)(4).
Sigma	Sigma Healthcare Limited (ACN 088 417 403; ASX:SIG).
Sigma Board	the board of directors of Sigma.
Sigma Competing Proposal	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): 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 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, 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. Each successive material modification or variation of a Sigma Competing Proposal will constitute a new Sigma Competing Proposal.

Term	Meaning
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 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)(2)(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; and • the years ended 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; and • the years ended 31 July 2022, 31 July 2023 and 31 July 2024.
Sigma Incentive Plan	an equity-based incentive plan of Sigma (as described in section 7.12).
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 the Sigma Notice of Meeting opining on whether the Existing Related Party Arrangements and Future Related Party Dealings are fair and reasonable and the reasons for holding that opinion, and includes any update, revision, amendment or supplement to that report.

Term	Meaning
Sigma Information	information regarding the Sigma Group and the Merged Group provided or prepared by or on behalf of Sigma for inclusion in this Scheme Booklet (or any amendment or supplement), including the information in the following sections or parts of those sections: 1 Important notices: – the second paragraph under the heading 'Responsibility statement'; 2 section 3 as it relates to Sigma's contribution to the information contained in that section; 3 section 4.2(b) as it relates to New Sigma Shares; 4 section 5 as it relates to Sigma's contribution to the information contained in that section; 5 section 7; 6 section 8 as it relates to (a) information relating to the Sigma Group or the business of the Sigma Group and (b) Sigma's contribution to the information regarding the Merged Group (it being noted that, for the avoidance of doubt, Chemist Warehouse is responsible for all information in section 8 relating to the Chemist Warehouse Group or the business of the Chemist Warehouse Group provided or prepared by or on behalf of Chemist Warehouse for inclusion in section 8); 7 section 9; 8 sections 10.2 and 10.3 as it relates to Sigma's contribution to the information contained in that section; 9 section 12.4(c) as it relates to the Merger Undertaking; 10 section 12.8; and 11 Annexure 1 as it relates to Sigma's contribution to the information in Annexure 1. For the avoidance of doubt, the Sigma Information excludes the Chemist Warehouse Information, the Chemist Warehouse Independent Expert's Report, the Investigating Accountant's Report, section 11 of this Scheme Booklet and any other report or opinion prepared by an external adviser to Chemist Warehouse or Sigma.
Sigma KMP	Vikesh Ramsunder and Mark Conway.
Sigma Leakage	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; or 7. 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.
Sigma Material Adverse Change	1. an order, injunction, decision, judgement or decree is issued by any court or Government Agency which: • applies to the Sigma Group; • has an impact on the Sigma 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 Sigma 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 Sigma Group in compliance with all applicable laws; or

Term	Meaning
Sigma Material Adverse Change continued	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 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: • 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 Sigma Group in relation to the Transaction); • to the extent Fairly Disclosed in the Sigma Disclosure Materials; • 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; • 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 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); • 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; • 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.
Sigma Notice of Meeting	the notice of meeting and explanatory memorandum to be sent to Sigma Shareholders in respect of the Sigma Shareholder Meeting, which will contain (among other things) the Sigma Independent Expert's Report.
Sigma Permitted Dividend	has the meaning given in clause 10.5 of the Merger Implementation Agreement.
Sigma Permitted Leakage	1. any payment that is expressly permitted or required to be done by or under the Merger Implementation Agreement; 2. the Sigma Permitted Dividends; 3. 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; 4. 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); 5. 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: • property lease agreements or arrangements; • provision of seed funding and fit out financing to franchisees of the Sigma Group; or • payments made by a Sigma Group Member that are recharged to stores or franchisees of the Sigma Group;

13. Glossary continued

Term	Meaning
Sigma Permitted Leakage continued	6. 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; 7. 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; 8. 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; 9. any Sigma Leakage which: • involves an individual amount, benefit or value of an asset less than $50,000; and • occurs 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; or 10. any payment which is approved in writing by Chemist Warehouse for the purposes of this definition.
Sigma Prescribed Occurrence	other than any matter: 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, the occurrence of any of the following: 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: • 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.

Term	Meaning
Sigma Shareholder	a person who is registered as the holder of a Sigma Share in the Sigma Share Register.
Sigma Share Register	the register of members of Sigma maintained by the Sigma Share Registry in accordance with the Corporations Act.
Sigma Share Registry	Link Market Services Limited (ACN 083 214 537).
Sigma Shareholder Meeting	the meeting of Sigma Shareholders to be held on 29 January 2025 to consider and vote on the Sigma Transaction Resolutions and includes any meeting convened following any adjournment or postponement of that meeting.
Sigma Superior Proposal	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: 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, 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).
Sigma Supply Agreement	has the meaning given in section 7.3(b).
Standard Pricing	has the meaning given in section 12.5(b).
Sigma Trading Terms	has the meaning given in section 12.5(b).
Sigma Transaction Resolutions	1. the 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; 2. the 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 Scheme; 3. the ordinary resolutions of Sigma Shareholders under Listing Rule 10.1 in respect of the approval of the Existing Related Party Arrangements and the Future Related Party Dealings; 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.
Standard Pricing	has the meaning given in section 12.5(b).
STI	short term incentive.
STI Right	has the meaning given in section 7.12(a).
STI Rights Plan Rules	has the meaning given in section 7.12(a).
STI Rights Plans	has the meaning given in section 7.12(a).

13. Glossary continued

Term	Meaning
STI Term	has the meaning given in section 7.12(a).
Supply Arrangements	the arrangements between Chemist Warehouse and each Existing Related Person franchisee 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.
TGA	Therapeutic Goods Administration.
Third Party	a person other than Chemist Warehouse, Sigma or their respective Related Bodies Corporate.
Tilley Soaps	has the meaning given in section 12.5(d)(3).
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.
VWAP	volume weighted average price.
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 in section 12.5(f).

13.2 Interpretation

In this Scheme Booklet, unless expressly stated or the context otherwise appears:

(a) words and phrases have the same meaning (if any) given to them in the Corporations Act;

(b) words importing a gender include any gender;

(c) words importing the singular include the plural and vice versa;

(d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;

(e) a reference to a section or annexure is a reference to a section of and an annexure to this Scheme Booklet as relevant;

(f) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;

(g) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;

(h) a reference to time is a reference to time in Melbourne, Australia;

(i) a reference to writing includes facsimile transmissions; and

(j) a reference to dollars, $, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

Annexure 1

Merged Group's Proposed Significant Accounting Policies

Annexure 1. 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 8.17 of this Scheme Booklet 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.

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 are 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.

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.

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.

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.

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 cash-generating units 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.

Share-based payments

Performance rights

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.

Annexure 1. Merged Group's Proposed Significant Accounting Policies continued

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.

Annexure 2

Chemist Warehouse Independent Expert's Report

Annexure 2. Chemist Warehouse Independent Expert's Report

Kroll Australia Pty Ltd
Level 32, 85 Castlereagh St
Sydney NSW 2000
www.kroll.com

Ph: (02) 8286 7200
ABN: 73 116 738 535

The Directors
CW Group Holdings Limited
6 Albert Street
Preston VIC 3072

13 December 2024

Dear Directors

Part One – Independent Expert's Report

1 Introduction

On 11 December 2023, Sigma Healthcare Limited (**Sigma**) announced that it had entered into a merger implementation agreement (**Merger Implementation Agreement**) to merge with CW Group Holdings Limited (**Chemist Warehouse**[1]) (the **Proposed Merger**). Under the Merger Implementation Agreement, it is proposed that Sigma acquire all of the issued shares in Chemist Warehouse (**Chemist Warehouse Shares**) by way of a scheme of arrangement (the **Scheme**). If the Scheme is implemented, holders of Chemist Warehouse Shares (**Chemist Warehouse Shareholders**) who are not Ineligible Foreign Shareholders[2] will be entitled to receive:[3]

- approximately $0.446469 cash per Chemist Warehouse Share held as at the Scheme Record Date[4] (the **Scheme Cash Consideration**); and

[1] Chemist Warehouse is also used where the context requires refers to the business conducted by that entity or the Chemist Warehouse Group.

[2] Means 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 New Sigma Shares when the Scheme becomes Effective (as defined in the Merger Implementation Agreement).

[3] The Scheme Cash Consideration and the Scheme Share Consideration per Chemist Warehouse Share are estimates, and as discussed in Section 4.2 of the scheme booklet to be sent to Chemist Warehouse Shareholders in relation to the Scheme (**Scheme Booklet**), the Scheme Cash Consideration will be adjusted for any Leakage prior to the Implementation Date (as defined in the Scheme Booklet, currently expected to be 12 February 2025). The Scheme Share Consideration is dependent on the total number of fully diluted shares in Sigma (**Sigma Shares**) 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 Pan, 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 the 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date. The cash or number of New Sigma Shares per Chemist Warehouse Share is also dependent on the total number of Chemist Warehouse Shares on issue as at the Scheme Record Date.

[4] The Scheme Record date (for determining entitlements to Scheme Consideration) is 6 February 2025.

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- approximately 6.317841 new Sigma shares (**New Sigma Shares**) per Chemist Warehouse Share held as at the Scheme Record Date (the **Scheme Share Consideration**)

(together, the **Scheme Consideration**).

Implementation of the Scheme remains subject to satisfaction or waiver of a number of conditions precedent, including approval of specified resolutions required for the Proposed Merger by existing holders of Sigma Shares (**Sigma Shareholders**), approval of the Scheme by Chemist Warehouse Shareholders and approval of the Scheme by the Federal Court of Australia.

Following implementation of the Scheme, Chemist Warehouse will become a wholly owned subsidiary of Sigma (Chemist Warehouse and Sigma together, the **Merged Group**). Upon implementation of the Scheme, former Chemist Warehouse Shareholders are expected to own approximately 85.75% of the Merged Group and Sigma Shareholders are expected to own approximately 14.25% of the Merged Group.[5]

Chemist Warehouse is an unlisted Australian public company that primarily operates as a retail pharmacy franchisor and owns the 'Chemist Warehouse' and 'My Chemist' pharmacy franchise brands. As a franchisor, Chemist Warehouse offers a comprehensive range of services to its franchisees, including the provision of support services and intellectual property to a network of franchised pharmacies. Chemist Warehouse supports 567 franchised retail pharmacies in Australia (the **Chemist Warehouse Australian Franchise Network**). 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.[6] 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 Brands stores are collectively referred to as the Chemist Warehouse Retail Network.[7]

Sigma is a national full-line pharmaceutical wholesaler, distributor and retail pharmacy franchisor business that is listed on the Australian Securities Exchange (**ASX**). Its core business activity involves full-line wholesale and distribution of pharmaceuticals and other pharmacy products to over 4,000 aligned pharmacies. Sigma also provides pharmacy services, including banner group services to more than 313[8] pharmacies operating as franchisees under the Amcal and Discount Drug Store brands, as well as the supply of private and exclusive label products to pharmacies. Sigma provides third-party logistics services to pharmaceutical manufacturers and other suppliers through the use of additional capacity in its extensive national distribution network.

The Scheme is subject to approval by Chemist Warehouse Shareholders at a meeting (the **Scheme Meeting**) expected to be held at 6:00pm (Melbourne time) on 29 January 2025. Chemist Warehouse Shareholders registered as a holder of Chemist Warehouse Shares at 7:00pm (Melbourne time) on 27 January 2025 will be entitled to attend and vote on the resolution to approve the Scheme (**Scheme Resolution**). For the Scheme to proceed, the Scheme Resolution must be approved by at least 75.0% of the total number of votes cast by eligible Chemist Warehouse Shareholders (either online or in person, or by proxy, attorney, or corporate representative) and more than 50.0% in number of all eligible Chemist Warehouse Shareholders who have cast their vote on the Scheme Resolution (either online or in person, or by proxy, attorney or corporate representative) at the Scheme Meeting (the **Requisite Majorities**).

In order to assist Chemist Warehouse Shareholders in assessing the Scheme and informing their vote on the Scheme Resolution, the directors of Chemist Warehouse (**Chemist Warehouse Directors**) have appointed Kroll Australia Pty Ltd (**Kroll**), to prepare an independent expert's report setting out whether, in our opinion, the Scheme is in the best interests of Chemist Warehouse Shareholders, in the absence of a superior proposal.

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5 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 Pan, 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 the 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

6 References to pharmacy and store numbers 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).

7 Other Retail Brands include Ultra Beauty and Optometrist Warehouse.

8 Excludes stores operating under Sigma's legacy banner groups, PharmaSave and Guardian.

This report sets out Kroll's opinion as to whether the Scheme is in the best interests of Chemist Warehouse Shareholders and will be included with the Scheme Booklet issued by Chemist Warehouse in respect of the Scheme.

Further information regarding Kroll, as it pertains to the preparation of this report, is set out in Appendix 1 of this report.

Kroll's Financial Services Guide is contained in Part Two of this report.

2 Scope of report

The Proposed Merger is to be implemented by way of a scheme of arrangement under Section 411 of the Corporations Act 2001 (Cth) (**Corporations Act**) and requires the approval of Chemist Warehouse Shareholders. Section 412(1) of the Corporations Act requires, among other requirements, that an explanatory statement issued in relation to a proposed members' scheme of arrangement includes information that is material to the making of a decision by a member as to whether or not to agree to the Scheme Resolution.

Even where an independent expert's report is not strictly required by the law or the Australian Securities and Investments Commission (**ASIC**) policy, it is not uncommon for the directors of a company to commission one to ensure that they are providing the information that is material to the making of a decision by a member. As set out in the Merger Implementation Agreement, an opinion from an independent expert that the Scheme is in the best interests of Chemist Warehouse Shareholders is a condition precedent to the Scheme. In undertaking our work, we have referred to guidance provided by ASIC in its Regulatory Guides, in particular Regulatory Guide 111 'Content of expert reports' (**RG 111**) which outlines the principles and matters which it expects a person preparing an independent expert's report to consider and Regulatory Guide 112 'Independence of experts'.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Sections 6.1 and 6.2 of this report.

3 Opinion

3.1 Background

Chemist Warehouse has grown over several decades into one of Australia's leading retail pharmacy franchisors with a presence across all Australian States and Territories and in four international markets. Chemist Warehouse's success as an Australian pharmacy franchisor has stemmed from its proposition oriented towards providing customers with everyday low prices on a broad range of front of store (**FOS**) products and competitive prices on pharmaceutical products, which further underpins the convenience and value of the Chemist Warehouse offering. Franchise stores benefit from an extensive product offering that includes a range of owned, private label and exclusive brands and products.

Chemist Warehouse is an unlisted public company, with its shareholders – mainly founders, management, and franchisees – holding unlisted shares. In recent years, the Board and Management of Chemist Warehouse has been increasingly cognisant of the need to provide liquidity for shareholders.

At present, Chemist Warehouse relies heavily on Sigma's distribution capabilities – a dependency that will only continue to grow with the company's expansion. There is also the need for Chemist Warehouse to renegotiate its supply agreements with Sigma, or another party, every five years, which previously introduced considerable business uncertainty for Chemist Warehouse around terms, pricing, and continuity of supply.

It is in this context that we have evaluated the Scheme, recognising the strength of Chemist Warehouse's existing business as it stands today in comparison to the benefits and risks associated with the Proposed Merger.

3.2 Summary of opinion

In our opinion, the Scheme is in the best interests of Chemist Warehouse Shareholders, in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Scheme is:

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- **fair**, by comparing our assessed equity value of Chemist Warehouse on a minority interest basis to our assessed value of the Scheme Consideration on a minority interest basis; and
- **reasonable**, by assessing the implications of the Scheme for Chemist Warehouse Shareholders, the alternatives to the Scheme that are available to Chemist Warehouse, and the consequences for Chemist Warehouse Shareholders of not approving the Scheme.

We have assessed the Scheme to be fair and reasonable. Consequently, consistent with RG 111, we have concluded that the Scheme is in the best interests of Chemist Warehouse Shareholders, in the absence of a superior proposal.

Fairness

Kroll has assessed the value of the equity of Chemist Warehouse to be in the range of $9,512.4 million to $10,743.2 million, which corresponds to a value per Chemist Warehouse Share in the range of $4.85 to $5.48. Based on our assessed value range of $0.98 to $1.13 per New Sigma Share together with the Scheme Cash Consideration component, the Scheme Consideration has been valued in the range of $6.65 to $7.56 per Chemist Warehouse Share. **As the Scheme Consideration is higher than our assessed value range for Chemist Warehouse Shares, we have assessed the Scheme to be fair to Chemist Warehouse Shareholders.**

In forming our view as to the equity value of Chemist Warehouse, we have considered a range of factors including its historical financial performance, growth prospects, competitive position in the Australian retail pharmacy industry, as well as the Australian pharmacy regulatory environment. As Chemist Warehouse Shares are not publicly listed, we have also considered the need to apply a discount for marketability or liquidity.

Our valuation of New Sigma Shares of $0.98 to $1.13 is a fundamental value based on a market approach having regard to multiples of earnings before tax and interest (**EBIT**). We note that since the Proposed Merger was announced to the market on 11 December 2023 until the Last Practicable Date, Sigma Shares have traded above Kroll's valuation range – as high as $3.01 on 2 December 2024. However, we do not consider this range of trading to be appropriate in determining our valuation range for New Sigma Shares due to:

- the relatively small available float, with Sigma Shareholders collectively owning 14.25% of the Merged Group;
- heightened demand, with index and other funds likely attempting to acquire a stake in the Merged Group as it is expected to be eligible to sit within the S&P/ASX 100 following quarterly rebalancing;
- the opportunity post implementation to unlock further synergies and efficiencies in addition to the cost synergies already identified by initial work undertaken of approximately $60.0 million (full run-rate, pre-tax) that have been disclosed to the market as part of the Scheme; and
- no forward guidance has been provided by the Merged Group which may lead to speculative projections about future financial performance that could be overly optimistic and not based on a long-term outlook.

We also recognise that as Chemist Warehouse has never traded publicly there is no market based reference point from which to assess how the market might determine a value for New Sigma Shares. Our fundamental value requires judgement as to the future growth prospects of the business, including both its local and international expansion opportunities, as well as the extent to which further value will be achieved as a consequence of the Transaction, noting that no forward guidance has been provided or significant detail about longer-term strategy in each jurisdiction. In addition, Chemist Warehouse has no direct peers given the lack of businesses of its quality, as well as its outstanding historic growth story. In this regard the Merged Group might be considered a relative outlier amongst peers. Accordingly, it is difficult to assess what premium or otherwise the market may attribute to a New Sigma Share.

To the extent that the New Sigma Share trading price is higher than our value of the Merged Group assessed through a fundamental valuation, the Scheme remains fair and Chemist Warehouse Shareholders are even better off.

Our analysis of the fairness of the Scheme is detailed further in Section 3.3 of this report.

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Reasonableness

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Scheme to be fair, it is also reasonable. Regardless of this requirement, we have considered a range of other factors that are relevant to an assessment of the reasonableness.

In this regard, we consider that there are a number of key benefits for Chemist Warehouse Shareholders associated with the Scheme, including:

- firstly, the Scheme provides the opportunity for liquidity for Chemist Warehouse Shareholders, whilst allowing them to continue to participate in the future growth of the Merged Group if they wish;
- secondly, access to Sigma's integrated and automated distribution network will streamline its existing distribution processes and routes. Sigma's infrastructure, which has been developed over many decades of experience and investment, includes high quality logistics networks that allow the distribution of product to occur more cost effectively and efficiently;
- thirdly, the Scheme based on initial work undertaken is expected to result in substantial cost synergies estimated at approximately $60.0 million annually (pre-tax, full run-rate from the fifth year after implementation of the proposed Merger) from the rationalisation and optimisation of corporate, marketing and general administration expenses, as well as through supply chain optimisation. There is also the opportunity for further significant synergies and efficiencies to be unlocked post implementation; and
- finally, Sigma's position as a publicly listed company brings an established governance framework, regulatory compliance practices, and reporting standards applicable for a listed company that Chemist Warehouse would otherwise need to develop internally if it were to pursue an initial public offering. By leveraging Sigma's established governance practises, Chemist Warehouse will benefit from the institutional maturity of a public company without having to build its own governance structures from scratch.

Our analysis of the reasonableness of the Scheme is detailed further in Section 3.4 of this report.

The decision to approve the Scheme is a matter for individual Chemist Warehouse Shareholders based on their views as to value, expectations about future market conditions and their particular circumstances, including investment strategy and portfolio, risk profile and tax position. If in doubt, Chemist Warehouse Shareholders should consult their own professional adviser regarding the action they should take in relation to the Scheme.

3.3 The Scheme is fair

3.3.1 Chemist Warehouse equity value

Kroll has assessed the value of Chemist Warehouse's equity attributable to Chemist Warehouse Shareholders on a fundamental, minority basis to be in the range of $9,512.4 million to $10,743.2 million, which corresponds to a value per Chemist Warehouse Share in the range of $4.85 to $5.48. The value of Chemist Warehouse's equity has been determined by estimating the fair value of Chemist Warehouse's operating business, together with consideration for equity accounted investments, surplus assets, adjusted target net debt, and deducting outside equity interests.

The valuation of Chemist Warehouse is summarised as follows.

Chemist Warehouse Valuation Summary ($ millions)

	Section Reference	Valuation Range Low	High
Maintainable EBIT	11.4.2	581.8	581.8
Capitalisation multiple	11.4.3	16.0	18.0
Value of Chemist Warehouse's operating business (minority interest)		**9,308.2**	**10,471.8**
Add: Equity accounted investments	11.4.4	488.7	556.0
Add: Surplus assets (net)	11.4.5	127.9	127.9
Chemist Warehouse Enterprise Value (minority basis)		**9,924.9**	**11,155.7**
Adjusted target net debt (including lease liabilities)	11.4.6	(407.0)	(407.0)
Chemist Warehouse Equity Value (minority basis)		**9,517.9**	**10,748.7**
Less: Equity attributable to non-controlling interest	8.6.1	(5.5)	(5.5)
Equity attributable to Chemist Warehouse Shareholders (minority basis)		**9,512.4**	**10,743.2**
Chemist Warehouse fully diluted shares on issue (millions)	8.8	1,567.9	1,567.9
Value per Chemist Warehouse Share (minority basis, fully diluted) ($)		**$6.07**	**$6.85**
Marketability Discount	11.4.6	20.0%	20.0%
Equity value to Chemist Warehouse Shareholders (minority basis, fully diluted, discount for marketability) ($)		**$4.85**	**$5.48**

Source: Kroll analysis.

In assessing a value range for Chemist Warehouse's operating business, Kroll has adopted a market approach as the primary methodology utilising multiples of EBIT (refer to Section 11.4.3 of this report). Our selected multiples of EBIT have primarily been informed by analysis of the multiples implied by the sharemarket trading of Australian and International pharmacy operators, as well as Australian consumer companies. The values derived from the primary methodology have been cross-checked against the recent share sales of Chemist Warehouse (refer to Section 11.4.8 of this report). In this regard, we note that our range of assessed values per Chemist Warehouse Share is higher than the most recent disclosed Chemist Warehouse Share transfer or issue prices of $4.50 and $4.79 that occurred in the six months immediately before the Last Practicable Date (refer to Sections 6.6 and 12.1 of the Scheme Booklet for information on Chemist Warehouse Share sales). In this regard, since this transfer or issue, share prices for the majority of comparable companies have increased, with the S&P/ASX 200 Index rising by 9.3% in the six months to 6 December 2024.

Our range of assessed values represents the underlying, stand-alone value of a portfolio interest in Chemist Warehouse, excluding a premium for control and the value of any synergies that may be available to acquirers of Chemist Warehouse. The valuation has been prepared on the basis of Chemist Warehouse as a whole without taking into consideration the individual shareholdings of Chemist Warehouse Shareholders

Our range of assessed values per Chemist Warehouse share also represents the value that may be realised if Chemist Warehouse Shareholders theoretically sought to, and were able to, dispose of their Chemist Warehouse Shares in the immediate term, recognising that in our view any such value would likely be subject to a marketability discount. While marketability discounts are typically in the order of 20% to

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40%,[9] it is challenging to accurately estimate the specific discount that would apply to a Chemist Warehouse Share in this context and would need to take into account the specific circumstances

3.3.2 Valuation of the Scheme Consideration

For each Chemist Warehouse Share held, shareholders will receive approximately 6.317841 New Sigma Shares plus approximately $0.446469 Scheme Cash Consideration. Based on a value per New Sigma Share in the range of $0.98 to $1.13, Kroll has valued the Scheme Consideration in the range of $6.65 to $7.56.

Kroll has assessed the value of the Merged Group's equity on a fundamental, minority basis to be in the range of $11,342.2 million to $13,004.6 million, which corresponds to a value per New Sigma Share in the range of $0.98 to $1.13. This value of the Merged Group's equity has been determined by estimating the fair value of the Merged Group's operating business, together with consideration for equity accounted investments, surplus assets, synergies, adjusted net debt, and deducting outside equity interests.

The valuation of the Merged Group and Scheme Consideration is summarised as follows.

Merged Group and Scheme Consideration Valuation Summary ($ millions)

	Section Reference	Valuation Range Low	High
Maintainable EBIT	11.5.2	647.6	657.6
Capitalisation multiple	11.5.3	18.0	20.0
Value of Merged Group's operating business (minority interest)		**11,656.2**	**13,151.4**
Add: Equity accounted investments	11.5.4	488.7	566.0
Add: Surplus assets (net)	11.5.5	77.4	77.4
Add: Synergies	11.5.6	520.0	620.0
Merged Group Enterprise Value (minority basis)		**12,742.4**	**14,404.8**
Adjusted target net debt (including lease liabilities)[1]	11.5.7	(1,394.7)	(1,394.7)
Merged Group Equity Value (minority basis)		**11,347.7**	**13,010.1**
Less: Equity attributable to non-controlling interest	8.6.1	(5.5)	(5.5)
Equity attributable to New Sigma Shareholders (minority basis)		**11,342.2**	**13,004.6**
Merged Group fully diluted shares on issue (millions)[2]	10.9	11,545.4	11,545.4
Value per New Sigma Share (minority basis, fully diluted) ($)		**$0.98**	**$1.13**
Scheme Share Consideration (times)[3]		6.318	6.318
Value of Scheme Share Consideration ($)		**$6.21**	**$7.12**
Scheme Cash Consideration ($)[4]		$0.446	$0.446
Value of Scheme Consideration ($)		**$6.65**	**$7.56**

Source: Kroll analysis.
Notes:
1. The increase in net debt for the Merged Group is management's estimate of a maintainable level of debt of the Merged Group. It includes the impact of the $700 million aggregate Scheme Cash Consideration, payment of transaction costs and the funding of the ramp up of working capital to supply franchisees under the renewed agreement with Chemist Warehouse for the supply of both PBS and FMCG products for a period of five years commencing on 1 July 2024 (**New Supply Contract**).
2. Excludes the 6,120,640 Sigma Performance Rights that will lapse upon Implementation and be replaced with cash bonuses of equivalent value. The cash settlement of these Sigma Performance Rights has been considered within the Merged Group's anticipated net debt at Implementation (refer to Section 11.5.7 of this report).
3. Scheme Share Consideration has been sourced from Sections 3 and 4 of the Scheme Booklet. Scheme Share Consideration has been rounded to 3 decimal places.
4. Scheme Cash Consideration has been sourced from Sections 3 and 4 of the Scheme Booklet. Scheme Cash Consideration has been rounded to 3 decimal places.

[9] "Case in Point: 20 Years in the Making: A Decision on Marketability Discount", Kroll, 8 March 2016.

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In assessing a value range for the Merged Group's operating business, Kroll has adopted a market approach as the primary methodology utilising multiples of EBIT. In this regard, we have adopted a higher multiple of the Merged Group than for Chemist Warehouse Standalone. We consider this justified, as the Merged Group will, as a result of the Proposed Merger, have access to Sigma's integrated and automated distribution network which will streamline its existing distribution processes and routes and therefore have less risk associated with this aspect of its business, there is an opportunity for significant additional synergies beyond those disclosed as part of the Scheme, and the Merged Group will be a more integrated and larger business that will benefit from complementary expertise. Further discussion on the selected EBIT multiple can be found in Section 11.5.3 of this report.

Our range of assessed values represents the underlying stand-alone value of a portfolio interest in the Merged Group and therefore excludes a premium for control and the value for synergies that may be available to acquirers of the Merged Group (as opposed to the value of synergies arising as a result of the Proposed Merger).

It is important to recognise that since the Proposed Merger was announced to the market on 11 December 2023 until the Last Practicable Date, Sigma Shares have traded within or above Kroll's valuation range. Notably, since the announcement by the ACCC on the 1 October 2024 regarding Sigma's proposed undertakings and the associated public consultation process (as well as the subsequent announcement on 7 November 2024 noting the deal would not be opposed, subject to the final undertakings), it has traded well above our valuation range. However, we do not consider this range of trading to be appropriate in determining our valuation range for New Sigma Shares due to:

- Sigma is a relatively small company compared to Chemist Warehouse and Sigma Shareholders will collectively own only 14.25% of the Merged Group;
- the relative lack of availability of shares relative to demand, with index funds and other funds likely attempting to acquire a stake in the company due to its more than certain inclusion in the ASX 200 and potential inclusion in the ASX 100;
- no forward guidance has been provided by the Merged Group, which may lead to speculative projections about future financial performance that could be overly optimistic and not based on a long-term outlook;
- the trading values over the period represent EBIT multiples greater than 40 times EBIT, which are considerably higher than the trading multiples of comparable companies; and
- the uncertainty as to the availability of shares post implementation, as it is not clear to what extent Chemist Warehouse Shareholders may look to sell their shares, which, in combination with the escrow arrangements, may mean the effective free float is very small.

We also recognise that as Chemist Warehouse has never traded publicly there is no market based reference point from which to assess how the market might determine a value for New Sigma Shares. Our fundamental value requires judgement as to the future growth prospects of the business, including both its local and international expansion opportunities, as well as the extent to which further value will be achieved as a consequence of the Transaction, noting that no forward guidance has been provided or significant detail about longer-term strategy in each jurisdiction. In addition, Chemist Warehouse has no direct peers given the lack of businesses of its quality, as well as its outstanding historic growth story. In this regard the Merged Group might be considered a relative outlier amongst peers. Accordingly, it is difficult to assess what premium or otherwise the market may attribute to a New Sigma Share.

The value of the Scheme Consideration will vary with movements in the Sigma share price. It is possible that the Sigma share price may be higher or lower than Kroll's assessed range of values. Therefore, until the New Sigma Shares are issued under the Scheme, Chemist Warehouse Shareholders are exposed to changes in overall equity market conditions, industry dynamics and company specific events that affect the Sigma share price. Furthermore, as most of the Scheme Consideration is in the form of New Sigma Shares, the value of the Scheme Consideration is particularly sensitive to movements in the Sigma share price. The following table illustrates the sensitivity of the implied value of the Scheme Consideration to changes in the Sigma share price.

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Sensitivity of the Scheme Consideration to Changes in the Sigma Share Price ($)

Illustrative Sigma Share Price	Implied Value of Scheme Consideration
0.60	4.24
0.80	5.50
1.00	**6.76**
1.20	8.03
1.40	9.29
1.60	10.56
1.80	11.82
2.00	13.08
2.20	14.35
2.40	15.61
2.60	16.87
2.80	18.14
3.00	19.40

Source: Kroll analysis.
Notes:
1. Bold indicates overlapping values with Kroll's selected value range for the New Sigma Shares.
2. Implied Value of Scheme Consideration has been calculated by multiplying the illustrative Sigma share price by the Chemist Warehouse Share Conversation Ratio of approximately 6.317841, and adding the Scheme Cash Consideration of approximately $0.446469 (on a per share basis).

3.3.3 Assessment of fairness

A comparison of our assessed value of Chemist Warehouse Shares, on a minority basis, to the value of the Scheme Consideration is illustrated in the following chart.

Fairness Assessment

Source: Kroll analysis.

As the Scheme Consideration is greater than our assessed value range of Chemist Warehouse Shares, **the Scheme is fair to Chemist Warehouse Shareholders.**

Notwithstanding that we have valued Sigma on a fundamental basis, as stated previously we recognise that the current trading price of Sigma's shares is substantially greater than our assessed value range. Clearly, for Chemist Warehouse Shareholders, if this share price continues to be sustained post-implementation, which at least for some time is entirely probable given the lack of available shares, Chemist Warehouse Shareholders would possibly be able to achieve significant gains and be substantially better off relative to the most recent disclosed Chemist Warehouse Share transfer or issue prices of $4.50 and $4.79 that occurred in the six months immediately before the Last Practicable Date. Accordingly, the actual value received upon issuance of the New Sigma Shares under the Scheme could therefore exceed, or be less than, our assessed value range per Chemist Warehouse Share. However, in assessing the impact of any changes in the Sigma share price, equal consideration should also be given to the potential for market driven factors to impact our assessment of the value of Chemist Warehouse Shares.

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3.4 The Scheme is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. **As we have assessed the Scheme to be fair, it is also reasonable.** However, irrespective of the requirement to conclude the Scheme is reasonable, we have also considered a range of other factors that are relevant to an assessment of the reasonableness of the Scheme.

3.4.1 The Scheme Consideration provides liquidity for Chemist Warehouse Shareholders

A significant advantage of the Proposed Merger with Sigma is the enhanced liquidity it offers Chemist Warehouse Shareholders. As an unlisted company, Chemist Warehouse Shares are illiquid, meaning Chemist Warehouse Shareholders have few options to sell or exit their investment. For unlisted companies, outside of a liquidity event such as an initial public offering or control transaction, shares are typically transferred through negotiated share sales or trade sales and subject to any restrictions within applicable shareholder agreements, typically incorporating a liquidity discount.

If the Scheme is implemented, Chemist Warehouse Shareholders will receive the Scheme Consideration, comprised of an upfront cash consideration plus shares in Sigma in exchange for Chemist Warehouse Shares. Chemist Warehouse Shareholders are therefore effectively exchanging shares in an unlisted company with shares in a company that is listed on the ASX, thereby gaining access to a liquid market where they can trade their New Sigma Shares at a publicly available price that is readily available.

3.4.2 Certainty of cash component but the value of shares is not fixed

The Scheme Cash Consideration is in cash and provides certainty of the pre-tax amount that Chemist Warehouse Shareholders will receive.

As stated in Section 3.3.2 of this report, the value of the Scheme Share Consideration will vary with movements in the Sigma share price. Until New Sigma Shares are issued under the Scheme, Chemist Warehouse Shareholders are exposed to changes in overall equity market conditions, industry dynamics and company specific events that may affect the New Sigma share price. The sensitivity of the implied value of the Scheme Consideration to changes in the New Sigma share price is illustrated in Section 3.3.2 of this report.

We note that the Merged Group is expected to sit within the S&P/ASX 100 index (following quarterly rebalancing) based on expected market capitalisation. This compares favourably to Sigma's current position within the ASX prior where it sits at the lower half of the S&P/ASX 200 index.

3.4.3 Advantages and disadvantages of being a publicly listed company

As a publicly listed company, Merged Group Shareholders will benefit from protections offered under the ASX Listing Rules, provisions relating to continuous disclosure, approval for changes in capital and share issues, restrictions on transactions with persons of influence and takeover provisions.

Listed companies are also subject to more rigorous corporate governance standards, including the need for formal board structures, independent directors, and committees for audit, risk and compensation. In this regard, Merged Group Shareholders will benefit from enhanced oversight and accountability that will help to protect shareholders' interests.

However, being listed also introduces additional costs unique to being a listed company, including increased compliance costs (audit and legal fees), investors relations, as well as listing and administrative fees. Listed companies often incur higher director and officer liability insurance.

3.4.4 Synergies and integration costs

The combination of Chemist Warehouse and Sigma is expected to result in significant synergies that will create value for shareholders in the Merged Group and deliver stronger earnings than Chemist Warehouse could achieve on a standalone basis. Synergies based on initial work are estimated to be approximately $60 million per annum (full run rate, pre-tax) and are expected to be achieved through a combination of general and administrative cost reductions, as well as supply chain optimisation. The full run-rate of synergies is expected to be realised by the fourth-year post Implementation, with the full benefit of the synergies visible in the Merged Group earnings in the fifth-year post Implementation.

In order to achieve these synergies, the Merged Group expects to incur one-off integration costs of approximately $75 million.

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Actual synergies could be higher or lower than those assumed. They represent current expectations which are subject to assumptions as to future events which involve inherent uncertainties and contingencies. In particular, there is a risk that not all synergies will be achieved, there are delays in achieving those savings, or integration or compensation and transaction costs are greater than expected.

There is also risk in relation to potential dis-synergies arising from the Proposed Merger, including the risk of franchisee exits. The ACCC undertakings which allow Sigma franchisees and wholesale customers to exit without penalties for a period of three-years post implementation means there is a risk that some franchisees may leave the network, which may affect the Merged Group's financial performance.

3.4.5 Strategic benefits

An overview of the Merged Group's growth strategy is set out in Section 8.8 of the Scheme Booklet. Having considered this growth strategy, we consider the Merged Group provides the following strategic benefits from a Chemist Warehouse Shareholder's perspective:

- **market leadership and economies of scale**: the Proposed Merger brings together two complementary businesses, combining Chemist Warehouse's strong retail and franchising presence with Sigma's extensive national full-line wholesale and distribution capabilities. This combination benefits Chemist Warehouse Shareholders through access to Sigma's integrated and automated distribution network that will streamline its existing distribution processes allowing the distribution of product to occur more cost effectively and efficiently and enhancing long-term certainty regarding supply of pharmaceutical products for Chemist Warehouse franchisees. The Merged Group will hold a larger market share in the Australian retail pharmacy sector and is likely to become the largest franchise operator with an approximate 16% share of retail pharmacy stores in Australia.[10] Increased scale is likely to bring operational efficiencies, some of which are quantified as synergies, but other benefits which are not as easily quantified include potentially improved purchasing power, enhanced brand recognition and enhanced customer loyalty;
- **superior distribution network**: the Merged Group will combine Sigma's extensive, automated distribution infrastructure and logistics capabilities with Chemist Warehouse's leading retailing experience. As the Merged Group will have access to Sigma's integrated and automated distribution network, it may be able to further streamline inventory management and reduce costs. In addition, the Merged Group will be able to make targeted investments in its distribution capabilities, technology, and logistics to support future needs and strategies;
- **supply agreements**: removing the need for regular supply agreement negotiations provides greater stability and predictability in the supply chain. This certainty allows for more effective long-term planning, allowing appropriate long-term capital investments to be made, providing a better platform for enhancing operational efficiency and removing uncertainty around pricing or supply continuity. Long term certainty for supply of pharmaceuticals to Chemist Warehouse franchisees will also be enhanced;
- **product and service diversification**: the Merged Group will have an opportunity to broaden the private label product range of franchisees, benefitting the Merged Group and franchisees through higher margin sales. Customers will also have the benefit of the combined private label product offerings of Sigma and Chemist Warehouse, potentially enhancing future revenue opportunities;
- **greater depth of management talent**: the Merged Group is expected to have a greater depth of management talent by bringing together the strengths and quality of the workforce across both Chemist Warehouse and Sigma. The Merged Group should benefit through the combination of two complementary skill sets, with Chemist Warehouse's significant retail and pharmaceutical expertise combined with Sigma's distribution expertise obtained from its advanced distribution and logistics capabilities; and
- **opportunities for geographic expansion**: by creating a more robust platform for growth through greater profitability, the Merged Group could better facilitate further geographic expansion both within Australia and internationally. This expansion would create new revenue opportunities.

[10] According to analysis by the ACCC in its "Statement of Issues" paper, 13 June 2024.

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3.4.6 Impact of ACCC undertakings

The ACCC announced on 7 November 2024 that it would not oppose the Proposed Merger subject to an undertaking by Sigma pursuant to section 87B of the Competition and Consumer Act 2010 (Cth) (**Merger Undertaking**). Sigma's obligations under the Merger Undertaking include:

- for 3 years post-Implementation, Sigma will not prevent or hinder Sigma franchisees, wholesale customers and buying group customers who entered into their agreements prior to 1 July 2024 to terminate their agreements with Sigma seeking recovery;
- for 3 years post-Implementation, Sigma must implement data protection measures for confidential information provided by franchisees, wholesale customers or buying group customers who terminate their agreements with Sigma;
- for at least 5 years post-Implementation, Sigma must remain a CSO distributor and must not terminate its CSO deed; and
- Sigma must consent to certain auditing and dispute resolution processes.

3.4.7 Change in risk profile

The risk profile for Chemist Warehouse Shareholders is likely to change should they become shareholders in the Merged Group. The key changes in the risk profile for Chemist Warehouse Shareholders include:

- **Sigma's distribution networks**: as previously discussed, the Proposed Merger brings together two complementary businesses, combining Chemist Warehouse's strong retail and franchising presence with Sigma's extensive national full-line wholesale and distribution capabilities which may bring benefits such as streamlined inventory management and reduced operating costs. It may also create additional risks including greater dependence on a single distribution network, increased responsibility for the operation aspects of warehousing, logistics, transportation (and their inherent risks), and increased regulatory and compliance risks;
- **removal of supply agreement renewal risk**: the Proposed Merger eliminates the need for Chemist Warehouse to renegotiate its supply agreements with Sigma, or another party, every five years, which previously introduced considerable business uncertainty for Chemist Warehouse around terms, pricing, and continuity of supply. As such, the Merged Group gains greater stability and predictability in its supply chain, as well as eliminating the risk of price increases that could impact Chemist Warehouse's cost structure, ultimately benefitting profitability and strategic planning;
- **improved governance arrangements**: Sigma's position as a publicly listed company brings an established governance framework, regulatory compliance practices, and reporting standards. Merged Group Shareholders will benefit from protections offered under the ASX Listing Rules and Australian corporate law as discussed in Section 3.4.3 of this report;
- **regulatory and compliance risks**: failure to meet supply obligations under the CSO Deed could lead to financial penalties and/or exclusion from government funding pools. In addition, the industry it subject to frequent changes in legislation, regulation, and funding, including adjustments to the PBS and CSO. Changes to these items may affect revenue and margins;
- **supply chain dependence**: while the Proposed Merger will provide Chemist Warehouse access to Sigma's integrated and automated distribution network, there will also be a greater dependence on the efficiency of the Merged Group's distribution capabilities. If not managed efficiently, there may be an increase operational costs and reduction in expected synergies. In addition, supply chain risks are increased by eliminating alternative supply options. Should the Merged Group face operational difficulties, Chemist Warehouse may struggle to source products at the required scale and speed, creating vulnerabilities in the supply chain;
- **increased operational complexity**: the Merged Group will be a more complex organisation covering a greater portion of the pharmacy industry value chain, from wholesaling to retailing, with more diverse operational requirements and customer needs. This complexity increases risks relating to logistics, supply chain management, and customer satisfaction, which may impact performance if not effectively managed;
- **integration and synergy realisation risks**: there is a risk that the combination and integration could take longer than the expected four years, or that integration costs are more than anticipated. There is also the risk that the stated synergies cannot be achieved; and

- **interest rate and funding risks**: arising from a higher level of gearing for the Merged Group with the utilisation of the new debt facility to in part finance the Scheme Cash Consideration.

As Chemist Warehouse Shareholders will receive the Scheme Share Consideration, they will retain the opportunity to participate as shareholders in the Merged Group, holding approximately 85.75% of the Merger Group's share capital post-Implementation.[11] Therefore, they will be exposed to the opportunities and risks associated with the Merged Group.

3.4.8 Alternatives considered

The Chemist Warehouse Board reviewed the Scheme and considered it against other options available to the company. Alternative options considered included maintaining the status quo, with Chemist Warehouse remaining an unlisted standalone company, or moving forward with an initial public offering to list the company on the ASX. After carefully considering the advantages and disadvantages of the Scheme in this context, the Board concluded that the Scheme was the preferred option to optimise value for Chemist Warehouse Shareholders.

Although remaining as a standalone unlisted operation would allow Chemist Warehouse to continue to execute its business plans and strategies, it would not provide liquidity for those Chemist Warehouse Shareholders who wish to realise value of their investment, nor does it provide Chemist Warehouse Shareholders with the strategic or synergistic benefits that are anticipated under the Proposed Merger.

Similarly, while an initial public offering would offer a liquidity event to Chemist Warehouse Shareholders, it would not deliver the strategic or synergistic benefits expected from the Proposed Merger, and similar to the Scheme there would be additional costs associated with being a listed company.

It is also conceivable that Chemist Warehouse could receive an acquisition offer for the entire business. In this respect, no superior proposal for Chemist Warehouse has emerged since the announcement of the Proposed Merger on 11 December 2023. While this opportunity remains, at this point in time, we consider the likelihood of a superior proposal to be extremely low for the following reasons:

- any alternative proposal would need to have the support of the substantial shareholders (being Mario Verrocchi, Jack Gance and Sam Gance (refer to Section 8.8.1 of this report)) who currently hold 56.3% of the shares in Chemist Warehouse;
- other parties have had considerable time to consider and make an alternative proposal;
- it has been announced that the Proposed Merger based on initial work undertaken is expected to generate pre-tax synergies of approximately $60.0 million per annum (full run-rate) as well as the potential post-Implementation to unlock further significant synergies and efficiencies. Given the complementary nature of Chemist Warehouse and Sigma, it is unlikely that other parties could necessarily achieve such significant synergies; and
- under the Merger Implementation Agreement, Chemist Warehouse is restricted from either soliciting or entering into discussions with third parties in relation to competing proposals (subject to a fiduciary carve out). Chemist Warehouse is also required to notify Sigma should it receive any possible superior proposal and Sigma has a matching right on the terms of the Merger Implementation Agreement. Further, in certain circumstances, Chemist Warehouse may be required to pay a break fee to Sigma of $25.0 million. Although the likelihood of a superior proposal is impacted by these terms, it does not preclude a superior proposal from being made. We note that the Chemist Warehouse Board would be required under its fiduciary duty to consider the merits of a superior proposal should it arise.

[11] 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 Pan, 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 the 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

3.4.9 Other considerations

In forming our opinion, we have also considered a number of other factors. Whilst we do not necessarily consider these factors to impact our assessment of the reasonableness of the Scheme, we have addressed them as follows.

One-off transaction costs

If the Scheme is implemented, Chemist Warehouse expects to pay $40 million (excluding GST) in relation to the Scheme (refer to Section 12.9 of the Scheme Booklet).

If the Scheme is not implemented, Chemist Warehouse expects that aggregate transaction costs will be approximately $23 million (excluding GST). These transaction costs are primarily payable to Chemist Warehouse's financial, legal and tax advisors, the independent expert, and the Chemist Warehouse Share Registry (refer to Section 12.9 of the Scheme Booklet).

The dividend payout ratio may change

The Merged Group Board will determine any target dividend payout ratio post-Implementation. However, subject to economic conditions, business performance and capital requirements, and approval by the Merged Group Board, the Merged Group intends to target a dividend payout ratio of 50% to 70% of statutory net profit after tax (**NPAT**) post-Implementation. As discussed in further detail in Section 8.5.1 of this report, we note Chemist Warehouse's dividend payout ratio has ranged between 40% to 87% of NPAT over the FY22 to FY24 period.

The Merged Group will have higher gearing than Chemist Warehouse

The Scheme will result in Sigma's pro forma net gearing (net debt / total capital) increasing from a net cash position to 16.8% net debt as at 30 June 2024 and an EBIT interest cover (EBIT / net finance costs) of 10.4 times. Chemist Warehouse had a net cash position as at 30 June 2024 FY24 and its EBIT interest cover was 78.4 times. Therefore, the Merged Group will have higher gearing, and a lower EBIT interest cover relative to Chemist Warehouse as at 30 June 2024. We note the EBIT interest cover of the Merged Group remains strong.

The Scheme is subject to the satisfaction of certain conditions

There are certain conditions which, if not satisfied, will result in the Scheme not being implemented. In particular, approval is required Chemist Warehouse Shareholders and Sigma Shareholders. If any conditions precedent prevents the Scheme from being implemented, Chemist Warehouse Shareholders will continue to hold their existing Chemist Warehouse Shares.

For further details as to conditions precedent, refer to Section 5.3 of this report and Section 4.15 of the Scheme Booklet.

Ineligible Foreign Shareholders

Restrictions in certain foreign jurisdictions may make it unlawful or unduly onerous to offer or receive securities in those countries. Consequently, Chemist Warehouse Shareholders with an address outside Australia and its territories or New Zealand, unless Sigma and Chemist Warehouse agree otherwise, have been classified as Ineligible Foreign Shareholders.

Whilst Ineligible Foreign Shareholders will not be entitled to receive New Sigma Shares under the Scheme, it is noted that:

- they will receive cash instead of New Sigma Shares;
- New Sigma Shares that would otherwise have been issued to them under the Scheme will be sold on the ASX under the Sale Facility as soon as reasonably practicable on or after the Implementation Date;
- their shares will be sold for market value, and they will receive the proceeds of those sales from Chemist Warehouse (after deduction of any reasonable and applicable fees, brokerage, stamp duty, currency conversion costs, taxes, and charges); and
- if they wish to retain their exposure to Chemist Warehouse, they can acquire Sigma Shares through the ASX.

The proceeds received by Ineligible Foreign Shareholders will depend on the price at which the Sigma Shares can be sold under the Sale Facility at the relevant time and the amount of any applicable taxes, duty, currency conversion or other costs and charges incurred by the Sale Agent in connection with sales under the Sale Facility.

For further details as to Ineligible Foreign Shareholders refer to Section 4.2(d) of the Scheme Booklet.

Taxation implications for Chemist Warehouse Shareholders

General tax implications for Australian tax resident and non-resident Chemist Warehouse Shareholders who hold their shares on capital account for income tax purposes resulting from the Scheme is set out in Section 11 of the Scheme Booklet. It also sets out a general description of the Australian tax consequences of holding a Sigma Share for Australian tax residents having regard to future disposals and the treatment of dividends.

With respect to Chemist Warehouse Shareholders resident in Australia for tax purposes, Chemist Warehouse has applied for a class ruling from the Australian Taxation Office (**ATO**) to confirm certain tax matters relating to the availability of capital gains tax roll-over relief for those Chemist Warehouse Shareholders accepting the Scheme Consideration.

Chemist Warehouse has received a draft ATO Class Ruling confirming that the aforementioned Australian-resident Scheme Shareholders will be eligible to choose scrip-for-scrip rollover to disregard any capital gain, to the extent that the capital gain is attributable to the Scheme Shares for which they receive replacement New Sigma Shares (i.e. the Scheme Share Consideration). Scrip-for-scrip roll-over relief allows Scheme Shareholders to defer the capital gain they made from the disposal of their Scheme Shares under the Scheme.

Any capital gain attributable to the Scheme Cash Consideration will be taxable.

The final ATO Class Ruling is not expected to be issued until after the Implementation of the Scheme and will be available on the ATO website.

Chemist Warehouse Shareholders should consider their individual taxation circumstances, review Section 11 of the Scheme Booklet for further information where it applies to their circumstances and seek the advice of their own professional advisor.

Further, no advice is provided in Section 11 of the Scheme Booklet for any person who may be subject to tax in any jurisdiction outside Australia.

3.4.10 Consequences if the Scheme does not proceed

In the event that the Scheme is not approved, or any conditions precedent prevent the Scheme from being implemented, Chemist Warehouse will continue to operate in its current form and remain an unlisted Australian public company until such time as an alternative liquidity event can be implemented. As a consequence:

- Chemist Warehouse Shareholders will not receive the Scheme Consideration for their Chemist Warehouse Shares, and they will retain their Chemist Warehouse Shares in an unlisted company which lacks liquidity until such time as an alternative liquidity event can be implemented;
- alternative avenues to achieve a liquidity event will likely be revisited for Chemist Warehouse and Chemist Warehouse Shareholders, either through an initial public offering or some other means. The timing of any such event and the manner in which this may occur is unknown and may be subject to any restrictions under the Merger Implementation Agreement;
- the Chemist Warehouse business will return to pursue its existing standalone strategy;
- Chemist Warehouse Shareholders will continue to be exposed to the risks and benefits associated with an investment in Chemist Warehouse, including risks associated with their supply chain and the payment of future dividends. However, they will also not benefit from the expected strategic benefits and synergies associated with the Scheme;
- as part of the terms of the New Supply Contract, Chemist Warehouse will receive a placement of shares in Sigma, representing approximately 10.7% of Sigma;
- Chemist Warehouse Shareholders will not benefit from shareholder protections and improved governance frameworks as part of a listed company;
- Chemist Warehouse may be liable for a $25.0 million (excluding GST) Break Fee (or Sigma may be liable for a $10.0 million Reverse Break Fee), depending on the reasons for the Scheme not

proceeding. The Break Fee is not payable if the sole reason is that the Scheme Resolution is not approved at the Scheme Meeting; and

- transaction costs of an estimated $23 million (excluding GST) will be incurred by Chemist Warehouse in relation to the Scheme.

4 Other matters

Our report has also been prepared in accordance with the relevant provisions of the Corporations Act and other applicable Australian regulatory requirements and has been prepared solely for the purpose of assisting Chemist Warehouse Shareholders in considering the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

This report constitutes general financial product advice and has been prepared without taking into consideration the individual circumstances of Chemist Warehouse Shareholders. This advice therefore does not consider the financial situation, objectives or needs of individual Chemist Warehouse Shareholders.

The decision of Chemist Warehouse Shareholders as to whether or not to approve the Scheme is a matter for individual shareholders who should, therefore, consider the appropriateness of our opinion to their specific circumstances. As an individual's decision to vote for or against the proposed resolutions in relation to the Scheme may be influenced by their particular circumstances, we recommend that individual Chemist Warehouse Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to a financial year have been abbreviated to FY. For Chemist Warehouse, this represents the 12 months to 30 June and for Sigma, this represents the 12 months to 31 January.

Our opinion is based solely on information available as at the date of this report. This information, and our limitations and reliance on information section, are set out in Appendix 2 of this report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Kroll has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the end of this report.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this report, including the appendices.

Yours faithfully

Ian Jedlin	Celeste Oakley
Authorised Representative	Authorised Representative

Independent Expert Report
and
Financial Services Guide
In relation to the proposed acquisition of
CW Group Holdings Limited
by Sigma Healthcare Limited

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5 The Scheme

5.1 Overview

On 11 December 2023, Sigma announced that it had entered into a Merger Implementation Agreement with Chemist Warehouse under which it is proposed that Sigma acquire all of the Chemist Warehouse Shares by way of the Scheme. If the Scheme is implemented, Chemist Warehouse Shareholders will be entitled to receive the Scheme Consideration, consisting of:

- the Scheme Cash Consideration of approximately $0.446469 cash per Chemist Warehouse Share; and
- the Scheme Share Consideration of approximately 6.317841 New Sigma Shares per Chemist Warehouse Share.

The Scheme Consideration noted above is an estimate only, as the Scheme Cash Consideration will be adjusted for any Leakage[12] prior to the Implementation Date[13], and the Scheme Share Consideration will be dependent on the total number of Sigma Shares as at the Scheme Record Date. The cash or number of New Sigma Shares per Chemist Warehouse Share is also dependent on the total number of Chemist Warehouse Shares on issue as at the Scheme Record Date.

Following implementation of the Scheme, Chemist Warehouse will become a wholly owned subsidiary of Sigma. The Merged Group will be listed on the ASX, with Chemist Warehouse Shareholders expected to own approximately 85.75% of the Merged Group and Sigma Shareholders expected to own approximately 14.25% of the Merged Group.[14]

The Scheme is subject to a number of conditions precedent which are summarised in Section 5.2 of this report.

The Chemist Warehouse Directors unanimously recommend that Chemist Warehouse Shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of Chemist Warehouse Shareholders.[15] Subject to those same qualifications, each Chemist Warehouse Director intends to vote

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[12] Refer to Section 4.2 of the Scheme Booklet for further details on the calculation of Leakage, which includes but is not limited to items such as non-permitted dividends or distributions, payments to shareholders, or cancelling or forgiving amounts of obligations owed by shareholders. We note that as at the date of this report, each of Sigma and Chemist Warehouse are not aware of any circumstances which would cause, and do not expect, any Sigma Leakage or Chemist Warehouse Leakage, respectively.

[13] As defined in the Scheme Booklet, currently expected to be 12 February 2025.

[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 Pan, 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 the 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

[15] Other than the Relevant Interest in 100% of the Chemist Warehouse Shares arising by virtue of the Chemist Warehouse Shareholders' Deed, Mario Verrocchi has an interest in 404,426,435 Chemist Warehouse Shares, Jack Gance has an interest in 249,917,174 Chemist Warehouse Shares, Samuel Gance has an interest in 228,996,012 Chemist Warehouse Shares, Damien Gance has an interest in 63,346,222 Chemist Warehouse Shares, Adrian Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Marcello Verrocchi has an interest in 51,545,975 Chemist Warehouse Shares, Sunil Narula has an interest in 26,256,000 Chemist Warehouse Shares, Mario Tascone has an interest in 24,860,308 Chemist Warehouse Shares and Mark Finocchiaro has an interest in 5,255,000 Chemist Warehouse Shares. Each Chemist Warehouse Director also has a Relevant Interest in Chemist Warehouse's indirect holding of 7,596,481 Sigma Shares, which 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 at the discretion of the Merged Group Board. In addition, Mario Verrocchi has a Relevant Interest in an additional 2,882,042 Sigma Shares indirectly through his interest in Goat Properties Pty Ltd and Mark Finocchiaro has a Relevant Interest in Sigma Shares through his direct holding of 17,202 Sigma Shares. Further details on the interests of the Chemist Warehouse Directors, including the benefits they will receive on or in connection with the Scheme becoming Effective, are disclosed in Sections 12.1 and 12.3 of the Scheme Booklet.

(or procure the voting of) all of the Chemist Warehouse Shares owned or controlled by them in favour of the Scheme.

5.2 Conditions of the Scheme

Implementation of the Scheme is subject to certain conditions precedent, as set out in Schedule 3 of the Merger Implementation Agreement. The Scheme will not become Effective[16] unless each of the conditions precedent to the Scheme are satisfied (or alternatively, waived in the case of certain conditions precedent that are capable of being waived).

In summary, these include:

- an independent expert issuing a report which concludes that the Scheme is in the best interests of Chemist Warehouse Shareholders (and not changing or withdrawing the conclusion);
- an independent expert in respect of Sigma issuing a report which concludes that the Related Party Arrangements[17] are fair and reasonable, or not fair but reasonable (and not changing or withdrawing the conclusion);
- certain regulatory approvals, including approval from the ACCC (as discussed in Section 5.3 of this report) and New Zealand's Overseas Investment Office (**OIO**);
- approval of the Scheme by Chemist Warehouse Shareholders at the Scheme Meeting by the Requisite Majorities;
- approval of the Federal Court of Australia in respect of the Scheme;
- approval of the Sigma Transaction Resolutions by Sigma Shareholders at the Sigma Shareholder Meeting by the requisite majorities;[18]
- satisfaction of obligations under an underwriting agreement and debt commitment letter for Sigma;
- Chemist Warehouse receiving a draft ruling from the Australian Tax Office confirming scrip-for-scrip rollover relief for Chemist Warehouse Shareholders;
- no restraints or other prohibitions on the Scheme;
- arrangements being put in place regarding the treatment of any Chemist Warehouse equity incentives; and
- neither Chemist Warehouse nor Sigma being affected by a material adverse change or prescribed occurrence.

A full list of conditions is set out in Schedule 3 of the Merger Implementation Agreement.

5.3 ACCC clearance and undertakings

On 13 June 2024, the ACCC published a Statement of Issues that outlined preliminary competition concerns in relation to the Proposed Merger. The ACCC sought further information and undertook market consultation on a proposed undertaking from Sigma.

The ACCC announced on 7 November 2024 that it would not oppose the Proposed Merger subject to an undertaking by Sigma pursuant to section 87B of the Competition and Consumer Act 2010 (Cth). Sigma's obligations under the Merger Undertaking include:

- for 3 years post-Implementation, Sigma will not prevent or hinder Sigma franchisees, wholesale customers and buying group customers who entered into their agreements prior to 1 July 2024 to terminate their agreements with Sigma seeking recovery;
- for 3 years post-Implementation, Sigma must implement data protection measures for confidential information provided by franchisees, wholesale customers or buying group customers who terminate their agreements with Sigma;

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[16] As defined in the Merger Implementation Agreement.
[17] As defined in the Merger Implementation Agreement.
[18] As defined and detailed in the Merger Implementation Agreement.

- for at least 5 years post-Implementation, Sigma must remain a CSO distributor and must not terminate its CSO deed; and
- Sigma must consent to certain auditing and dispute resolution processes.

5.4 Escrow arrangements

Chemist Warehouse Directors Jack Gance, Sam Gance and Mario Verrocchi (and certain entities and persons associated with them) (**Escrowed Shareholders**), have entered into voluntary escrow arrangements regarding the New Sigma Shares to be allotted to them in connection with the Scheme (**Escrowed Shares**). Under the escrow arrangements, subject to certain exceptions, the Escrowed Shareholders are prevented from disposing of their Escrowed Shares for certain periods of time as follows:

- 100% of the Escrowed Shares will be escrowed from the Implementation Date until the earlier of 31 August 2025 or 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 will be escrowed from the end of the First Escrow Period until the earlier of 31 August 2026 or at the close of trading on ASX on the day that Sigma announces its financial results for the period ending 30 June 2026.

There are exceptions to the escrow arrangements in certain circumstances including, for example, to enable the Escrowed Shareholder to accept a takeover bid, to enable Escrowed Shares to be transferred as part of a scheme of arrangement, or as required by an applicable law. Refer to Section 12.6 of the Scheme Booklet for further details.

5.5 Exclusivity provisions

The Merger Implementation Agreement contains customary exclusivity provisions that apply during the Exclusivity Period,[19] including 'no shop' and 'no talk' obligations (the 'no talk' obligation is subject to a fiduciary exception), notification obligations and a 'matching right' and counterproposal regime that applies in respect of a superior proposal received by Chemist Warehouse. Substantially equivalent exclusivity provisions apply in respect of Sigma. A break fee of $25.0 million (excluding GST) may be payable by Chemist Warehouse to Sigma under certain circumstances and a reverse break fee of $10.0 million (excluding GST) may be payable by Sigma to Chemist Warehouse in certain circumstances.

5.6 Chemist Warehouse Permitted Dividend

Under the Merger Implementation Agreement, Chemist Warehouse is permitted to declare and pay dividends up to an aggregate amount equal to 80% of the Chemist Warehouse Group's normalised net profit after tax (adjusted to exclude the impact of any asset sales or items which are non-cash and non-recurring) for the period between 30 June 2023 and the date on which the dividend is declared. The declaration and payment of such dividend is also subject to Chemist Warehouse reasonably believing that payment of the dividend will not result in its net debt exceeding $300 million as at the last day of the Implementation month.

Chemist Warehouse intends to declare and pay a permitted dividend to Chemist Warehouse Shareholders. The quantum of the dividend will be confirmed by the Chemist Warehouse Board closer to Implementation and payment is expected to occur prior to the Implementation Date. The payment of this dividend is not conditional on the Scheme and will not affect the Scheme Consideration.

5.7 Transaction costs

If the Scheme is implemented, Chemist Warehouse expects to pay $40 million (excluding GST) in relation to the Scheme (refer to Section 12.9 of the Scheme Booklet).

If the Scheme is not implemented, Chemist Warehouse expects that aggregate transaction costs will be approximately $23 million (excluding GST). These transaction costs are primarily payable to Chemist

[19] The Exclusivity Period is the period from and including the date of the Merger Implementation Agreement to the earlier of the termination of the Merger Implementation Agreement in accordance with its terms and the End Date (being 31 March 2025 or such other date as is agreed in writing by Chemist Warehouse and Sigma).

Warehouse's financial, legal and tax advisors, the independent expert, and the Chemist Warehouse Share Registry, being costs that have already been incurred as at the date of this report or will be incurred even if the Scheme is not implemented (excluding any break fee payable).

6 Scope of the report

6.1 Purpose

The Scheme is to be implemented by way of a scheme of arrangement under Section 411 of the Corporations Act and requires approval of Chemist Warehouse Shareholders. Section 412(1) of the Corporations Act requires, among other requirements, that an explanatory statement issued by a company in relation to a proposed members' scheme of arrangement includes information that is material to the making of a decision by a member as to whether or not to agree to the Scheme resolution.

Even where an independent expert's report is not strictly required by the law or ASIC policy, it is not uncommon for directors of a company to commission one to ensure that they are providing the information that is material to the making of a decision by a member. It is a condition to the Scheme becoming Effective that an independent expert concludes, and continues to conclude, that the Scheme is in the best interests of Chemist Warehouse Shareholders.

6.2 Basis of assessment

We have referred to guidance provided by ASIC in its Regulatory Guides, in particular, RG 111, which outlines the principles and matters which it expects a person preparing an independent expert's report to consider when providing an opinion on whether a scheme of arrangement is in the best interests of shareholders of a company.

RG 111 differentiates between the analysis required for control transactions and other transactions, and provides for some flexibility in the basis of the assessment of fairness depending on the particular circumstances of the transaction. In particular, we note the following:

- RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid, i.e. consider whether the transaction is "fair and reasonable" and, as such, incorporate issues as to value; and
- RG 111.30 and RG 111.31 state that in examining the value of non-cash consideration in a control transaction and comparing it with the valuation of the target's securities, the comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale to reflect that the acquirer is obtaining or increasing control of the target and the securityholders in the target will be receiving scrip constituting minority interests in the combined entity. However, the expert may need to assess whether a scrip takeover is in effect a merger of entities of equivalent value (merger of equals) when control of the merged entity will be shared equally between the 'bidder' and the 'target'. In this case, the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'.

In considering the appropriate approach it is important to note that in a control transaction it is the bidder that acquires control of the target and in a merger of equals typically the ownership interests are within an equivalent range. The Proposed Merger, however, in substance, involves the shareholders of Chemist Warehouse obtaining majority ownership in the Merged Group, with Chemist Warehouse Shareholders owning approximately 85.75% of the Merged Group following implementation of the Proposed Merger (on a fully diluted basis)[20] and as such the Proposed Merger does not align easily with these guidelines. In considering the appropriate approach to analysing fairness, we have considered which approach best

[20] 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 Pan, 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 the 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

considers the financial impact on shareholders before and after the transaction. In this respect we are of the opinion that an equivalent analysis is the better approach, similar to that undertaken for a merger of equals, as the primary financial impact for Chemist Warehouse Shareholders is the impact of exchanging shares in an unlisted public company to those in a listed public company (including the benefit of synergies and the Scheme Cash Consideration component of the Proposed Merger).

Consequently, Kroll considers that the relevant analysis is to compare the value of what the Chemist Warehouse Shareholders are giving up (i.e. a minority interest in shares in an unlisted company) with the value of what they are receiving (i.e. a minority interest in the listed Merged Group and the Scheme Cash Consideration).

In forming our opinion as to whether the Proposed Merger is in the best interests of Chemist Warehouse Shareholders, we would likely have regard to the following:

Fairness

A comparison of:

- the assessed value of unlisted Chemist Warehouse Shares on a minority, stand-alone basis; and
- the total consideration to be received, including the Scheme Cash Consideration and assessed value of the Scheme Share Consideration (that is, the value of listed New Sigma Shares on a minority basis, considering the net synergies expected to be generated through the Proposed Merger and transaction costs).

Reasonableness

- the rationale, expected strategic benefits and terms of the Proposed Merger;
- degree of operational alignment between Chemist Warehouse and Sigma;
- the financial implications for Chemist Warehouse (e.g. synergies, access to capital, balance sheet strength and potential to pursue further growth opportunities, debt ratings, financial covenants, operating margins, impact on free cash flow, EPS impact and ability to pay dividends);
- impact of changes in strategy, management and Board composition;
- potential regulatory risks (including ACCC clearance or conditions);
- relative risk profile of Chemist Warehouse and Merged Group;
- differences between the rights of an unlisted Chemist Warehouse share and a listed New Sigma Share;
- any potential taxation risks and/or consequences for Chemist Warehouse Shareholders, including any impact on non-resident shareholders;
- transaction costs;
- the alternative options available to Chemist Warehouse (e.g. IPO) and the likelihood of those options occurring;
- any other advantages and disadvantages that would have an impact on Chemist Warehouse Shareholders; and
- implications if the Scheme is not approved.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of members.

RG 111.21 states that if an expert would conclude that a proposal was 'not fair but reasonable' if it was in the form of a takeover bid, it is still open to the expert to also conclude that the scheme is 'in the best interests' of the members of the company.

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7 Australian pharmacy industry

The Australian pharmacy industry supply chain consists of manufacturing and supply, wholesaling, and retailing of pharmaceutical, health and beauty products. As Chemist Warehouse and Sigma are primarily focused on wholesaling and franchising, this industry section will focus on those segments of the pharmacy industry supply chain. In addition, as Chemist Warehouse's revenue is primarily generated from its Australian operations (91.2% in FY24), and all of Sigma's revenue is generated in Australia, this industry section has focused solely on the Australian pharmacy industry.

For details on the key characteristics and drivers of the international retail pharmacy industries in which Chemist Warehouse operates, please refer to Sections 5.4 and 5.5 of the Scheme Booklet.

7.1 Understanding the Australian pharmacy industry

7.1.1 Overview

Pharmacies in Australia play an important role within the Australian healthcare system and are central to the National Medicines Policy (**NMP**).[21] For many Australians, their local pharmacy is the most convenient access point to the healthcare system and it also acts as a referral point for health and other local services.[22] Pharmacies offer their customers prescription medicines and over the counter (**OTC**) products, and a range of other FOS products which are not medicines, including vitamins, supplements, and beauty products (for example, skincare products, cosmetics, and fragrances). Pharmacies also play an important role in the community by dispensing subsidised prescription medicines through the Pharmaceutical Benefits Scheme (**PBS**), which is part of the NMP. Many prescription medicines offered at pharmacies are subsidised under the PBS, with the goal of meeting communities' medical and related services needs in an economically and health-outcome optimal manner.

In Australia, there are substantial restrictions placed on the ownership and location of pharmacies. By law, pharmacies must be owned and operated by a registered pharmacist or a company owned by a registered pharmacist (some States and Territories also allow close relatives to hold an interest in a pharmacy).[23] There are also substantial restrictions placed on the location of new pharmacies relative to existing ones which operate as pre-requisites to eligibility to supply medicines under the PBS. In addition, the supply of pharmaceutical products is also heavily regulated in relation to product regulation, community access to pharmaceuticals, and the advertising of pharmaceuticals.

In addition to retail pharmacies (often referred to as community pharmacies), the broader Australian pharmacy industry supply chain also includes non-retail pharmacies (hospital pharmacies), manufacturers and suppliers, wholesalers, and banner and buying groups. Wholesalers, such as Sigma, are responsible for the supply and distribution of PBS medicines and other pharmaceutical supplies to community and hospital pharmacies around Australia. Banner groups, including Chemist Warehouse and Sigma's Amcal and Discount Drug Stores, are groups of pharmacies that operate under a common brand, often structured as franchises with the franchisor providing services and support to each franchisee. Buying groups, such as Pharmacy Alliance, are groups of pharmacies that collectively negotiate with wholesalers for better terms.

7.1.2 Products

The Australian pharmacy industry includes the manufacture, wholesale and distribution, and retailing of prescription medicines, OTC medicines, and FOS products as follows:

- **prescription medicines**: include those products that can only be available to a patient on the written instruction of an authorised health professional. They may include PBS medicines or non-PBS medicines and must be approved by the Therapeutic Goods Administration (TGA). Prescription

[21] National Medicines Policy 2022, Commonwealth of Australia as represented by the Department of Health and Aged Care 2022.
[22] Review of Pharmacy Remuneration and Regulation, S. King, W.J Scott, J. Watson, September 2017.
[23] Australian Government Department of Health and Aged Care, Pharmacy Care, 2 July 2024. Exceptions include friendly societies, some grandfathered entities and receivers / executors for administration purposes.

medicines are only available in pharmacies. Examples of prescription medicines include blood pressure tablets, strong painkillers and medicines for the treatment of cancer;[24]

- **OTC medicines**: are similar to prescription medicines, in that they contain higher-risk ingredients and are used for higher-risk indications, but they do not require a prescription to purchase them.[25] OTC medicines have undergone a full TGA pre-market evaluation of their safety, quality, and efficacy. Some OTC medicines can be bought off the shelf in pharmacies while others can be bought after consultation with a pharmacist. Examples of OTC medicines include mild analgesics (e.g. paracetamol) and antihistamines (e.g. hay fever treatments); and
- **FOS products**: all other products stocked by pharmacies as well as by general retailers that are not categorised as prescription or OTC medicines, which include vitamins, supplements, and beauty products.

7.1.3 Industry participants

Participants in the Australian pharmacy supply chain can be broadly categorised into the categories set out in this section.

Manufacturers and suppliers

Refers to a broad range of companies that produce or supply various products to pharmacies, including:[26]

- research-based companies that develop and manufacture new medicines;
- generic pharmaceutical companies that produce medicines which have lost patent protection;
- consumer medicines companies that produce non-prescription products such as cough medicine and pain killers;
- complementary medicine producers that produce products such as vitamins and nutritional supplements; and
- other manufacturing companies that supply other products including beauty and cosmetic products.

Manufacturers and suppliers may be active in more than one of these areas, while specialising in one area. Relevant manufacturers and suppliers include:

- 'originator' manufacturers, including Bayer AG, Merck & Co. Inc, Pfizer Inc., and Sanofi S.A;
- generic manufacturers, including Arrotex Pharmaceuticals Pty Ltd and Sandoz Group AG;
- manufacturers that primarily manufacture OTC medicines, including Care Pharmaceuticals Pty Limited, and Nova Pharmaceuticals Australasia Pty Ltd; and
- FOS manufacturers and suppliers, such as Blackmores Pty Ltd (**Blackmores**), Colgate-Palmolive Company, and Procter & Gamble Company.

Wholesalers

Pharmaceutical wholesalers fit into two sub-categories:[27]

- full-line wholesalers, which distribute the majority of products needed by pharmacies. In Australia there are four national full-line wholesalers, Sigma, Australian Pharmaceutical Industries Limited (**API**) (a subsidiary of Wesfarmers Limited (**Wesfarmers**)), Symbion Pty Ltd (**Symbion**) (a subsidiary of EBOS Group Ltd (**EBOS Group**)), and Clifford Hallam Healthcare Limited (**CH2**). Additionally there are two State-based full-line wholesalers;
- short-line wholesalers, which provide a narrower range of products in higher volume and are typically used by pharmacies in order to benefit from lower pricing on products.

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[24] Prescription medicines overview, TGA, 18 November 2019.
[25] 'Indications' are statements that describe the therapeutic use for a medicine. They describe a medicine's claimed purpose of health benefit, for example, 'relieves coughs'.
[26] Australian Competition and Consumer Commission, Statement of Issues, 13 June 2024.
[27] Australian Competition and Consumer Commission, Statement of Issues, 13 June 2024.

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Wholesalers of PBS medicines may enter into Community Service Obligation (**CSO**) agreements with the Australian Government to become CSO Distributors, through which they are eligible to earn income from the CSO Funding Pool if they meet specific service standards for the delivery of PBS medicines to community pharmacies.[28] (refer to Section 7.4 of this report for further details). All of the six full-line wholesalers are CSO distributors.

Each pharmacy will typically have a single first-line wholesaler from whom they acquire the majority of their PBS and other products, which helps to minimise transaction costs and maximise discounts and volume rebates, and another second-line wholesaler to procure the remaining products.

Retail pharmacies[29]

There are approximately 6,000 retail pharmacies in Australia. These pharmacies are also known as community pharmacies and are often referred to as 'chemists'. Retail pharmacies can either operate under a banner group (estimated to comprise approximately 60% of the 6,000 retail pharmacies[30]), or as independent pharmacies. Independent pharmacies can operate as part of a buying group or independently.

Banner and buying groups

Banner groups are groups of pharmacies that operate under the same brand. Banner groups are often operated as franchise models and the franchisor provides services and support to franchisees. While each banner group will vary considerably as to the types and level of services and support provided to franchisees, services and support typically include brand and marketing services, access to supply agreements, assistance with administration functions, assistance with store planning, fit-out, inventory management, and in some cases financial support.

The following table outlines the major banner groups and their owners.

Major Banner Groups

Owner	Major Banners	Approximate Market Share[1]		
		Metropolitan	Regional & Remote	Total
EBOS Group[2]	TerryWhite Chemmart; healthSAVE pharmacy; Good Price Pharmacy Warehouse	11%	13%	12%
Chemist Warehouse	Chemist Warehouse; my Chemist	11%	5%	9%
API (Wesfarmers)	priceline pharmacy; Soul Pattinson Chemist; Pharmacist Advice	8%	8%	8%
IPA Group	Advantage Pharmacy; alliance pharmacy; Chemist Discount Centre	7%	10%	8%
Sigma[3]	Amcal+ For You. For Life.; Discount Drug Stores more than just low prices	6%	8%	7%

Source: Australian Competition and Consumer Commission, Statement of Issues, 13 June 2024.
Notes:
1. By store count based on ACCC estimates of the number of banner stores.
2. Symbion also includes Ventura Health, which includes a number of brands including the Cincotta Discount Chemist and Max Value Pharmacy.
3. Sigma also has 37 franchisee stores operating under a legacy banner, PharmaSave.

[28] Community Service Obligation (CSO) for Pharmaceutical Wholesalers funding pool operational guidelines, Department of Health and Aged Care, 19 October 2022.
[29] Australian Competition and Consumer Commission, Statement of Issues, 13 June 2024.
[30] Australian Competition and Consumer Commission, Statement of Issues, 13 June 2024.

Of the remaining approximately 56% of retail pharmacies not operating under one of the previously outlined major banner groups, small to medium banner groups (such as Chempro Chemist, Blooms The Chemist, Direct Chemist Outlet, Pharmacy 777 and Ramsay Pharmacy) comprise approximately 15% to 20% of stores, while the remaining retail pharmacies are independents.

Buying groups are often operated by wholesalers, with memberships offered to independent pharmacies. These buying groups provide the independent pharmacies with greater buying and negotiating power with wholesalers and manufacturers. As with banner groups, an individual company can operate multiple buying groups.[31]

Non-retail pharmacies

Non-retail pharmacies are typically found in hospitals and differ from retail pharmacies. Neither Chemist Warehouse nor Sigma are currently involved in non-retail pharmacies.

7.1.4 Requirements for participation

Pharmacies

In order for a new pharmacy to be established in Australia, there are a number of requirements for participation including:

- there are strict regulations governing the location and density of pharmacies within communities, as well as regulations over what products they can sell and who can own pharmacies. These are discussed in Section 7.4 of this report;
- for a prospective pharmacy owner, they must have access to substantial capital to purchase an existing pharmacy or setup a new independent pharmacy.[32] Some banner groups provide financial assistance to prospective franchisees to assist with this process;
- pharmacies can only dispense prescription medicines if they possess the relevant regulatory approval, and with limited regulatory allowance for price competition in relation to PBS medications, as outlined in Section 7.4 of this report. This has created limited competition within the market, adding an additional requirement for anyone looking to establish a new pharmacy; and
- existing ownership requirements have further requirements for potential market entrants such as supermarkets, which are unable to own pharmacies or sell PBS medications through their supermarket stores.[33]

The regulatory framework for Australian pharmacies are more fully described in Section 5.5 of the Scheme Booklet.

Wholesalers

In relation to wholesalers the key requirements for participating in pharmaceutical wholesaling include:

- the high level of regulation surrounding wholesaling of pharmaceutical products, and the eligibility requirements required for CSO funding;
- the scale and efficiency of existing pharmaceutical wholesalers is difficult to replicate in the short-term and requires significant upfront capital investment;
- the low operating margins; and
- the presence of buying and banner groups increases the barriers of entry for new wholesalers looking to enter the Australian market, as pharmacies operating under these groups usually have pre-arranged first-line wholesale supply agreements. This increases the difficulty for new entrants to wholesaling to establish their own buying or banner groups and shore up a customer base.

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[31] Australian Competition and Consumer Commission, Statement of Issues, 13 June 2024.
[32] Review of Pharmacy Remuneration and Regulation, S. King, W.J Scott, J. Watson, September 2017.
[33] AMA Submission to inquiry into promoting economic dynamism, competition and business formation, Australian Medical Association, March 2023.

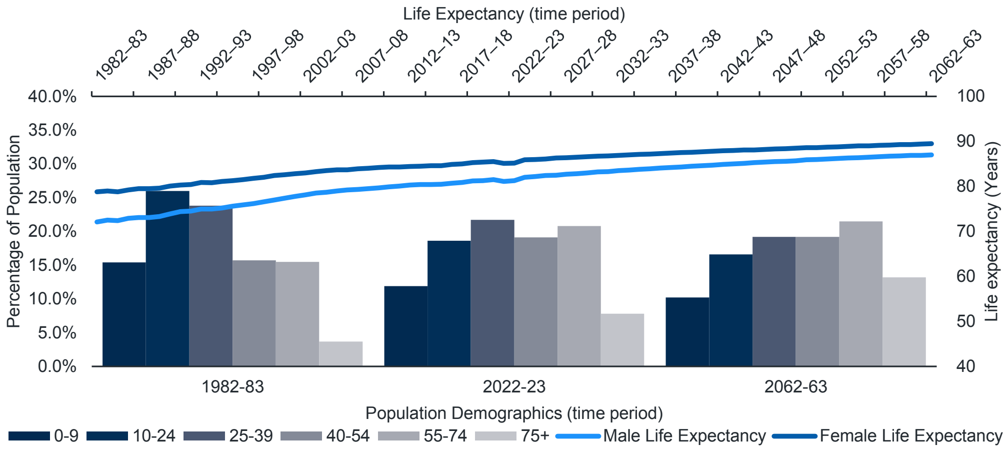
7.2 Industry trends

7.2.1 Ageing population

As the primary purpose of the pharmaceutical industry is to provide prescription and other medications, growth in the industry is tied to changes in the demand for these products.

Australia is experiencing an ageing population, with approximately 34.7% of the Australian population forecast to be aged 55 and over by 2063 as shown in the following chart.

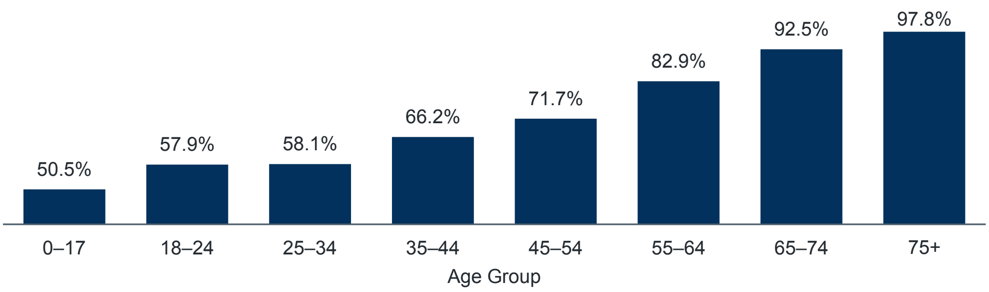
Australian Population Composition by Generation and Life Expectancy at Birth Chart (1982-2063)



Source: Australian Bureau of Statistics, 2023 Intergenerational Report, Kroll analysis.

The National Health Survey conducted in 2022 demonstrated that as Australians age the instances of chronic health conditions rises. Accordingly, the survey found that the proportion of people within age groups that had been dispensed with at least one PBS medication rose with the age range. Approximately 82.9% of those aged between 55 and 64 were found to have been dispensed with at least one PBS medication, compared to 58.1% or less of those aged 25 to 34 who were found to have dispensed at least one PBS medication.

Percentage of PBS Medication Usage Among Australians by Age Group



Source: National Health Survey 2022, Australian Bureau of Statistics, Kroll analysis.

This trend suggests that as Australia's population continues to age, the prevalence of chronic health issues will continue to rise and will generate additional demand for PBS medications.

PBS subsidies aim to make medications affordable to maximise health outcomes and reduce the economic and social burdens that come from worsening medical conditions. Australian Government funding for the PBS is uncapped, meaning that whenever a pharmacy dispenses a PBS medicine, the applicable

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Australian Government subsidy will be paid to the pharmacy.[34] Practically, this means that as Australians use more prescriptions the total government expenditure on PBS medications is likely to increase accordingly noting that the Australian Government continues to look at ways to reduce the cost of PBS medications.[35]

The Australian Government recognises the financial burden that health issues can have upon individuals, and in the 2024-25 Budget the PBS co-payments are set to freeze for one year from 1 January 2025 for general patients, and five years for concessional patients.[36] Another change which was made in an effort to reduce the burden on individuals was to allow pharmacies to dispense up to 60-day supplies of certain PBS medications. Consumers who receive a 60-day supply pay one co-payment rather than two (as would have been the case if paying for two 30-day supplies), making the medication more affordable.

7.2.2 Expansion of products and services

PBS medications typically form a significant proportion of community pharmacy revenue, however, the profit margins from these medications have progressively eroded over time. In response, retail pharmacies have developed alternative revenue streams through a wider and more diversified offering of FOS products and developing additional professional health services.[37]

These initiatives have led to growth in the industry's sales of complimentary products, such as vitamins, supplements, and beauty products.[38] It has also increased the development of private label products by wholesalers and banner and buying groups in a bid to capture incremental margin, such as Chemist Warehouse's Wagner Health branded product range and Sigma's Pharmacy Care product range, as well as product exclusivity arrangements.

Professional health services growth has come through retail pharmacies seeking to expand their scope of practice through services such as immunisations, dosage administration aids and patient medication reviews. Retail pharmacies have been an increasingly important delivery mechanism within the Australian healthcare system for vaccinations through the National Immunisation Program, with nearly 25% of all vaccination administrations between 1 March 2024 to 19 May 2024 performed in pharmacies. During the COVID-19 pandemic, over 3,000 community pharmacies were involved in the COVID-19 vaccine program, helping administer over 11 million vaccine doses.[39]

7.2.3 Increasing competition

Pharmacies also must compete with non-pharmacy retailers (particularly supermarkets and beauty retailers) on FOS products, however, legislation currently restricts the type of pharmaceutical products that non-pharmacy retailers can sell, including restrictions on package sizes. In order to compete on FOS products, retail pharmacies attempt to differentiate themselves from non-pharmacy retailers through the range of products they offer, which has led wholesalers and banner groups to pursue a strategy of increasing the number of private and exclusive labels on offer.[40]

7.2.4 Government funding

In the twelve months ending 30 June 2023 the Australian Government's expenditure on medications through the PBS totalled $16.6 billion, which represented an increase of 15.6% over the prior year, whilst co-payments from patients totalled $1.6 billion.[41]

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[34] No subsidy is payable if the retail price is equal to or lower than the consumer co-payment
[35] Pharmaceutical Benefits Scheme, About the PBS, 7 May 2024.
[36] 2024-2025 Australian Federal Budget.
[37] Pharmacies in Australia, IBIS World, November 2023.
[38] Younger Australians putting their health first during pandemic, Bupa Australia, 7 November 2021.
[39] Pharmacies in Australia, IBIS World, November 2023.
[40] Pharmacies in Australia, IBIS World, November 2023.
[41] PBS Expenditure and Prescriptions 2022-23 Report, Department of Health and Aged Care.

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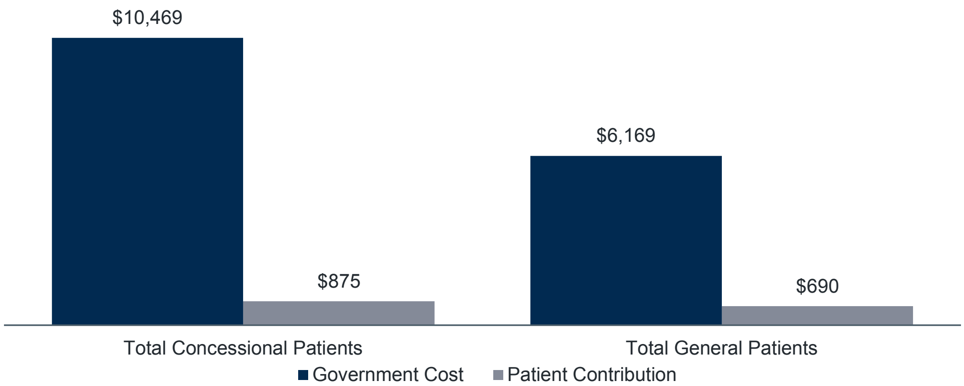
PBS-Related Government Expenditure and Patient Contributions ($ Millions) in 2022-2023



Source: Department of Health and Aged Care, Kroll analysis.
Note 1: There are two types of PBS beneficiaries. General patients, who hold a Medicare card, and concessional patients, who hold a Medicare card and one of the following: Pensioner Concession Card, Commonwealth Seniors Health Card, or a Health Care Card.

There is a clear difference between the amount of funding towards concessional patients and general patients, and with Australia facing an ageing population, this difference is likely to grow. There stands a risk to the pharmaceutical industry, albeit in the medium or long term, that the Government will reduce the funding provided for PBS and increase the cost on patients above the usual indexation increases which could in turn reduce the accessibility and consumption of PBS medications in favour of alternative treatments and medicines.

7.3 Industry outlook

In the short term, growing health consciousness amongst Australian consumers is expected to support sales growth in, and diversification of, FOS products in the health and wellness space and encourage the development of private label products in these categories which attract higher margins for pharmacies. However, growth along these channels will face increasing competition with supermarkets. Nationwide programs, such as the National Immunisation Program Vaccinations in Pharmacy program, will support pharmacies in the move towards introducing new holistic healthcare services into pharmacies.

In the longer term, the pharmacy industry expects to see increasing volumes of PBS medication sales driven by the ageing Australian population. Co-payment amounts are monitored for signs of consumer stress and hardship, with the government retaining the ability to adjust these payment levels to ensure patients can continue to access these medicines. However, the government expenditure burden is likely to increase due to the ageing population which could place strain on federal budgets. In turn, this has the potential to lead to structural changes, such as a budgetary cap on PBS medication funding.

7.3.1 Key risks

The following is a summary of the key risks that apply to the Australian pharmacy industry. Full details of the industry overview can be found in Section 5 of the Scheme Booklet.

- there are significant competition risks at the retail level from other pharmacies, and for FOS products from supermarkets and other specialty and general retailers, including health and beauty retailers;
- there are risks to retail pharmacies arising from supply chains that are concentrated to a single wholesaler, including exposure to Third Party supply chain vulnerabilities. This may not only result in inadequate inventory and poor inventory management, but may also increase operational costs as a result of sourcing alternative supply chains or other contingency plans;
- equally, pharmaceutical wholesalers are reliant on large, long-term supply agreements with banner groups, resulting in customer concentration risks. These agreements are typically renewed every five or so years, which brings about additional renewal risks. In a highly competitive industry such as

pharmaceutical wholesaling, there is a significant risk that supply contracts are not renewed resulting in the loss of a material customer group; and

- changes to government policies and legislation that relates to the pharmaceutical industry, including:
  - any adverse changes to the PBS generally, or PBS drugs sold, could lead to lower wholesale margins being available, or lower volumes of product sales;
  - changes to pharmacy location rules may negatively impact the viability of pharmacies, which in turn reduces demand for the products supplied by wholesalers;
  - loss of access to the CSO funding pool (including non-renewal of CSO arrangements or the Commonwealth Government pursuing a different approach to pharmaceutical supply); and
  - deregulation of the range of pharmaceuticals that may be sold in non-pharmacy retailers (such as supermarkets).

7.4 Regulatory environment

The Australian pharmacy industry is heavily regulated. The main areas of regulation that affect Chemist Warehouse's and Sigma's operations include:

- **product regulations**: prescription medicines and OTC medicines must be 'listed' or 'registered' by the TGA, which regulates the pharmaceuticals that are permitted to be supplied in Australia, and the indications for which they can be sold and used;
- **access to pharmaceuticals**: wholesalers require licenses from State and Territory regulators to supply prescription and OTC medicines, while manufacturers must be licensed by the TGA. Advertising of pharmaceutical products is heavily restricted;
- **pharmaceutical benefits scheme (PBS)**: which subsidises the cost of effective and necessary pharmaceuticals from approved pharmacies. Pharmacies are not automatically eligible to participate in the PBS but must receive approval from the Secretary of the Department of Health. The PBS regulates the pricing of PBS medicines, as well as the maximum mark-up that retailers and CSO wholesalers such as Sigma are permitted to charge for distributing PBS medicines;
- **Community Service Obligations (CSO)**: which ensures that all Australians, regardless of where they live, have timely and reliable access to PBS medicines through community pharmacies. The CSO covers pharmaceutical wholesalers who provide community pharmacies with PBS medications. Under the CSO Operational Guidelines, CSO distributors receive additional payments in exchange for ensuring all pharmacies can receive any brand of PBS medication within 24 to 72 hours, and must maintain specified stock levels of PBS medications;[42]
- **pharmacy ownership laws**: under State and Territory legislation, non-pharmacists are prohibited from having an ownership or financial (New South Wales (**NSW**) only) interest in a pharmacy business (there are limited exceptions to this rule). There are also limitations that vary by State or Territory on the maximum number of pharmacies that a pharmacist can own or have a financial interest in (in NSW);
- **pharmacy location laws**: geographical restrictions on where new pharmacies are able to be established apply as part of the criteria for a pharmacy to participate in the PBS. The basic requirement is that a new pharmacy must be at least 1.5 kilometres in a straight line from the nearest PBS-approved pharmacy. There are also special rules which apply to pharmacies which are being setup within small and large shopping centres, private hospitals, and regional towns;[43] and
- **Franchising Code of Conduct**: is a mandatory industry code applying to franchise agreements under the Competition and Consumer Act 2010 (Cth). This applies to franchisors and pharmacies that choose to operate under a franchise brand (i.e. banner group).

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[42] Community Service Obligation (CSO) Funding Pool, Australian Healthcare Associates, 2024.
[43] National Health (Australian Community Pharmacy Authority Rules) Determination 2018, 18 September 2018.

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8 Profile of Chemist Warehouse

8.1 Overview[44]

Chemist Warehouse is a leading Australian retail pharmacy franchisor and owns the 'Chemist Warehouse' and 'My Chemist' pharmacy franchise brands. As a franchisor, Chemist Warehouse provides intellectual property as well as a range of support services to its franchisees. It also supplies a range of goods to franchisees. Chemist Warehouse has a network of 5 distribution centres and 1 online fulfilment centre in Australia, as well as 1 distribution centre in New Zealand.

The majority of the Chemist Warehouse's franchisees operate under the Chemist Warehouse brand, which together with franchisees operating under the My Chemist brand, and Pipeline Stores, form the 567 franchised retail pharmacies within the Chemist Warehouse Australian Franchise Network. Chemist Warehouse 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.[45]

Chemist Warehouse Australian Franchise Network stores retail prescription medicines, OTC medicines, and FOS products across a wide range of brands and product lines in a big-box, large format store layout. The Chemist Warehouse Australian Franchise Network has a prominent position in the Australian market, with the Chemist Warehouse Australian Franchise Network representing approximately 9% of total Australian pharmacies.[46]

8.2 Background[47]

Chemist Warehouse's heritage dates back to 1972 when Jack and Sam Gance bought their first pharmacy in Reservoir, Melbourne. Mario Verrocchi joined the Gance brothers in 1980 in the pharmacy group, which expanded to open its first store in a major metropolitan shopping centre, Northland, in Victoria. The group grew over the following two decades before opening the first My Chemist branded pharmacy in 1997. The launch of My Chemist was quickly followed in 2000 by the opening of the pharmacy that would in time become the first Chemist Warehouse branded store.

As the number of pharmacies grew, the centralised service functions supporting those pharmacies continued to grow in scale and commerciality, developing marketing services, support services, and negotiating terms with suppliers. This is the business that became Chemist Warehouse as it is today. The arrangements between the centralised service business and the pharmacies were formalised under a franchise model from 2016.

Chemist Warehouse began its international expansion in 2015 via a partnership with Alibaba Group Holding Ltd's e-commerce platform Tmall. Chemist Warehouse opened its first international stores in New Zealand in 2017, China in 2019 and Ireland in 2020, with 70 international network stores as at 30 June 2024.

Chemist Warehouse has continued to grow its retail offerings, launching the Ultra Beauty and Optometrist Warehouse brands in 2018 and 2023 respectively.

8.3 Strategy[48]

Chemist Warehouse's success as an Australian pharmacy franchisor has stemmed from its proposition oriented towards providing customers with everyday low prices on a broad range of FOS products and competitive prices on pharmaceutical products, which further underpins the convenience and value of the Chemist Warehouse offering. Franchise stores benefit from an extensive product offering that includes a range of owned, private label and exclusive brands and products.

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44 Scheme Booklet, Section 6.
45 Scheme Booklet, Section 6. References to pharmacy and store numbers 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).
46 Calculated as 567 Australian stores divided by the ACCC's estimated 6000 community pharmacies in Australia (refer to Section 7.1.3 of this report).
47 Scheme Booklet, Section 6.
48 Scheme Booklet, Section 6.

Chemist Warehouse's offering to franchisees is supported by its marketing strategy across multiple mediums which has cultivated a strong brand awareness amongst Australian consumers. Marketing activities occur across various channels including catalogues, in-store and online advertising, television, radio, newspaper, alongside sponsorships and the House of Wellness brand. The significant investment that Chemist Warehouse has made historically in media and marketing has positioned the Chemist Warehouse pharmacy brand as one of the most visible and recognised brands in the country, and makes Chemist Warehouse a trusted partner for brand owners and suppliers to advertise with.

Chemist Warehouse's online platforms offer a single 'digital front door' and complements in-store trading, by offering Click & Collect and Fast Delivery purchases with the way in which orders are fulfilled varying based on the customers' delivery or collection preference or nature of the goods ordered. Online sales accelerated through the COVID-19 pandemic and continues to remain a strong part of the business with 16.7 million average monthly visits in FY24.[49]

8.4 Operations

8.4.1 Overview

Chemist Warehouse operates as a retail pharmacy franchisor in Australia and owns the Chemist Warehouse and My Chemist pharmacy franchise brands. As a retail pharmacy franchisor, the principal activities of Chemist Warehouse consists of:

- Provision of branding and support services to franchise stores;
- Wholesale supply of FOS consumer goods to franchise stores;
- Advertising and marketing activities;
- Sale 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 Chemist Warehouse; and
- Strategic equity positions in several key suppliers.

Chemist Warehouse operates an online e-commerce business, and has a range of fully or partly owned brands, and private label and licensed brands.

Chemist Warehouse also has operations in New Zealand, China, Ireland and Dubai.

8.4.2 Revenue sources

Chemist Warehouse's core business is as the franchisor of Chemist Warehouse and My Chemist pharmacies. Chemist Warehouse's revenues are reported in one business segment: Wholesale and Retail services.

The Wholesale and Retail Services segment generates revenue from the following sources:

- **Sales revenue:** Chemist Warehouse sells FOS products (and some limited OTC products) to its franchisees to be retailed in store to consumers. Chemist Warehouse generates revenues associated with the sale of goods distributed via Chemist Warehouse to Chemist Warehouse and My Chemist retail pharmacies and stores, as well as via fees earned on wholesale sales directly delivered via suppliers to Chemist Warehouse and My Chemist stores; and
- **Services revenue**: services revenue consists of commissions, franchise and related fees, fees for marketing services and promotional and advertising revenues. Chemist Warehouse receives franchise fees from franchisees in return for providing a range of services including managing external suppliers, franchisor services, marketing and advertising, and property related services.

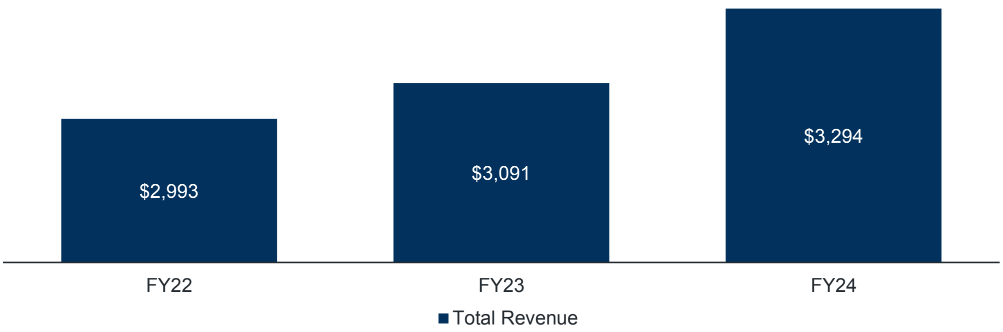
Chemist Warehouse does not consolidate sales recorded in the Chemist Warehouse Australian Franchise Network as it does not own these stores. However, due to its wholesale supply operations Chemist

[49] Scheme Booklet, Section 6.

Warehouse benefits from increased network sales, as franchisees often purchase products sold throughout the network from Chemist Warehouse.

Chemist Warehouse revenue from FY22 to FY24 is shown in the following figure.

Chemist Warehouse Total Revenue ($m)



Source: Chemist Warehouse Annual Reports & Preliminary Financial Reports.

Chemist Warehouse has grown total revenue from $2,992.9 million in FY22 to $3,294.4 million in FY24, representing a 4.9% CAGR. Comparison of Chemist Warehouse's revenue across this period is complicated by the impact of COVID-19 (refer to Section 8.5 of this report).

8.4.3 Business Units

As noted in Section 8.4.2 of this report, Chemist Warehouse only reports one segment, however, Chemist Warehouse's operations can be split across four business units with varying contributions to Chemist Warehouse's revenues and earnings: Australia, International, Online and Other activities.

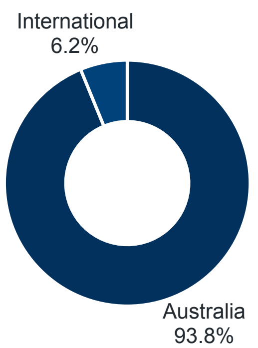
Australia

Chemist Warehouse operates a franchise model in Australia. As at 30 June 2024, Chemist Warehouse supported 567 franchised retail pharmacy stores in Australia.[50] Chemist Warehouse operates as a wholesaler and franchisor to these retailers, providing a comprehensive range of consumer goods, support services and intellectual property to franchisees.

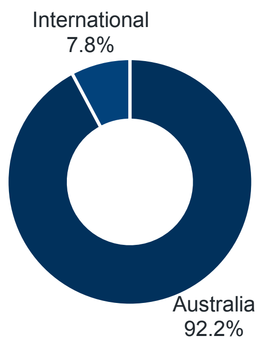
[50] Scheme Booklet, Section 6.

Chemist Warehouse's revenue by geography is presented in the following figure.

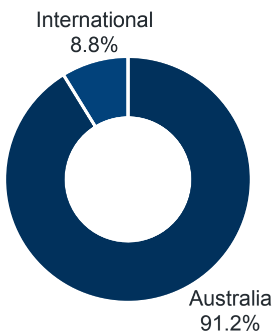
Revenue by Geography FY22



Revenue by Geography FY23



Revenue by Geography FY24



Source: Chemist Warehouse Annual Reports FY23 & FY24, Kroll analysis.

Chemist Warehouse's allocation by geographic segment illustrates its strength within Australia, with 91.2% of FY24 revenues derived from Australia. The contribution of Chemist Warehouse's International revenues have increased over the past three financial years from 6.2% of total revenue in FY22 to 8.8% in FY24.

International

Chemist Warehouse operates in four international locations: New Zealand, China, Ireland and Dubai. The following table summarises Chemist Warehouse's operations in each of the four locations.

Chemist Warehouse's International Operations

Country	Store Count (as at 30 June 2024)	Ownership structure
New Zealand	50	Chemist Warehouse is a part owner of the New Zealand Retail Network
China	10	Chemist Warehouse operates the China Retail Network
Ireland	10	Chemist Warehouse is a part owner of the Ireland Retail Network
Dubai	0[1]	Chemist Warehouse is a part owner of the Dubai Retail Network

Source: Sigma 1H25 Results Presentation, Scheme Booklet.
Note 1: The First Chemist Warehouse Retail Network store in Dubai opened in October 2024.

Online

Chemist Warehouse operates online e-commerce websites for customer sales in Australia, New Zealand and China. The e-commerce platforms in each country differ by the types of products offered and the way in which online orders are fulfilled. For example, in Australia, any online sales involving prescription or OTC medicines, or where the consumer selects Click & Collect or Fast Delivery, the orders are directed to and fulfilled by franchisees. When an online order relates only to consumer goods, the products are generally delivered to the customer direct from a Chemist Warehouse distribution centre, unless the distribution centre is unable to fulfil the order.

Other Activities

Chemist Warehouse also supports stores under other retail brands, which include Optometrist Warehouse and Ultra Beauty. Optometrist Warehouse is a retail brand concept focused on providing discounted prices

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on glasses and contact lenses, and bulk-billed eye care. Ultra Beauty is a specialised retailer of luxury and premium beauty and cosmetics products.

In addition, Chemist Warehouse offers private-label products under its own brands. Chemist Warehouse's private label offering includes brands such as Wagner Health, Goat Skincare and Bondi Protein Co.

Chemist Warehouse also fully or partly owns a range of complementary businesses including Strat, Game on, Instant Consult, and Market Reach.

Chemist Warehouse also holds strategic equity investments in certain third party product suppliers and service providers.

8.4.4 Franchise offering

Chemist Warehouse offers its franchisees a comprehensive range of support services, enabling franchisees to focus on customer service and the retail experience. Franchisee benefits include the following:

- product range and value proposition: Franchisees have access to a wide range of health, wellness and beauty products, including several exclusive ranged brands 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. Chemist Warehouse has invested significantly in the Chemist Warehouse brand and supplier partnership model which has created a strong consumer brand awareness;
- strong retail focus: Chemist Warehouse stores are differentiated from most other retail pharmacy brands by their penetration of retail FOS sales, with Chemist Warehouse franchisees deriving 60% of their stores sales in FY24, which Chemist Warehouse considers is substantially above those for non-Chemist Warehouse pharmacies,[51] providing for diversification of revenue and a robust retail business for franchisees;
- omnichannel offering: Chemist Warehouse delivers a seamless omnichannel experience to consumers, supporting in-store trading, including via Click & Collect and Fast Delivery, which are fulfilled by franchisees;
- support services: an extensive suite of support services are made available to franchisees including marketing and property-related services; and
- people and culture: Chemist Warehouse has instilled a “Better Together” philosophy in all dealings with suppliers and pharmacists, delivering better outcomes for all.

Franchisees have autonomy to buy stock from other suppliers and negotiate individual pricing elements with Chemist Warehouse, however, given the growth and success of Chemist Warehouse, the franchisee network is highly engaged, with many Chemist Warehouse franchisees also owning equity in Chemist Warehouse.

8.4.5 Chemist Warehouse Retail Network

The success of Chemist Warehouse's franchise and retail network (the **Chemist Warehouse Retail Network**)[52] has been evidenced by its considerable growth over the past decade. The following chart highlights the growth in Chemist Warehouse Retail Network sales and growth in number of stores from FY14 to FY24.

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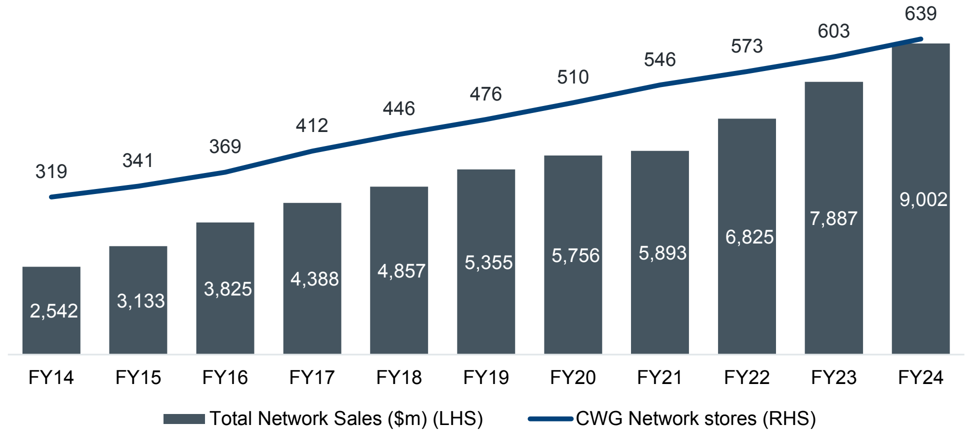
[51] Scheme Booklet, Section 8.2. Based on Chemist Warehouse management information (unaudited). Represents total FOS sales as a proportion of total network sales across Chemist Warehouse branded stores in Australia in FY24.

[52] Includes stores in the Chemist Warehouse Australian Franchise Network, Other Retail Brands stores, and Chemist Warehouse stores internationally.

Chemist Warehouse Retail Network growth (sales ($m) and stores)



Source: Scheme Booklet, Sigma: Investor Presentation Merger & Equity Raising, Sigma: 1H25 Results Presentation.

The Chemist Warehouse Retail Network has grown from $2,542 million in network sales across 319 stores in FY14 to $9,002 million across 639 stores in FY24, representing a 13.5% CAGR of network sales and a 7.2% CAGR in store footprint. The implied network sales per store has increased over the same period from $8.0 million to $14.1 million.

8.4.6 Chemist Warehouse Distribution Network

Chemist Warehouse's wholesale supply activities in Australia are supported by its national footprint of six distribution and fulfilment centres located in Adelaide, Brisbane, Melbourne, Perth and Sydney. This includes an online fulfilment centre in Melbourne. Additionally, Chemist Warehouse has one distribution centre in Auckland.

8.5 Financial performance

8.5.1 Consolidated Financial Performance

The consolidated financial performance for Chemist Warehouse from FY22 to FY24 is summarised in the following table.

Chemist Warehouse Consolidated Financial Performance ($ millions)

	FY22[1] Audited	FY23 Audited	FY24 Audited
Revenue	2,992.9	3,090.7	3,294.4
Cost of goods sold	(1,920.6)	(2,173.0)	(2,251.5)
Gross profit	**1,072.3**	**917.7**	**1,043.0**
Share of profits of associates and joint ventures[2]	8.2	13.0	23.1
Other income	3.2	18.0	5.8
Warehousing and delivery expenses	(178.3)	(175.6)	(148.9)
Sales and marketing expenses	(63.5)	(77.3)	(88.3)
Administration expenses	(255.9)	(236.1)	(253.1)
Impairment expense	(0.2)	-	-
EBIT[3]	**585.9**	**459.8**	**581.5**
Net finance costs	(35.9)	(30.4)	(7.4)
Profit before income tax	**550.0**	**429.4**	**574.1**
Income tax expense	(165.0)	(126.9)	(34.5)
Net profit after tax	**385.0**	**302.5**	**539.7**
Loss attributable to non-controlling interest	0.9	1.9	1.4
Profit attributable to Chemist Warehouse shareholders	**385.9**	**304.3**	**541.0**
Growth			
Revenue growth (%)	*23.7%*	*3.3%*	*6.6%*
EBIT growth (%)	*1080.8%*	*(21.5)%*	*26.5%*
NPAT growth (%)	*319.6%*	*(21.2)%*	*77.6%*
Profitability			
Gross profit margin (%)	*35.8%*	*29.7%*	*31.7%*
EBIT margin (%)	*19.6%*	*14.9%*	*17.7%*
NPAT margin (%)	*12.9%*	*9.8%*	*16.4%*
EBIT interest cover[4]	*16.3x*	*15.1x*	*78.4x*
Per share metrics			
Weighted average number of shares (basic) (million)	*1,551.3*	*1,553.3*	*1,555.2*
Basic EPS (cents)	*24.9*	*19.6*	*34.8*
Dividends per share (cents)	*10.0*	*17.0*	*14.0*
Dividend payout ratio	*40.1%*	*86.8%*	*40.2%*

Source: Prospectus, Chemist Warehouse Annual Reports and Results Presentations, Kroll analysis.

Notes:
1. Income statement for FY22 was amended following a review of supplier contracts which identified certain payments made by suppliers to Chemist Warehouse should be recognised as a reduction to cost of inventory (and subsequently a reduction in cost of sales) instead of revenue.
2. Income from joint venture and associates relates to entities that operate Chemist Warehouse's stores as joint ventures in New Zealand.
3. EBIT is profit before interest and tax
4. EBIT interest cover ratio is EBIT/ net finance costs.

In relation to Chemist Warehouse's consolidated financial performance summarised above, we note:

- following a revenue increase of 23.7% in FY22, revenue growth slowed to just 3.3% in FY23, before growing by 6.6% in FY24. Revenue growth in FY22 was elevated by higher sales of COVID-19 related products and higher e-commerce sales, each of which normalised in FY23. In FY24, revenue growth was supported by a higher number of stores (6.0% growth in Chemist Warehouse Network stores) and growth in retail network sales which is a driver of revenue as the franchise stores often purchase inventory from Chemist Warehouse;

- Chemist Warehouse's EBIT margin declined to 14.9% in FY23 (from 19.6% in FY22) which is consistent with the decline in gross profit margin (as a result of FY22 including a greater volume of COVID-19 related products on which Chemist Warehouse generated a higher wholesale gross profit margin). EBIT margin in FY24 improved to 17.7% driven by gross profit margin improvement (as a result of an increase in marketing related supplier income) and a higher share of profits from associates and joint ventures, partially offset by higher operating expenses which included $8.2 million of transaction costs borne by Chemist Warehouse relating to the Proposed Merger;
- net finance costs decreased in FY23 and FY24 due to higher interest income on lease receivables associated with the reclassification of right-of-use assets to lease receivables. Chemist Warehouse has proven strong interest coverage ratios, with an EBIT interest cover ratio of 78.4x in FY24;
- Chemist Warehouse's NPAT margin declined to 9.8% in FY23 (from 12.9% in FY22) due to the decline in gross profit and higher operating expenses which was partially offset by lower income tax expense during the period. NPAT margin improved to 16.4% in FY24 due to gross profit margin improvement and lower income tax expense. Chemist Warehouse's income tax expense in FY24 was lower due to a deferred tax benefit and settlement of a legacy tax matter with the ATO which resulted in a $133.6 million tax benefit; and
- Chemist Warehouse's EPS has moved in line with historical NPAT, reaching 34.8 cents a share in FY24, buoyed by the legacy income tax matter resolved with the ATO in FY24. Chemist Warehouse has shown a strong ability to pay dividends, with dividends per share improving from 10 cents per share in FY22 to 17 cents per share in FY23, before moderating to 14 cents per share in FY24. Chemist Warehouse's dividend payout ratio has ranged between 40% to 87% over this period.

8.5.2 Guidance and Outlook

Chemist Warehouse has not provided financial guidance. As Chemist Warehouse is currently an unlisted public company it is not covered by brokers.

8.6 Financial position

8.6.1 Historical financial position

The financial position for Chemist Warehouse as at 30 June 2024 is summarised in the following table.

Chemist Warehouse Financial Position ($ millions)

	As at 30 June 2024
Trade and other receivables	695.0
Inventories	599.9
Other current assets[1]	26.1
Trade and other payables	(745.8)
Net working capital	**575.2**
Property, plant & equipment	73.1
Right-of-use assets	113.0
Financial assets[2]	61.7
Deferred tax assets	87.3
Equity accounted investments[3]	45.0
Intangible assets	13.3
Other liabilities[4]	(85.2)
Total funds employed	**883.5**
Cash and cash equivalents	273.1
Financial assets (loans receivable)	13.5
Interest bearing liabilities	(332.8)
Net cash / (debt) (excluding lease liabilities)	**(46.2)**
Lease liabilities (net)	(120.5)
Net assets	**716.9**
Total equity	**716.9**
Equity attributable to non-controlling interest	5.5
Equity attributable to Chemist Warehouse Shareholders	**722.4**
Statistics	
Number of shares at period end (million)	*1,557.4*
Net assets per share (cents per share)	*183.7*
Gearing ratio[5]	*9.1%*

Source: Prospectus, Chemist Warehouse Annual Reports and Results Presentations, Kroll analysis.
Notes:
1. Includes prepayments and other current assets.
2. Financial assets predominantly reflects equity securities ($59.5 million) which are not held for trading in listed entities and are held at fair value through other comprehensive income.
3. Equity accounted investments relates to joint venture investments in Chemist Warehouse branded Network Stores in New Zealand.
4. Includes customer liabilities, liabilities related to supplier contracts, current tax liabilties and provisions (current and non-current).
5. Gearing ratio is calculated as net debt/(net debt + total equity).

In relation to the financial position of Chemist Warehouse as at 30 June 2024 we note:

- Chemist Warehouse operates with significant, positive net working capital as a result of the need to hold inventories. Chemist Warehouse benefits from having higher average days payable outstanding relative to average days receivable, indicating favourable terms with its debtors and creditors;
- right-of-use assets and the associated lease liability mainly relate to retail stores, with a minor portion attributed to equipment. Chemist Warehouse holds the head lease for the majority of franchise stores and other stores and sub-licences the location to the franchisee under the same terms and conditions as the head lease. Chemist Warehouse recognises a lease liability together with an offsetting finance lease receivable for leases associated with franchise and other stores under sub-licensing arrangements;

- Chemist Warehouse had a $45.0 million investments accounted for using the equity method which relates to Chemist Warehouse branded retail network pharmacies in New Zealand;
- as at 30 June 2024, Chemist Warehouse had a net debt of $59.7 million, which comprised $273.1 million of cash and $332.8 million of debt. In addition, the company has an unsecured bank loan facility of $100.0 million, which remains unutilised as of June 30, 2024; and
- Chemist Warehouse had net assets per share of $1.84 as at 30 June 2024.

8.7 Cash flow

Chemist Warehouse's statement of cash flows for FY22 to FY24 is summarised as follows.

Chemist Warehouse Cash Flows ($ millions)

	FY22	FY23	FY24
EBIT	585.9	459.8	581.5
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)
Operating cash flow (before interest and tax)	**452.8**	**664.8**	**363.0**
Income taxes paid	(132.6)	(189.6)	(82.3)
Net Interest received	35.9	30.5	7.4
Operating cash flow	**284.3**	**444.7**	**273.2**
Capital expenditure (including intangibles)	(13.1)	(12.3)	(41.3)
Free cash flow	**271.2**	**432.4**	**232.0**
Proceeds from sales of investment	-	60.1	4.0
Payments for financial assets & acquisition of subsidiary	(4.8)	(21.0)	(2.9)
Proceeds from borrowing/ (repayments) (net)	(7.8)	(40.9)	67.8
Principal elements of lease (payments)/ receipts (net)	(101.4)	(68.8)	(15.5)
Dividends paid, net of distributions from associates	(269.4)	(264.4)	(218.0)
Transactions with non-controlling interests	0.5	0.3	-
Net cash generated/(used)	**(111.7)**	**97.7**	**67.3**
Opening cash and cash equivalents	220.2	108.0	206.7
FX impact on cash held	(0.5)	1.0	(0.8)
Net cash generated/(used)	(111.7)	97.7	67.3
Closing cash and cash equivalents	**108.0**	**206.7**	**273.3**
Statistics			
Cash conversion ratio[1]	*0.4*	*0.8*	*0.4*

Source: Prospectus, Chemist Warehouse Annual Reports and Results Presentations, Kroll analysis.
Notes:
1. The cash conversion ratio has been calculated as operating cash flow (after interest and tax) divided by the sum of EBIT and depreciation and amortisation.
2. Numbers may not add due to rounding.

In relation to the cash flows of Chemist Warehouse, we note:

- Chemist Warehouse has a history of generating positive cashflows from operating activities due largely to Chemist Warehouse's strong EBIT performance;
- Chemist Warehouse changed its lease sub-licensing arrangements with franchisees from 1 February 2023, which resulted in a reclassification of a majority of right-of-use assets of Chemist Warehouse to lease receivables. These changes lead to significant declines in Chemist Warehouse's depreciation and amortisation expense in FY23 and FY24, relative to FY22;
- Chemist Warehouse's working capital decreased significantly in FY23 which was primarily due to the timing of settlement of trade receivables at 30 June 2023. This impact was reversed during FY24 and resulted in a significant increase in working capital in FY24; and
- Chemist Warehouse has shown a strong history of paying dividends to shareholders.

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8.8 Capital structure and ownership

As at 16 October 2024, Chemist Warehouse had 1,567,857,011 fully paid ordinary shares on issue.

8.8.1 Ordinary shareholders

As at 25 November 2024, Chemist Warehouse had 311 registered shareholders. The top 20 registered shareholders accounted for 78.4% of shares on issue and predominantly included Chemist Warehouse Directors, Chemist Warehouse franchisees and Chemist Warehouse management.

As at the Last Practicable Date, the substantial shareholders are:

Chemist Warehouse substantial shareholders as at Last Practicable Date

Substantial Shareholder	Number of shares	Percentage
Mario Verrocchi	404,426,435	25.8%
Jack Gance	249,917,174	15.9%
Samuel Gance	228,996,012	14.6%

Source: Scheme Booklet, Section 6.5.

9 Profile of Sigma

9.1 Overview

Sigma is a full-line pharmaceutical wholesaler, distributor and retail pharmacy franchisor business that has operations Australia-wide. Its core business activity involves full-line wholesale and distribution of prescription medicines (including PBS medicines under the CSO), OTC products and FOS products to over 3,500 retail pharmacies nationally, including franchisees operating under the Amcal and Discount Drug Store brands (the **Sigma Franchise Network**). Sigma also provides pharmacy services, including banner group services to 313[53] Sigma Franchise Network stores, as well as the supply of private label products to pharmacies (including independent pharmacies). Sigma provides third-party logistics (**3PL**) services to pharmaceutical manufacturers and other suppliers through the use of excess capacity in its extensive national distribution network.

9.2 Background

Sigma was established in 1912 as Sigma Company Limited (**Sigma Company**).[54] Over subsequent decades, Sigma Company gradually expanded its operations and developed into new markets, becoming a prominent player in pharmaceutical manufacturing and distribution. Its growth was in part driven by a series of strategic mergers and acquisitions. By the 2000's, Sigma Company had also established itself as one of Australia's largest branded pharmacy banner groups, having acquired well-known pharmacy retail banner brands such as the Guardian pharmacy group in 1996 and Amcal in 1998.[55] Sigma Company was listed on the ASX in 1999.

Following its listing, Sigma Company was involved in a number of significant transactions, including:

- in 2005, Sigma Company merged with Arrow Pharmaceuticals Limited (**Arrow**), an Australian pharmaceutical marketing and distribution business to create Sigma Pharmaceuticals Limited (**Sigma Pharmaceuticals**);[56]
- Sigma Pharmaceuticals agreed to sell its Pharmaceuticals Manufacturing Division to Aspen Pharmacare Holdings Limited (**Aspen**) in 2011 for approximately $900 million. This division included the manufacturing and contract manufacturing aspects of the business, including the Consumer, Generics, Contracts/Exports and Private Label product ranges. Sigma Pharmaceuticals retained its Healthcare Division, which included the traditional pharmacy wholesale and retail businesses;[57] and

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53 As at 30 June 2024. Excludes the PharmaSave (37 stores) and Guardian (no stores) legacy brands.
54 Sigma. Available from sigmahealthcare.com.au/our-background/our-history/
55 Sigma. Available from sigmahealthcare.com.au/our-background/our-history
56 Sigma: "Sigma Company & Arrow Pharmaceutical Merger Proposal" ASX release, 22 August 2005.
57 Sigma: "Sigma Proposed Sale of Pharmaceuticals Division" ASX release, 16 August 2010.

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- in 2014, Sigma Pharmaceuticals acquired discount pharmacy banner group Discount Drug Stores for approximately $26.7 million, adding 121 pharmacies to Sigma's branded network. The same year it also acquires Central Healthcare Services Pty Limited (**CHS**), a healthcare products wholesaler and distributor, and owner of the PharmaSave brand.[58]

During 2016, Sigma Pharmaceuticals commenced a major capital investment program in its distribution infrastructure (**Distribution Centre Optimisation Program**), which saw approximately $400 million invested in advancing the technology and efficiency of its distribution centres over a number of years.[59] The Distribution Centre Optimisation Program was designed to expand the reach and capacity of Sigma Pharmaceutical's existing distribution network to allow new growth, deliver significant efficiency improvements, and provide leading service delivery standards.[60]

In 2017, Sigma Pharmaceuticals was renamed and rebranded as Sigma Healthcare Limited (Sigma).[61]

In July 2018, Sigma announced that it had lost a critical supply agreement for the supply of pharmaceutical and FMCG products with Chemist Warehouse, which had comprised approximately 40% of Sigma's FY18 revenue.[62] In response, Sigma embarked on a major business transformation program, known as Project Pivot, which included actioning identified efficiencies of over $100 million and the closure of several distribution centres.[63] In November 2019, a new agreement was reached with Chemist Warehouse for the supply of FMCG products over a 4.5-year period, worth approximately $700 million to $800 million in annualised revenue.[64]

On 6 June 2023, Sigma announced a renewed agreement with Chemist Warehouse for the supply of both PBS and FMCG products for a period of five years commencing on 1 July 2024 (the **New Supply Contract**), an important contract win that provided significant volume to better utilise spare capacity. This agreement included the renewal of the current Chemist Warehouse FMCG contract. Sigma estimated that the total sales of products to Chemist Warehouse would generate approximately $3.0 billion in annualised revenue. Sigma provided consideration to Chemist Warehouse for the award of the New Supply Contract which included the issue of Sigma shares to Chemist Warehouse.

Concurrent to the announcement of the Merger Proposal with Chemist Warehouse on 11 December 2023, Sigma undertook a fully underwritten non-renounceable entitlement offer to raise approximately $400 million of capital to support the increased working capital required to implement the New Supply Contract and progress business growth initiatives.[65]

9.3 Strategy

Alongside its 1H23 financial results released in September 2022, Sigma announced its strategy which set the following four key objectives: [66]

- leveraging investment in distribution infrastructure to grow scale and profitable market share in the wholesale business. A key milestone on this objective has been securing the New Supply Contract with Chemist Warehouse;
- consolidating and building the franchise brand network through the Amcal and DDS brands. This involved moving from five franchise brands to two, which is substantially complete with only 37 legacy PharmaSave stores and no Guardian branded stores as at 30 June 2024;
- driving diversified income streams, including a particular emphasis on the health, beauty and wellness product categories, and expansion of private and exclusive label (**PEL**) products. Sigma launched 32 new private and exclusive products in the 6 months to 31 July 2024 and has 220 additional PEL products planned for launch in the 6 months to 31 January 2025; and

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58 Sigma: "Sigma acquired Discount Drug Stores (DDS)" ASX release, 8 September 2014.
59 Sigma: "Sigma Full Year 2020/2021 ASX Release" ASX release, 23 March 2021.
60 Sigma: Annual Review 2015/16.
61 Sigma: "Introducing Sigma Healthcare Limited" ASX release, 3 May 2017.
62 Sigma: *"Trading Update"* ASX release, 2 July 2018.
63 Sigma: "Sigma 2018/2019 Full Year ASX Release" ASX release 21 March 2019.
64 Sigma: "Market Update – new MC/CW supply agreement" ASX release, 25 November 2019.
65 Sigma: Investor Presentation Merger & Equity Raising.
66 Sigma: *"Half Year Results"* ASX release, 26 September 2022.

- simplifying the business by consolidating business units and divesting non-core assets. In 2023, Sigma disposed of its hospital distribution operations and other small non-core assets of its subsidiary CHS, simplifying its business.

Alongside the aforementioned Distribution Centre Optimisation Program, which was a strategically important capital investment program for Sigma, significant investment has also been made in recent years into a company-wide enterprise resource planning (**ERP**) system, which replaced four existing, highly customised and not integrated systems. The move to a single, modern, cloud-based ERP system is intended to support growth and maximise efficiencies by enabling the sharing of data relating to customers, suppliers and inventory across the enterprise, enhancing the customer and supplier value proposition.[67] Implementation of the new ERP system was completed in FY22.

9.4 Operations

Sigma is a full-line wholesaler and distributor of prescription medicines (including PBS prescriptions), OTC products and FOS products. Its customers include over 3,500[68] retail pharmacies nationally, including more than 313[69] operating as franchises as part of the Sigma Franchise Network. Sigma has an extensive national distribution network, which includes eight distribution centres across Australia.

Sigma's core business activities as a wholesaler, distributor and retail pharmacy franchisor include:[70]

- full-line wholesale and distribution of prescription medicines, OTC products and FOS products to franchisees and independent pharmacies;
- provision of brand and support services to 313 retail pharmacies operating as franchisees under Sigma banner brands, Amcal and DDS;
- operating the PriceSave program, which is a flexible program for wholesale purchases by independent pharmacies;
- supplying private label products under the brands 'Pharmacy Care' (which is planned to be replaced with the Guardian brand), 'Beauty Theory', 'Skin Theory' and 'Amcal'; and
- leveraging excess distribution capacity to provide 3PL[71] services.

It also operates other businesses including MPS Connect Pty Ltd (Medication Packaging Systems Australia (**MPS**)).

9.4.1 Wholesale distribution

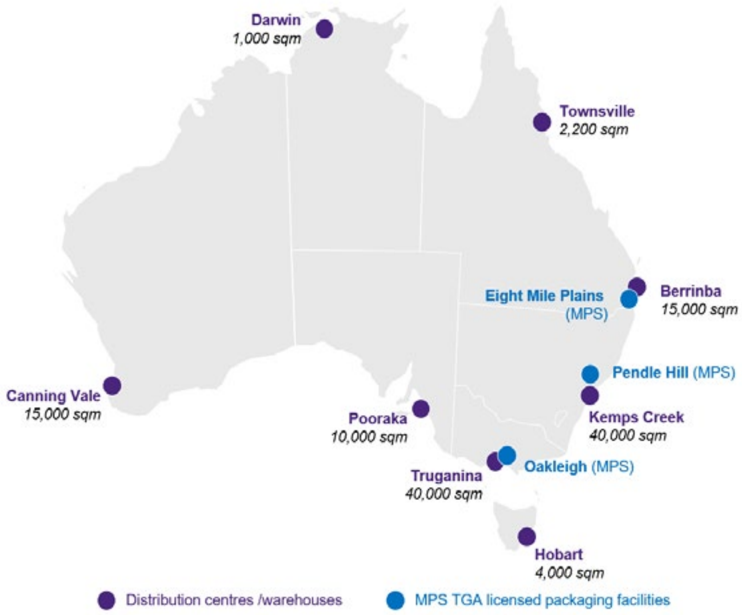
Sigma provides full-line wholesale distribution of prescription medicines, OTC medicines and FOS products by sourcing them in bulk from manufacturers and distributing them to over 3,500 pharmacies across Australia including independent pharmacies as well as pharmacies in the Sigma Franchise Network. It is an accredited CSO Distributor, meaning it also earns CSO income from the Australian Government for supplying PBS medicines in accordance with strict service standards and compliance requirements. Sigma's wholesale distribution represents approximately 96% of its total revenue.[72]

Sigma's wholesale distribution operations are supported by its distribution network of eight Distribution Centres, three MPS TGA licensed packing facilities, and one Business Support Centre. Distribution Centres are located in all Australian States and Territories, except for the Australian Capital Territory which is serviced by the NSW network. Sigma owns three of its distribution centres and the remainder are leased.

67 Sigma: *"Sigma Investor Day"* ASX release, 26 November 2019.
68 As at 30 June 2024. Includes pharmacies within the Sigma Retail Network, as well as third party customers.
69 As at 30 June 2024. Excludes the PharmaSave (37 stores) and Guardian (no stores) legacy brands..
70 ACCC Statement of Issues, 13 June 2024.
71 Third Party Logistics (3PL) in supply chain management is an organisation's use of a third-party business to outsource elements of its distribution, warehousing, and fulfillment services. Source: Sigma.
72 For the 12 months to 31 July 2024, Sigma generated $3.4 billion in wholesale distribution revenue.

The following illustration provides an overview of Sigma's national distribution network.

Sigma's National Distribution Network



Source: Sigma Annual Review 2023/24.

As part of its Distribution Centre Optimisation Program, Sigma's major distribution centres were updated with newer technologies and IT systems, enhancing operational capacity and efficiency. Sigma's distribution network handled over 230 million units over the course of the 12 months to 30 June 2024 and continues to have excess capacity following the commencement of the New Supply Contract with Chemist Warehouse on 1 July 2024.

9.4.2 Pharmacy services

Sigma provides brand and support services under a franchise model through two well-known banner groups, Amcal and Discount Drug Stores. Sigma also continues to support existing PharmaSave arrangements.

Sigma Network Stores

Amcal+	▪ 209 stores in Australia. ▪ Full-service pharmacy. ▪ Brand positioning is as a trusted heritage brand, offering quality products and personalised service.
Discount Drug Stores	▪ 104 stores in Australia. ▪ Discount pharmacy. ▪ Brand positioning is to offer convenient, quality healthcare at an affordable price.

Source: Sigma.

Pharmacies operating as a Sigma franchise have access to extensive brand and support services which vary by brand but broadly include:

- branding and marketing support;

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- store support including staff training, store design and fit out guidance, pricing and promotional support; and
- access to private and exclusive label products.

In return for providing the retail pharmacy services, Sigma collects franchise fees from franchised pharmacies. Franchisees may also enter into wholesale supply agreements with Sigma. In this regard, the retail pharmacy services network not only generates direct revenue, but can assist Sigma to maintain a steady demand of products to support its wholesale distribution business.

In September 2022, as part of the Sigma Strategic Plan, the company commenced a brand simplification process whereby franchise pharmacies would be consolidated into the Amcal and Discount Drug Stores pharmacy brands. As a result, franchise arrangements under the Guardian and PharmaSave brands were no longer extended. As at 30 June 2024, there were no remaining Guardian pharmacy stores and 37 PharmaSave stores.

9.4.3 Private and exclusive label

Sigma supplies private and exclusive products to the Sigma Retail Network and other independent pharmacies. These products are offered under the Amcal Plus, Pharmacy Care, Beauty Theory, and Skin Theory brands.

Sigma's Private and Exclusive Label Brands

Amcal	▪ Amcal offers a range over 110[73] products, including prescription medicines, OTC medicines and FOS products that are only available to Amcal franchisees.
pharmacycare	▪ Pharmacy Care offers a range over 200[74] products including prescription medicines, OTC and a variety of FOS categories, including first aid, health management, eye care, soaps, toiletries and oral care. The Pharmacy Care brand is being replaced with the Guardian brand.
beauty THEORY	▪ A range of FOS beauty and hair products, including hairbrushes, bobby pins, grooming kits, pumice stones, and tweezers.
skin THEORY	▪ A range of FOS beauty and hair products, including shampoo and conditioner, body wash, and hair wash.

Source: Sigma.

Continued investment in the pipeline of private and exclusive label product ranges is intended to provide product differentiation and drive value for consumers by offering affordable alternatives to branded products, while also driving margin improvement for Sigma and the Sigma Franchise Network.

9.4.4 PriceSave program

Wholesale distribution customers include the Sigma Franchise Network stores and other independent pharmacies.

The PriceSave program is an offer for independent pharmacy operators who wish to retain the absolute freedom as an independent pharmacy (as opposed to as a franchisee). It combines the benefits of being a member of an independent buying group, with a customisable program that provides independent pharmacies with the flexibility to choose from a selection of optional modules to foster operational efficiencies to drive consumer value.

73 As at 30 June 2024.
74 As at 30 June 2024.

Sigma states the benefits of being a PriceSave member include:

- negotiated wholesale trading terms (including rebates and discounts);
- a competitive retail buying guide and strong buyer power;
- the ability to choose optional modules to tailor the program to suit the individual pharmacy; and
- operational support tools to help pharmacies self-manage and grow their business.

As at 30 June 2024, PriceSave had over 400 members.

9.4.5 Contract Logistics (3PL)

Sigma utilises available capacity in its national distribution network to provide Contract Logistics (3PL) services. 3PL is supported from six Distribution Centres.

The 3PL business provides warehousing and logistics services across the pharmaceutical, medical consumable and FMCG sectors. 3PL provides service-based income from manufacturers for bulk pallet storage and subsequent break-up and distribution to wholesalers.

9.4.6 Other businesses

Sigma provides medication management solutions through MPS Connect, which co-ordinates between pharmacists and individuals in the community, and residents in aged care settings to provide an end-to-end solution for Dose Administration Aid (**DAA**) requirements. The MPS Connect service includes packing services and dose administration aid solutions.

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9.5 Financial performance

9.5.1 Consolidated financial performance

The consolidated financial performance for Sigma from FY22 to FY24 and 1H25 is summarised in the following table.

Sigma Consolidated Financial Performance ($ million)

	FY22 Audited	FY23 Audited	FY24 Audited	1H25 Audited
Sales revenue	3,446.2	3,660.2	3,322.1	1,840.3
Cost of goods sold	(3,208.2)	(3,405.8)	(3,103.9)	(1,720.4)
Gross profit	**237.9**	**254.4**	**218.1**	**119.9**
Other revenue[1]	103.3	101.7	95.2	40.2
Operating expenses (including other expenses)	(296.5)	(263.5)	(253.5)	(129.0)
Depreciation and amortisation	(27.7)	(30.3)	(28.3)	(13.1)
Adjusted EBIT (incl. contribution from NCI)[2]	**17.0[3]**	**62.3**	**31.5**	**18.0**
One-off items (pre-tax)	(14.7)	(43.0)	(8.2)	(11.1)
Statutory EBIT	**2.3**	**19.3**	**23.2**	**6.9**
Net finance costs	(10.6)	(13.8)	(14.6)	1.3
Income tax expense	2.0	(2.4)	(3.3)	(3.9)
Non-controlling interests	(0.9)	(1.2)	(0.8)	(0.5)
Reported NPAT (attributable to Sigma Shareholders)	**(7.2)**	**1.8**	**4.5**	**3.7**
Growth[4]				
Sales revenue growth (%)	*1.3%*	*6.2%*	*(9.2)%*	*9.4%*
Adjusted EBIT growth (%)	*(56.7)%*	*266.8%*	*(49.4)%*	*19.8%*
Profitability				
Gross profit margin (%)	*6.9%*	*7.0%*	*6.6%*	*6.5%*
Adjusted EBIT margin (%)	*0.5%*	*1.7%*	*0.9%*	*1.0%*
NPAT margin (%)[5]	*(0.2)%*	*0.0%*	*0.1%*	*0.2%*
Adjusted EBIT interest cover[8]	*1.6x*	*4.7x*	*2.2x*	*nmf[9]*
Per share metrics				
Weighted average number of shares (basic) (millions)	*988.4*	*990.4*	*1,024.4*	*1,571.0*
Basic EPS[7] (cents)	*(0.7)*	*0.2*	*0.4*	*0.2*
Dividends per share (cents)	*2.0*	*1.0*	*1.0*	*0.5*
Dividend payout ratio[8]	*Nmf[9]*	*544.1%*	*225.2%*	*210.5%*

Source: Sigma Annual Reports and Results Presentations (comparative period data if restated), Kroll analysis.
Notes:
1. Other revenue which includes commission and fees, membership revenue, marketing services and promotional revenue and sundry revenue.
2. Adjusted EBIT is earnings before net interest and tax excluding discontinued operations, and contains adjustments for one-off items that are not expected to reoccur in the normal operating cycle, or are items identified by management as not representing the underlying performance of the business. It also includes contribution from non-controlling interests (NCI) and so differs from the Adjusted EBIT that is presented in company filings.
3. FY22 Adjusted EBIT differ from what is presented in company filings, as the above figures have not been adjusted for a change in Software as a Service (**SaaS**) accounting policy. In this regard, these figures have been expenses rather than capitalised, consistent with the treatment in following years.
4. Growth rates for 1H25 are calculated in comparison to 1H24 results.
5. Calculated as earnings divided by sales revenue expressed as a percentage.
6. Adjusted EBIT interest cover is Adjusted EBIT divided by net finance costs.
7. Calculated as Reported NPAT attributable to Sigma Shareholdlers divided by the weighted average number of ordinary shares outstanding during the year.
8. Calculated as dividends per share (cents) divided by Basic EPS (cents) expressed as a percentage.

9. nmf is 'not meaningful'.
10. Table may not add due to rounding.

With regard to financial performance, we note the following:

- strong sales revenue growth in FY23 due to extraordinary demand for Rapid Antigen Tests (**RATs**) and other COVID-19 related products, as well as 11% growth in FOS products, however, FY24 saw a decline in sales revenue as demand for RATs and other COVID-19 related products declined. Additionally, the divestment of the hospital wholesale distribution business in FY24 further negatively impacted the company's sales. Sigma's sales revenue for the first half of FY25 was higher compared to the same period in FY24 as a result of the commencement of the new Chemist Warehouse supply contract from 1 July 2024 and like-for-like sales growth in the company's Amcal and Discount Drug Stores brands;
- gross profit margin in FY22 and FY23 remained elevated due to strong demand of high margin COVID-19 related products such as RATs which was partially offset by an inventory write-off of $32.8 million in FY23 (due to inventory obsolescence), before declining in FY24. In 1H25, gross profit margin fell marginally to 6.5% from 6.6% in FY24. This decline was driven by a high proportion of sales of low-margin PBS medicines and reduced CSO revenue;
- operating expenditure is categorised into warehousing and delivery costs, sales and marketing expenses and administration expenses. Following an uplift in FY23 due to higher freight rates, fuel costs and contract labour rates, operating expenditure declined in FY24. Warehouse and delivery costs declined in FY24 due to improved route optimisation which resulted in an 8.3% decline in freight costs. Sigma's divestment of the hospital wholesale distribution business also resulted in $5.1 million of savings in warehouse and delivery costs. Sales and marketing expenses decreased in FY24 given reduction in advertising costs and employment cost savings. Administration expense (excluding merger transaction costs) declined by 2.7% due to lower SaaS costs with the majority of implementation costs incurred in the prior period;
- following a significant increase in FY23 adjusted EBIT, as a result of high sales growth and the impact of a high degree of operating leverage, adjusted EBIT declined in FY24 mainly due to redundancies. In FY24, adjusted EBIT declined by 49.4%, and the EBIT margin dropped to 0.9% from 1.7% in FY23. This decline was primarily due to higher profitability in FY23 driven by strong demand for COVID-19 products, and loss of contribution following the divestment of the hospital wholesale distribution segment. Sigma's adjusted EBIT for the first half of FY25 increased compared to the same period in 2024. This improvement was driven by contribution from the Chemist Warehouse supply contract, like-for-like sales growth in the Amcal and Discount Drug Stores brands, and lower depreciation and amortisation expenses in 1H25;
- Sigma has set a medium-term EBIT margin target of 1.5% to 2.5%, which sits above adjusted EBIT margin performance in FY24 and 1H25. Excluding FY23, which depicts abnormal results due to elevated RAT and other COVID-19 product sales, EBIT margin has steadily improved from 0.5% in FY22 to 1.0% in 1H25. Sigma's low margin reflects the characteristics of wholesaling in the Australian pharmacy industry, including the high degree of competition, regulation and pricing controls on certain products (e.g. PBS medicines), high operating costs in logistics and warehousing, and the franchise model used in the retail pharmacy network;[75]
- net finance costs of Sigma increased between FY22 and FY24, driven by an increase in interest rates following on rate increases by the Reserve Bank of Australia during the period. In the first half of FY25, finance income exceeded finance costs, primarily due to the interest income generated following the $400 million equity raise completed in January 2024;
- Adjusted EBIT and NPAT excludes one-off items that are not expected to re-occur in the normal operating cycle, or are items identified by management as not representing the underlying performance of the business. These adjustments are summarised as follows.

[75] Sigma: *"1H25 Results Announcement"* ASX release, 25 September 2024.

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One-off Items (pre-tax) ($ millions)

	FY22 Audited	FY23 Audited	FY24 Audited	1H25 Audited
Restructuring, transformation and dual operating costs before tax[1]	11.7	-	-	-
Due diligence, integration and legal costs before tax	1.4	-	-	-
(Gain)/loss on sale of assets before tax[2]	1.6	1.7	-	-
Asset impairment and write-off[3]	-	8.2	-	-
Impairment expense[4]	-	7.0	-	-
Inventory write-off[5]	-	26.2	-	-
Transaction merger costs[6]	-	-	8.2	8.4
Chemist Warehouse onboarding costs[7]	-	-	-	2.8
Total adjustments (pre-tax)	**14.7**	**43.0**	**8.2**	**11.1**

Source: Sigma Annual Reports and Results Presentations (comparative period data if restated), Kroll analysis.
Notes:
1. Costs relates to the distribution centre optimisation program and business transformation program.
2. Losses relates to divestment of Sigma's stake in Wholelife in FY23.
3. Costs relate to the cessation of services to the Cura business.
4. Impairment expense relates to goodwill written off in relation to the cessation of services to the Cura business.
5. Inventory write off relates to RATs and other abnormal stock adjustments.
6. Costs relate to the merger with Chemist Warehouse.
7. Onboarding costs related to the New Supply Contract.

- Sigma's reported NPAT has recovered from a statutory loss of $7.2 million in FY22 to a profit of $4.5 million in FY24. Adjusted and reported NPAT margins remain low (below 1.0%), which primarily reflects, as previously discussed, the combination of competitive pressures and operating costs in logistics and wholesaling, as well as regulation and pricing controls; and
- basic EPS has been lower than DPS in recent years, as evidenced by the high dividend payout ratio which has generally been supported by strong operating cash flow and free cash flow and described further in Section 9.7 of this report. Sigma Board had approved a Dividend Policy that would return between 50% to 60% of Reported NPAT to Sigma Shareholders going forward.

9.6 Financial position

Sigma's financial position as at 31 July 2024 is summarised in the following table.

Sigma Financial Position ($ millions)

	As at 31 July 2024
Trade and other receivables	589.0
Inventories	372.7
Other current assets[1]	20.9
Trade and other payables	(675.4)
Other current liabilities[2]	(2.2)
Net working capital	**305.0**
Property, plant & equipment	183.9
Intangible assets	109.4
Right-of-use assets	83.9
Financial assets	15.2
Net deferred tax assets	56.9
Other items[3]	20.9
Total funds employed	**775.2**
Cash and cash equivalents	234.2
Interest bearing liabilities	-
Net cash/(debt) (excluding lease liabilities)	**234.2**
Lease liabilities	(137.6)
Net assets	**871.7**
Total equity	**871.7**
Equity attributable to non-controlling interest	(1.8)
Total equity attributable to Sigma Shareholders	**869.9**
Statistics	
Number of shares at period end (million)	*1,631.9*
Net assets per share (cents per share)	*53.4*
Gearing ratio[4]	*(36.7)%*

Source: Sigma Annual Reports and Results Presentations, Kroll analysis.

Notes:
1. Includes prepayments, income tax receivables and contract assets.
2. Includes deferred income and other liabilities.
3. Includes provision and non-current contract assets and non-current trade and other receivables.
4. Gearing ratio is calculated as net debt/(net debt + total equity).

In relation to the financial position of Sigma, we note:

- net working capital increased during 1H25 to 31 July 2024 due to the inventory buildup necessary for the New Supply Contract with Chemist Warehouse;
- property, plant and equipment are primarily comprised of land and buildings with a net book value of $102.6 million and plant and equipment with a net book value of $79.0 million as at 31 July 2024. Right-of-use assets represented leased land and buildings with a net book value of $80.7 million and leased plant and equipment with a net book value of $3.1 million as at 31 July 2024;
- intangible assets of $109.4 million as at 31 July 2024 form a small portion of the assets of the company, with goodwill related to historical acquisitions comprising the majority of the balance. Other intangible assets include brand name and software intangibles;
- other financial assets as at 31 July 2024 include investments in unlisted and listed entities;
- as of 31 July 2024, Sigma has a net cash position of $234.2 million given the company repaid all its borrowings using the partial proceeds from the capital raises of $400 million conducted by Sigma in December 2023 and January 2024. The remaining proceeds will be used to support the increased

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working capital required to service the New Supply Contract with Chemist Warehouse which commenced from 1 July 2024, as well as support other working capital needs;

- the capital raise of $400 million increased cash holdings from $16.7 million in FY23 to $356.5 million in FY24, before it decreased to $234.2 million in 1H25 due to the inventory buildup needed for the Chemist Warehouse supply contract; and
- as of 31 July 2024, Sigma had undrawn debt facilities of $500 million.

9.7 Cash flow

Sigma's statement of cash flows from FY22 to FY24 and 1H25 is summarised as follows.

Sigma Cash Flow ($ millions)

	FY22	FY23	FY24	1H25
Adjusted EBIT[1]	16.6	65.0	30.7	18.0
Depreciation and amortisation	27.7	30.3	28.3	13.1
Movement in working capital and other adjustments[2]	(81.0)	63.0	(2.1)	(136.8)
Operating cash flow (before interest and tax)	**(36.7)**	**158.3**	**56.9**	**(105.8)**
Net Interest received/(paid)	(3.9)	(12.5)	(15.3)	0.5
Income taxes refund/(paid)	(12.3)	(9.7)	0.3	(2.1)
Operating cash flow	**(52.9)**	**136.0**	**42.0**	**(107.4)**
Capital expenditure, net of proceeds from sale of property, plant & equipment, software and tangibles	(14.2)	(29.3)	4.2	(2.1)
Free cash flow	**(67.1)**	**106.6**	**46.2**	**(109.5)**
Proceeds from sale of financial assets & subsidiary	-	0.7	1.5	-
Proceeds from issues of shares	-	-	394.3	-
Payments to acquire financial assets	(2.4)	-	-	-
Principal elements of lease (payments)/ receipts (net)	(9.8)	(10.1)	(9.5)	(5.0)
Proceeds from borrowing/ (repayments) (net)	165.0	(85.0)	(80.0)	-
Proceeds from employee shares exercised	0.2	0.9	1.8	0.7
Dividends paid	(19.9)	(15.9)	(10.8)	(8.5)
Net cash generated/(used)	**66.0**	**(2.8)**	**343.5**	**(122.3)**
Opening cash and cash equivalents	(50.3)	15.8	13.0	356.5
FX impact on cash held	0.0	0.0	0.0	0.0
Net cash generated/(used)	66.0	(2.8)	343.5	(122.3)
Closing cash and cash equivalents	**15.8**	**13.0**	**356.5**	**234.2**
Statistics				
Cash conversion ratio[3]	*NM*	*1.4*	*0.7*	*NM*

Source: Sigma Annual Reports and Results Presentations, Kroll analysis.
Notes:
1. Adjusted EBIT is earnings before net interest and tax excluding discontinued operations, and contains adjustments for one-off items that are not expected to reoccur in the normal operating cycle, or are items identified by management as not representing the underlying performance of the business. It also excludes contribution from non-controlling interests (NCI).
2. Adjustments includes reconcilliation of adjusted EBIT to the operating cashflow.
3. The cash conversion ratio has been calculated as operating cash flow (after interest and tax) divided by the sum of EBIT and depreciation and amortisation.

In relation to the cash flows of Sigma, we note:

- Sigma has experienced large movements in working capital to meet pharmacy and hospital demand. Movements in working capital relate to the commencement or conclusion of supply agreements (as is the case in 1H25 with the commencement of the New Supply Contract), vary with health trends, seasonality (like the influenza season) or with new product launches (such as COVID-19 related products). Working capital has been funded through a combination of debt (FY22) and equity (FY24); and

- Sigma raised equity capital of $400 million in the second half of FY24 to support the increased working capital required to implement the New Supply Contract (which commenced in July 2024), as well as to aid business growth initiatives. A portion of the capital raised was used to repay existing borrowings.

9.8 Capital structure and ownership

As at the Last Practicable Date, Sigma had the following securities on issue:

- 1,631,866,135 ordinary shares (including 61,294,143 treasury shares); and
- 14,232,555 performance rights (**Sigma Performance Rights**).

9.8.1 Ordinary shares

As at the Last Practicable Date, there were 23,587 registered shareholders of Sigma's 1,631,866,135 ordinary shares on issue. The top 20 registered shareholders accounted for 77.6% of shares on issue and mainly included institutional nominees and custodians. Retail investors (investors holding 100,000 ordinary shares or fewer) accounted for 97.8% of shareholders.

Sigma has received notices from the following substantial shareholders.

Sigma Substantial Shareholders as at the Last Practicable Date

Substantial Shareholder	Date of Notice	Number of shares	Percentage[1]
Challenger Limited	11 November 2024	121,157,064	7.4%
Cooper Investors Pty Limited	6 August 2024	119,834,772	7.3%
HMC Capital Limited	3 December 2024	114,464,558	7.0%
State Street Corporation	12 November 2024	103,980,596	6.4%
Greencape Capital Pty Ltd	14 June 2024	87,294,919	5.4%
Vanguard Group	26 March 2024	81,637,483	5.0%

Source: Scheme Booklet, ASX Announcements.
Note:
1. As disclosed in the most recent substantial holder notices lodged with ASX as at the Last Practicable Date, rounded to one decimal place.

9.8.2 Sigma Performance Rights

Executive remuneration is based on a total reward structure, comprising fixed remuneration and at-risk remuneration. At-risk remuneration, which consists of short-term incentives and long-term incentives (**LTI**), aligns executive remuneration to the achievement of strategic and financial objectives that lead to shareholder value creation.

The 2023/2024 LTI plan (i.e. for the year ended 31 January 2024) was delivered through a one-off Executive Equity Grant Rights Plan (EEG).

For the 2024/2025 year, Sigma will revert to a three-year traditional LTI Rights plan.

Sigma Performance Rights do not receive dividends or have voting rights until they have vested and have been converted into Sigma Shares.

For further details on Sigma incentive arrangements, refer to Section 7.12 of the Scheme Booklet.

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9.9 Share price performance

9.9.1 Recent share market trading

The trading price and volume of Sigma Shares from 1 July 2021 to 6 December 2024 is as follows.

Sigma Trading Price and Volume per share

Source: S&P Capital IQ, Kroll analysis.

Sigma's share price has experienced significant movement since July 2021, with market reactions closely tied to changes in leadership changes, strategic business decisions, and changes to financial guidance. The share price was stable initially, hovering between $0.60 and $0.66 through to September 2021.

On 21 September 2021 Sigma reported its 1H22 results, showing a 14.7% increase in Underlying EBITDA[76] from the prior corresponding period (**pcp**). However, this was tempered by weakened forward guidance, largely due to COVID-19 pandemic related constraints, limiting forecast FY22 EBITDA growth to just 5%. Investors' soft response to the outlook was compounded by Sigma's subsequent announcement of a $780 million non-binding bid to acquire a full-line wholesaling competitor, API. Sigma's largest shareholder, Allan Gray, publicly criticised the bid, expressing concerns about the high valuation and potential risks associated with the acquisition.[77] This negative sentiment contributed to a gradual share price decline of 30.6%, from $0.62 to $0.43 between 21 September and 10 December 2021. Additional announcements during this period included the resignation of CFO Jackie Pearson on 27 October 2021, and Sigma's withdrawal of the API offer on 5 November 2021, further unsettling investors. The uncertainty surrounding Sigma was amplified on 6 December 2021 when Sigma issued revised FY22 guidance, adjusting expected Underlying EBITDA growth from positive 5% down to negative 10%, prompting a one-day share price drop of 7.6%.

Following the December 2021 low, Sigma's share price began to recover in early FY23 after the company provided updated guidance on 2 March 2022, projecting 10% to 15% EBITDA growth due to a sharp increase in COVID-19 RAT demand in January 2022. This optimistic outlook pushed Sigma's share price to a high of $0.56 on 22 March 2022, shortly before the release of FY22 results on 29 March 2022. However, the FY22 results highlighted operational disruptions related to an ERP implementation program, impacting sales to Sigma's core customer base in the latter half of the fiscal year. In response, the share price dipped again, reaching a low of $0.46 on 12 May 2022. At Sigma's Annual General Meeting, the new CEO Vikesh Ramsunder addressed shareholders for the first time, presenting his vision for Sigma's future and outlining his immediate priorities. His leadership and strategic plans boosted investor confidence, leading to a significant but gradual share price appreciation over the following months of 58.7%, with Sigma's shares reaching $0.73 by 9 September 2022.

[76] Sigma: *"Half Year Results"* ASX release, 21 September 2021.
[77] Australian Financial Review. *"Investor wants board change over Sigma's ego-driven API bid"*, 27 September 2021.

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Over the subsequent nine months, Sigma's share price traded within the range of $0.57 to $0.73. On 26 September 2022, Sigma's 1H23 financial results provided additional detail on the renewed strategic plan (refer to Section 9.3 of this report for further details on the strategy). While the information was broadly positive, outlining Sigma's focus on operational efficiency and growth, shares initially dipped to $0.57 by 12 December 2022. They recovered within the next three months to trade within a narrower range of $0.60 to $0.70. A significant turning point occurred on 6 June 2023, with Sigma's announcement of a five-year supply contract with Chemist Warehouse, covering both PBS and FMCG products. This contract spurred a 22.0% share price increase, closing at $0.78, driven by market optimism regarding the potential revenue boost from this long-term agreement.

After reaching a share price of $0.87 on 19 June 2023, following the Chemist Warehouse contract announcement, Sigma Shares entered a period of gradual decline, falling 26.4% over four months to reach a low of $0.64 by 23 October 2023. Contributing to this decline was the release of Sigma's 1H24 results on 20 September 2023, showing an 8.4% sales decline due to reduced COVID-19 RAT demand and the divestment of the hospital wholesale distribution business. However, the report noted a 152% increase in Adjusted EBIT compared to the pcp, attributed to operating cost reductions.

The Sigma share price improved over the following months to close at $0.77 on 6 December 2023, the last day of trading prior to the announcement of the Proposed Merger. Following this announcement on 11 December 2023, Sigma's shares surged 35.9%, closing at $1.04 on high trading volume. The share price appreciation continued, largely driven by market anticipation around the merger's strategic benefits and operational synergies.

On 7 November 2024, the ACCC announced it would not oppose the Proposed Merger, subject to court enforced undertakings by Sigma. The Sigma share price rose 24.9% in response to the ACCC announcement. On 6 December 2024, Sigma's share price closed at $2.88, reflecting a 277.7% increase since the announcement of the Proposed Merger.

Other market factors influencing this upward trend include:

- **the regulatory progress**: the Proposed Merger was conditional on ACCC approval and initial media commentary surrounding the Proposed Merger suggested a potentially lengthy and rigorous review process due to significant competition concerns.[78] However, on 1 October 2024, the ACCC announced a public consultation on certain undertakings by Sigma, alongside a delay in the final ruling. The market interpreted these developments as positive, as evidenced by Sigma's share price rising by 22.6% on the same day. Further, following the 7 November 2024 announcement that the ACCC would not oppose the Proposed Merger, Sigma shares closed 24.9% higher; [79]
- **an increased demand for Sigma Shares**: the Proposed Merger has drawn significant institutional interest, as evidenced by several new substantial shareholder notices and an increase in average daily trading volume since the announcement of the Proposed Merger (as discussed in Section 9.9.3 of this report). Speculation about limited availability of shares in the merged entity and anticipated inclusion in the S&P/ASX 200 Index appear to have further fuelled demand; and
- **the relative illiquidity of Sigma Shares**: Sigma Shareholders are expected to comprise only 14.25% of the Merged Group, which means any existing holdings in Sigma will be significantly diluted post implementation. This appears to have heightened demand for Sigma shares, leading to a "squeeze" in available shares for institutional and other investors interested in obtaining a post-merger market position.

9.9.2 Relative share price performance

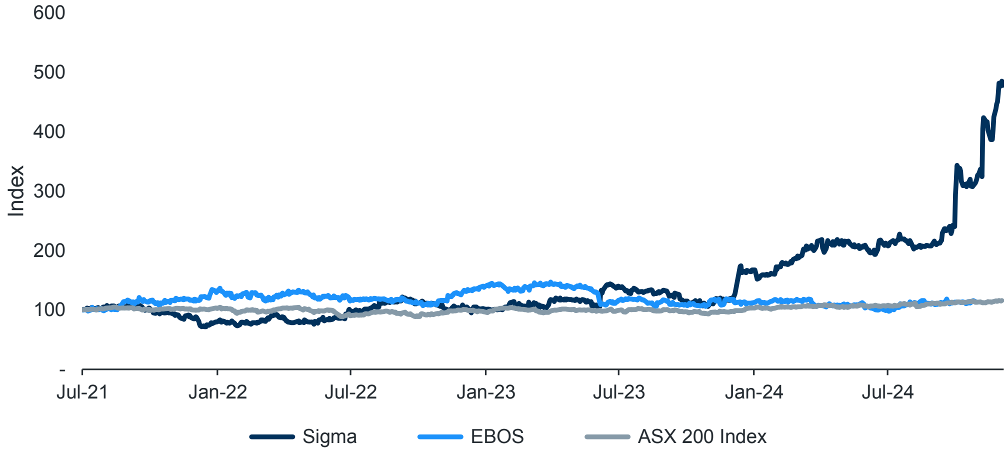
Sigma is a component of various ASX indices, reflecting its position in the healthcare and industrial sectors. It holds a 0.15% weighting in the ASX 200 Index and a 2.87% weighting in the S&P/ASX 200 Health Care Equipment & Services Index (**ASX Health Care Index**).[80] For comparative analysis, the relevant benchmarks chosen are the ASX 200 Index and the EBOS Group (ASX: EBO) share price. The ASX 200 Index has generally outperformed the ASX Health Care Index over the evaluated period, providing a higher

[78] Australian Financial Review. "Why Chemist Warehouse creates a quandary for fund managers", 12 December 2023.
[79] Australian Financial Review. "Chemist Warehouse, Sigma merger clears ACCC hurdle", 7 November 2024.
[80] S&P Capital IQ. As of 6 December 2024.

benchmark of performance. EBOS, as Sigma's closest ASX-listed peer, provides further industry-specific insights, particularly regarding operational and strategic factors impacting pharmaceutical distribution.

The performance of Sigma relative to these benchmarks from 1 July 2021 until 6 December 2024 is illustrated as follows.

Sigma Relative Share Price Performance



Source: S&P Capital IQ, Kroll analysis.

Sigma's share price underperformed the ASX 200 Index and EBOS Group from August 2021, following the resignation of CEO Mark Hooper in April 2021. Investor uncertainty around leadership changes, coupled with cautious FY22 earnings guidance, impacted Sigma shares. The non-binding offer to acquire API in mid-2021 likely contributed further to underperformance, particularly following shareholder criticisms over the bid's valuation and potential strategic impact. In contrast, EBOS Group benefited from strong FY21 financial results, positive operating results, and merger activity surrounding API, which saw competing bids from Wesfarmers, Woolworths, and Sigma, adding a premium to EBOS Group's perceived value.

The Sigma share price outperformed from May to September 2022 following its FY22 earnings upgrade and incoming CEO Vikesh Ramsunder's first shareholder address, where he outlined his strategic and immediate priorities.

The Sigma share price then broadly tracked the ASX 200 Index while EBOS Group's share price outperformed, likely reflecting improving financial strength of the business. On June 6, 2023, the Sigma share price increased by 22.0% and the EBOS Group share price declined by 10.5% on the announcement that Chemist Warehouse had granted Sigma the New Supply Contract for PBS and FMCG products. In the following months, the Sigma share price saw a gradual decline, largely attributed to mixed 1H24 financial results which showed a decline in sales after the reduction of COVID-19 RAT sales and the divestment of its hospital business.

Since December 2023, Sigma's share price notably outperformed the ASX 200 Index and EBOS Group, driven by developments around the Proposed Merger. This announcement led to a 35.9% increase in Sigma shares on 13 December 2023, reflecting optimism around the strategic benefits and potential synergies associated with the Proposed Merger. From 6 December 2023 to 6 December 2024, Sigma shares increased approximately 277.7%, compared to a 17.3% rise in the ASX 200 Index and a 2.5% rise in EBOS Group shares.

9.9.3 Sigma Liquidity

Pre Announcement

An analysis of the volume of trading in Sigma Shares, including the VWAP for various periods up to 6 December 2023 is set out as follows.

Sigma Liquidity up to 6 December 2023

Period	Price ($)			Cumulative value ($ millions)	Cumulative volume (million)	Percentage of issued capital
	Low	High	VWAP			
1 Day	0.71	0.75	0.73	3.3	4.5	0.4%
1 Week	0.66	0.75	0.70	13.8	19.6	1.8%
1 Month	0.64	0.75	0.69	25.9	37.3	3.5%
3 Months	0.61	0.78	0.68	93.4	137.0	12.9%
6 Months	0.61	0.85	0.73	243.6	328.4	31.0%
12 Months	0.53	0.85	0.68	437.7	626.2	59.1%

Source: IRESS, Kroll analysis.
Note 1: Low and high prices refer to prices at the close of trading.

In the twelve months prior to 6 December 2023 (the day prior to the announcement of the Proposed Merger), 59.1% of Sigma shares were traded. This level of trading would indicate that Sigma shares were relatively liquid.

Post Announcement

An analysis of the volume of trading in Sigma Shares, including the VWAP for various periods up to 6 December 2024 is set out as follows.

Sigma Liquidity up to 6 December 2024

Period	Price ($)			Cumulative value ($ millions)	Cumulative volume (million)	Percentage of issued capital
	Low	High	VWAP			
1 Day	2.90	2.85	2.88	20.7	7.2	0.4%
1 Week	2.85	3.01	2.88	140.5	48.6	3.0%
1 Month	1.94	3.01	2.57	1,066.3	410.9	25.2%
3 Months	1.26	3.01	1.99	2,172.3	1,027.7	63.0%
6 Months	1.08	3.01	1.63	2,783.8	1,514.4	92.8%
Since 13/12/2023	0.91	3.01	1.39	4,305.8	2,827.7	173.3%

Source: IRESS, Kroll analysis.
Note 1: Low and high prices refer to prices at the close of trading.

In the period since 13 December 2023 (the day trading in Sigma shares resumed following the announcement of the Proposed Merger) to 6 December 2024, 173.3% of Sigma shares were traded. This level of trading would indicate that Sigma shares are liquid.

10 Profile of the Merged Group

10.1 Overview

The combination of Chemist Warehouse and Sigma to form the Merged Group brings together a leading Australian retail pharmacy franchisor in Chemist Warehouse with its primary wholesaler and distributor in Sigma, which is one of four full-line national pharmaceutical wholesalers, to create a leading franchisor and wholesaling business with diversified and scaled operations and earnings.

Implementation of the Proposed Merger will result in Chemist Warehouse Shareholders collectively holding approximately 85.75% of the Merged Group with existing Sigma Shareholders collectively holding approximately 14.25% of the Merged Group immediately following implementation [81] As Chemist Warehouse Shareholders receive the New Sigma Shares, they will gain exposure to the investment characteristics of the Merged Group that differ from Chemist Warehouses existing characteristics. These include enhanced scale and efficiencies particularly in wholesale and distribution, alongside synergies, greater diversification of revenue across a broader franchise network, and additional cross-selling opportunities as well as the benefit of liquidity of their shareholding.

A detailed description of the profile of the Merged Group following the Scheme is set out in Section 8 of the Scheme Booklet.

10.2 Merged Group Strategy

The Merged Group's growth strategy is expected to include pursuing multiple lower-risk growth opportunities including: [82]

- the continued roll-out of franchised Sigma Franchise Network stores in Australia;
- the continued roll-out of Chemist Warehouse branded Network Stores in Australia and internationally;
- expansion of owned, private label 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.

10.3 Merged Group Operations

The principal activities of the Merged Group in Australia will consist of: [83]

- the provision of branding and support services to Merged Group Retail Network stores (**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**);
- sales and distribution of owned, private label and exclusive consumer brands (**owned, private label and exclusive brands**); and
- ownership of several other businesses which complement the capabilities and key competitive proposition of the Merged Group (**other businesses**).

10.3.1 Retail pharmacy franchisor services and brands

As part of the Merged Group's retail pharmacy franchisor services, the Merged Group has indicated that it will maintain the following four existing core franchise brands.

[81] 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 Pan, 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 the 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

[82] Scheme Booklet, Section 8.

[83] Scheme Booklet, Section 8.

Merged Group Core Franchise Brands

Brand	Stores in Australia[1]	Offering & Strategy
Chemist Warehouse	517	▪ Big-box store format ▪ Discounted pricing with extensive product offering
My Chemist	21	▪ Full-service pharmacy brand providing high quality products and health services, as well as expert advice
Amcal	209	▪ Focus on expert advice and service ▪ Strong brand recognition with Amcal in operation for over 85 years
Discount Drug Stores	104	▪ Discount pharmacy brand offering low prices and special offers, as well as a wide range of health services

Source: Scheme Booklet, Sigma Annual Review 2023/24, Kroll analysis.
Note 1: As at 30 June 2024.

The Merged Group Brands are expected to benefit from greater investment in marketing and greater market reach in the Merged Group. The retail pharmacy franchises will also benefit from the Merged Group's greater wholesaling and distribution capabilities (refer to Section 10.3.2 of this report for further discussion).

As a retail pharmacy franchisor in Australia, the Merged Group will provide a range of support services to the pharmacies in the Merged Group's Australian retail 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. Refer to Sections 8.4.4 and 9.4.2 of this report for further information of Chemist Warehouse and Sigma's existing franchise operations.

10.3.2 Wholesale and distribution

The Merged Group will continue to be a national full-line CSO wholesaler with its distribution network servicing pharmacies Australia wide. As part of the Merged Group's wholesaling and distribution business, the Merged Group will have access to 14 distribution centres across Australia and New Zealand (including Sigma's eight distribution centres in Australia), enabling best-in-class distribution across pharmaceuticals, medical consumables and FMCG. Following Implementation, the Merged Group intends to conduct a detailed review of its distribution centres to assess the size and future requirements of its Retail Network and independent customer base, however Sigma must remain a participating pharmaceutical wholesaler in the CSO for five years as a requirement of the ACCC undertakings.

The Merged Group will continue to remain subject to the CSO which requires that the Merged Group, as a PBS distributor, will distribute PBS medication to any pharmacy customers in a timely fashion (refer to Section 7.4 of this report for further discussion of the CSO), regardless of the pharmacy's association with a certain banner or buying group.

10.3.3 Owned, private label and exclusive brands

The Merged Group's operations will also include supplying a range of fully or partly-owned brands, private label and exclusive brands to certain stores in the Merged Group's Australian Retail Network, online channels and some independent pharmacies. This will combine Chemist Warehouse's existing portfolio of private label brands such as Wagner Health, the Goat Skincare and Bondi Protein Co., with Sigma products offered under their private and exclusive labels Amcal Plus, Pharmacy Care, Beauty Theory, and Skin Theory brands.

The Merged Group's increased range of fully or partly owned, private label and exclusive brands provides a higher margin product suite promoting opportunity for increased profitability for both the Merged Group and its franchisees. In addition, expanding the range of owned, private label and exclusive brands across the Merged Group's various franchise brands represents a growth opportunity for the Merged Group.

10.3.4 Other businesses

The Merged Group's operations will also include Chemist Warehouse's partly or fully own complementary businesses such as Strat, an advertising agency and Game On, a manufacturer and distributor of health and beauty related products. The Merged Group's operations will also include Sigma's other businesses including MPS Connect and NostraData Pty Ltd, which are described in Section 9.4.6 of this report.

10.4 Cost synergies and implementation costs

The Merged Group estimates annual net run-rate pre-tax cost synergies to be approximately $60 million per annum, excluding integration and other one-off costs. It is expected that these synergies will be realised four years post completion of the Proposed Merger, with full run rate synergies expected to be achieved in the fifth year post Implementation.

The anticipated cost synergies are expected to be derived from:

- rationalisation and optimisation of corporate costs (including the removal of duplicated services and support functions);
- cost savings from the consolidation of marketing and general and administration expenses (including streamlining certain third-party service provisions to corporate and head office functions); and
- supply chain optimisation resulting from the optimisation of distribution centres and improved freight utilisation and route optimisation, as well as savings from the consolidation of spend with third-party freight and supply chain services providers.

If the Scheme is implemented, the Merged Group estimates additional one-off costs to achieve synergies of approximately $75 million. There is a risk that the estimated integration costs may be higher than those currently expected to be incurred.

Synergy values represent current expectations based on initial work undertaken and are subject to a number of assumptions, including future events which are inherently uncertain. The final value of synergies will only be able to be determined following the Implementation of the Scheme and completion of a detailed review of the Merged Group's operations and corporate strategy. It should be noted that there is a risk that the estimated synergies may not materialise, or that they may be realised over a longer time period than expected. However, additional synergies with respect to other expense items and potential revenue benefits may be identified once a detailed review of the Merged Group's operation has been completed. Refer to Section 8.6 of the Scheme Booklet for further information on potential synergies.

10.5 Transaction costs

If the Scheme is implemented, the Merged Group is expected to incur transaction costs of $80.5 million in relation to the Merger (refer to Section 12.9 of the Scheme Booklet).[84]

These transaction costs are in addition to the $75 million (pre-tax) integration costs relating to the cost synergies (refer to Section 8.6 of the Scheme Booklet).

[84] Represents the estimated non-recurring transaction costs of approximately $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, including $11.5 million of costs directly attributable to the establishment of the Banking Facilities.

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10.6 Pro forma historical financial performance

The pro forma historical financial performance of the Merged Group is set out in Section 8.17 of the Scheme Booklet.

Merged Group Pro Forma Financial Performance ($ millions)

	FY22	FY23	FY24
Revenue	6,435.8	6,486.2	6,655.7
Cost of goods sold	(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[2]	8.2	13.0	23.1
Other income	33.4	71.2	45.2
Operating expenses	(341.7)	(342.8)	(302.4)
Sales and marketing expenses	(113.3)	(122.4)	(132.3)
Administration expenses	(371.3)	(325.1)	(340.5)
EBIT	**591.1**	**508.9**	**605.5**
Net finance costs	(64.5)	(83.8)	(58.2)
Profit before income tax	**526.6**	**425.1**	**547.3**
Income tax benefit/(expense)	(156.0)	(123.4)	(25.5)
Net profit after tax (NPAT)	**370.7**	**301.7**	**521.8**

Source: Scheme Booklet, Kroll analysis.
Notes:
1. The Merged Group's financial year end is 30 June.
2. Includes Merged Group economic interest in Chemist Warehouse branded network stores in New Zealand.
3. The Merged Group Pro Forma Historical Financial Information has not been adjusted for Chemist Warehouse's change in commercial arrangements with its franchisees in February 2023.
4. Table may not add due to rounding.

The Merged Group's pro forma income statement has been derived from the Chemist Warehouse Historical Financial Information (**Chemist Warehouse Historical Financial Information**) and adjusted for the effects of the Pro Forma Adjustments (**Pro Forma Adjustments**) outlined as follows:

- the acquisition of Sigma effective for FY22, FY23 and FY24;
- intercompany eliminations of historical transactions between Chemist Warehouse and Sigma;
- removal of Sigma's discontinued operations;
- removal of the non-recurring transaction costs incurred by Chemist Warehouse and Sigma associated with the Transaction; and
- 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 full list of Pro Forma Adjustments can be found in Section 8.17 of the Scheme Booklet. Other items relating to the Pro Forma financial information include:

- the Sigma Historical Financial Information (**Sigma Historical Financial Information**) is represented for the 12 months ended 31 July 2022, 31 July 2023 and 31 July 2024 and has been restated from Sigma's statutory financial year end of 31 January.

Kroll has provided detailed historical financial performance analysis for Chemist Warehouse and Sigma in Sections 8.5 and 9.5 of this report, respectively.

10.6.1 Outlook

Sigma has not released earnings guidance for the Merged Group. However, on standalone basis, as far as Kroll is aware, Sigma is followed by eight brokers, none of which are advisors to the transaction. Following the ACCC's announcement, on 7 November 2024, that it would not oppose the Proposed Merger subject to the Merger Undertaking, three brokers have published reports on the Merged Group financials assuming the transaction will be completed before 31 January 2025. One broker has published reports on the Merged Group financials on a pro-forma basis.

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Kroll has considered the forecasts for the three brokers that have assumed the transaction to be complete before 31 January 2025, in order to provide an indication of the brokers' expected future financial performance of the Merged Group.

Merged Group Broker Consensus ($ millions)

	Forecast		
	FY25	**FY26**	**FY27**
Revenue	**4,626.6**	**9,729.0**	**10,368.4**
Cost of goods sold	(4,312.9)	(8,118.7)	(8,631.3)
Gross profit	**313.8**	**1,610.4**	**1,737.1**
Operating expense	(230.2)	(682.3)	(642.3)
Depreciation and amortisation	(26.8)	(75.7)	(78.2)
EBIT	**56.8**	**852.4**	**1,016.6**
Net profit after tax (NPAT)	**41.5**	**581.6**	**698.2**
Growth			
Revenue growth (%)	*na*	*110.3%*	*6.6%*
EBIT growth (%)	*na*	*1400.7%*	*19.3%*
NPAT growth (%)	*na*	*1301.4%*	*20.0%*
Profitability			
Gross profit margin (%)	*6.8%*	*16.6%*	*16.8%*
EBIT margin (%)	*1.2%*	*8.8%*	*9.8%*
NPAT margin (%)	*0.9%*	*6.0%*	*6.7%*
Per share metrics			
Basic EPS (cents)	*2.0*	*5.0*	*6.0*
Dividends per share (cents)	*1.0*	*2.1*	*2.4*
Dividend payout ratio	*50.0%*	*42.0%*	*40.0%*

Source: Sigma broker reports.
Notes:
1. Table presents median of the broker forecasts.
2. FY is considered to be year ending 31 January, representing Sigma's historical financial year end.
3. na is 'not applicable'.

Two brokers assume the merger will be completed in January 2025, while one broker also assumes it will be completed in December 2024.

10.7 Pro forma historical financial position

The pro forma historical financial position of the Merged Group is set out in Section 8.17 of the Scheme Booklet. It has been prepared by Sigma and is presented in the following table.

Pro Forma Statement of Financial Position ($ millions)

	As at 30 June 2024
Trade and other receivables	1,205.3
Inventories	959.9
Other current assets[1]	43.2
Trade and other payables	(1,299.0)
Other current liabilities	(2.0)
Net working capital	**907.4**
Property, plant & equipment	256.9
Right-of-use assets	250.7
Financial assets	67.7
Deferred tax assets	148.0
Intangible assets and goodwill at acquisition	3,414.1
Other liabilities[2]	(153.1)
Total funds employed	**4,936.8**
Cash and cash equivalents	498.6
Financial assets	13.5
Financial liabilities	(1,101.8)
Net cash / (debt) (excluding lease liabilities)	**(589.6)**
Lease liabilities (net)	(258.1)
Net cash / (debt) (including lease liabilities)	**(847.7)**
Net assets	**4,089.1**
Total equity	**4,089.1**
Equity attributable to non-controlling interest	3.8
Equity attributable to the owners	**4,092.1**
Statistics	
No of shares at period end (fully diluted) (million) [3]	11,545.4
Net assets per share	$0.35
Gearing ratio[4]	16.8%

Source: Scheme Booklet, Kroll analysis.

Notes:

1. Includes prepayments and current tax assets.
2. Includes customer liabilities, liabilities related to supplier contracts, current tax liabilties, deferred tax liabilties and provisions.
3. Fully diluted share count is shown on a post Merger Proposal basis.
4. Gearing ratio is calculated as net debt/(net debt + total equity).
5. Table may not add due to rounding.

The Merged Group's 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:

- Sigma's working capital, including trade receivables, will continue to increase as a result of the New Supply Contract which was effective from 1 July 2024, 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 during this period.

Refer to Section 8.17 of the Scheme Booklet for further information on the Merged Group's expected net debt position at the Implementation Date.

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10.7.1 Gearing

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, from (36.7)% as at 31 July 2024 (refer to Section 9.6 of this report) to 17.3% as at 30 June 2024. Similarly, Chemist Warehouse Shareholders will have exposure to a higher gearing ratio, increasing from 9.1% as at 30 June 2024 (Chemist Warehouse standalone, refer to Section 9.6 of this report) to 17.3%.

10.8 Board of Directors and management

If the Proposed Merger is implemented, the Merged Group Board will comprise four independent directors from Sigma, four directors from the Chemist Warehouse Board and Vikesh Ramsunder (current CEO & Managing Director of Sigma).

Merged Group's new Board of Directors and Executive team are set out in the following tables.

Merged Group's Board of Directors

Board of Directors	Prior Employer
Michael Sammells (Chairman)	Sigma
Vikesh Ramsunder (CEO & Managing Director)	Sigma
Dr Chris Roberts (Non-Executive Director)	Sigma
Annette Carey (Non-Executive Director)	Sigma
Neville Mitchell (Non-Executive Director)	Sigma
Jack Gance (Non-Executive Director)	Chemist Warehouse
Mario Verrocchi (Executive Director)	Chemist Warehouse
Damien Gance (Executive Director)	Chemist Warehouse
Danielle Di Pilla (Executive Director)	Chemist Warehouse

Source: Scheme Booklet.

Merged Group's Executive Team

Board of Directors	Prior Employer
Vikesh Ramsunder (CEO & Managing Director)	Sigma
Mark Davis (Chief Financial Officer)	Chemist Warehouse
Mario Verrocchi (Executive Director)	Chemist Warehouse
Damien Gance (Executive Director)	Chemist Warehouse
Danielle Di Pilla (Executive Director)	Chemist Warehouse

Source: Scheme Booklet.

Further information on the Merged Group's Board of Directors and executive management can be found in Section 8.9 of the Scheme Booklet.

10.9 Capital structure and ownership

10.9.1 Share capital

As at the date of this report, there are 1,631,866,135 ordinary Sigma Shares on issue. Following the implementation of the Scheme, it is anticipated that the Merged Group will have approximately 11,545.4 million shares on issue.

10.9.2 Ownership

Former Sigma Shareholders will collectively hold approximately 14.25% of the shares on issue and former Chemist Warehouse Shareholders will collectively hold approximately 85.75% of the Merged Group.[85]

Chemist Warehouse founders (Mario Verrocchi, Jack Gance and Sam Gance) are expected to collectively own approximately 48% of New Sigma Shares following the implementation of the Scheme. Each of the Chemist Warehouse founders have entered into escrow arrangements in relation to each of their shareholdings and, as a result, are not included in the free float of the Merged Group. Escrowed Holders will have restrictions to specific tranches of escrowed shares that release at pre-determined milestone dates. Refer to Section 12.6 of the Scheme Booklet for further information on escrow arrangements.

10.10 Liquidity and share market rating

The Merged Group is likely to have significantly greater relevance to equity investors through increased scale and liquidity relative to Chemist Warehouse. The Merged Group is expected to have total free float of approximately 47%[86] post completion of the Proposed Merger resulting in a free float market capitalisation in excess of $4.1 billion.[87] The Merged Group is expected to be eligible for inclusion in the S&P/ASX 200 Index at the next quarterly rebalance post Scheme Implementation and is expected to be within the range for S&P/ASX 100 Index inclusion.

Presently, Chemist Warehouse Shares are illiquid and not covered by brokers given it is not a publicly listed entity. Conversely, Sigma Shares are liquid and are widely covered by brokers. The larger market capitalisation of the Merged Group is expected to result in significant liquidity benefits for Chemist Warehouse Shareholders. The increased daily trading volume will allow Chemist Warehouse Shareholders wishing to exit New Sigma Shares issued to them, to do so with minimal impact on the New Sigma share price.

The larger size of the Merged Group may also increase coverage by brokers, attracting the interest of institutional shareholders. The Merged Group will have an expanded capital base from which to pursue growth opportunities.

10.11 Changes in risk profile for Chemist Warehouse Shareholders

The risk profile for Chemist Warehouse Shareholders is likely to change should they become shareholders in the Merged Group. The key changes in the risk profile for Chemist Warehouse Shareholders include:

- **Sigma's distribution networks**: as previously discussed, the Proposed Merger brings together two complementary businesses, combining Chemist Warehouse's strong retail and franchising presence with Sigma's extensive national full-line wholesale and distribution capabilities which may bring benefits such as streamlined inventory management and reduced operating costs. It may also create additional risks including greater dependence on a single distribution network, increased responsibility for the operation aspects of warehousing, logistics, transportation (and their inherent risks), and increased regulatory and compliance risks;
- **removal of supply agreement renewal risk**: the Proposed Merger eliminates the need for Chemist Warehouse to renegotiate its supply agreements with Sigma, or another party, every five years, which previously introduced considerable business uncertainty for Chemist Warehouse around terms, pricing, and continuity of supply. As such, the Merged Group gains greater stability and predictability in its supply chain, as well as eliminating the risk of price increases that could impact Chemist Warehouse's cost structure, ultimately benefitting profitability and strategic planning;

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85 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 Pan, 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 the 31 January 2025, which will be determined following the end of the FY25 performance period and prior to the Scheme Record Date.

86 Sigma: Investor Presentation Merger & Equity Raising.

87 Note: This was calculated in December 2023 relative to the prevailing Sigma Share Price.

- **regulatory and compliance risks**: failure to meet supply obligations under the CSO Deed could lead to financial penalties and/or exclusion from government funding pools. In addition, the industry it subject to frequent changes in legislation, regulation, and funding, including adjustments to the PBS and CSO. Changes to these items may affect revenue and margins;
- **supply chain dependence**: while the Proposed Merger will provide Chemist Warehouse access to Sigma's integrated and automated distribution network , there will also be a greater dependence on the efficiency of the Merged Group's distribution capabilities. If not managed efficiently, there may be an increase operational costs and reduction in expected synergies. In addition, supply chain risks are increased by eliminating alternative supply options. Should the Merged Group face operational difficulties, Chemist Warehouse may struggle to source products at the required scale and speed, creating vulnerabilities in the supply chain;
- **increased operational complexity**: the Merged Group will be a more complex organisation covering a greater portion of the pharmacy industry value chain, from wholesaling to retailing, with more diverse operational requirements and customer needs. This complexity increases risks relating to logistics, supply chain management, and customer satisfaction, which may impact performance if not effectively managed;
- **integration and synergy realisation risks**: there is a risk that the combination and integration could take longer than the expected four years, or that integration costs are more than anticipated. There is also the risk that the stated synergies cannot be achieved; and
- **interest rate and funding risks**: arising from a higher level of gearing for the Merged Group with the utilisation of the new debt facility to finance the Scheme Cash Consideration

A detailed discussion of the risk factors of holding shares in the Merged Group is set out in Section 10.2 of the Scheme Booklet.

11 Valuation

11.1 Summary

Kroll has assessed the value of a Chemist Warehouse Share to be in the range of $4.85 to $5.48 (refer to Section 11.4 of this report for further information).

The value of Chemist Warehouse's equity has been determined by estimating the fair value of Chemist Warehouse's operating business using a market approach as the primary methodology utilising multiples of EBIT, together with consideration for equity accounted investments, surplus assets, adjusted net debt, and deducting outside equity interests.

Our range of assessed values represents the underlying, stand-alone value of a portfolio interest in Chemist Warehouse, excluding a premium for control and the value of any synergies that may be available to acquirers of Chemist Warehouse (i.e. on a minority basis). It also includes a discount for marketability.

The valuation of Chemist Warehouse is summarised as follows.

Chemist Warehouse Valuation Summary ($ millions)

	Section Reference	Valuation Range Low	High
Value per Chemist Warehouse Share (minority basis, fully diluted) ($)		**$6.07**	**$6.85**
Marketability Discount	11.4.6	20.0%	20.0%
Equity value per Share to Chemist Warehouse Shareholders (minority basis, fully diluted, discount for marketability) ($)		**$4.85**	**$5.48**

Source: Kroll analysis.

Kroll has assessed the value of a New Sigma Share to be $0.98 to $1.13, which when combined with the Scheme Cash Consideration, translates to a value of the Scheme Consideration in the range of $6.65 to $7.56 per Chemist Warehouse Share (refer to Section 11.5 of this report for further information).

The value of the Merged Group's equity has been determined by estimating the fair value of the Merged Group's operating business using a market approach as the primary methodology utilising multiples of EBIT, together with consideration for equity accounted investments, surplus assets, adjusted net debt, and deducting outside equity interests. Our range of assessed values represents the underlying, stand-alone value of a portfolio interest in the Merged Group (i.e. on a minority basis).

Our assessed value of the Scheme Consideration includes an assessment of the value of the Scheme Share Consideration, which is the value per New Sigma Share multiplied by the Scheme Share Consideration of approximately 6.317841 New Sigma Shares per Chemist Warehouse Share, plus the Scheme Cash Consideration of approximately $0.446469.

The valuation of the Scheme Consideration is summarised as follows.

Scheme Consideration Valuation Summary ($ millions)

	Section Reference	Valuation Range Low	High
Value per New Sigma Share (minority basis, fully diluted) ($)	11.5.1	**$0.98**	**$1.13**
Scheme Share Consideration[1]		6.318	6.318
Value of Scheme Share Consideration		**$6.21**	**$7.12**
Scheme Cash Consideration[2]		$0.446	$0.446
Value of Scheme Consideration		**$6.65**	**$7.56**

Source: Kroll analysis.
Notes:
1. Scheme Share Consideration has been sourced from Sections 3 and 4 of the Scheme Booklet. Scheme Share Consideration has been rounded to 3 decimal places.
2. Scheme Cash Consideration has been sourced from Sections 3 and 4 of the Scheme Booklet. Scheme Cash Consideration has been rounded to 3 decimal places.

Kroll's range of values for Sigma Shares is lower than the closing Sigma share price on 6 December 2024 of $2.88 but significantly higher than the Sigma price on 6 December 2023, the last trading day prior to the announcement of the Scheme, of $0.7625. This is not unexpected as subsequent to the announcement of the Proposed Merger, Sigma shares have been in significant demand due to the strong economic rationale underlying the Proposed Merger, including the strategic and synergistic benefits of the Proposed Merger, the limited availability of Sigma Shares, and the increased demand due to the likelihood that the Merged Group will be included in indexes such as the S&P/ASX 100 Index post Implementation.

The value of the Scheme Consideration will vary with movements in the Sigma share price. It is possible that the Sigma share price may be higher or lower than Kroll's assessed range of values. Therefore, until the New Sigma Shares are issued under the Scheme, Chemist Warehouse Shareholders are exposed to changes in overall equity market conditions, industry dynamics and company specific events that affect the Sigma share price. Furthermore, as most of the Scheme Consideration is in the form of New Sigma Shares, the value of the Scheme Consideration is particularly sensitive to movements in the Sigma share price. The following table illustrates the sensitivity of the implied value of the Scheme Consideration to changes in the Sigma share price.

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Sensitivity of the Scheme Consideration to Changes in the Sigma Share Price ($)

Illustrative Sigma Share Price	Implied Value of Scheme Consideration
0.60	4.24
0.80	5.50
1.00	**6.76**
1.20	8.03
1.40	9.29
1.60	10.56
1.80	11.82
2.00	13.08
2.20	14.35
2.40	15.61
2.60	16.87
2.80	18.14
3.00	19.40

Source: Kroll analysis.
Notes:
1. Bold indicates overlapping values with Kroll's selected value range for the New Sigma Shares.
2. Implied Value of Scheme Consideration has been calculated by multiplying the illustrative Sigma share price by the Chemist Warehouse Share Conversation Ratio (approximately 6.317841), and adding the Scheme Cash Consideration of approximately $0.446469 (on a per share basis).

11.2 Approach

11.2.1 Overview

As discussed in Section 6.2 of this report, the Proposed Merger does not result in a change of control for Chemist Warehouse Shareholders. The Proposed Merger does, however, result in a change in Chemist Warehouse Shareholders' underlying economic interest as a result of the Merger with Sigma and expected synergies (refer to Section 10.4 of this report for commentary on expected synergies). Consequently, in evaluating the Merger Proposal as a whole, it is necessary to consider the assessed value of Chemist Warehouse shares on a minority, stand-alone basis relative to the assessed value of the New Sigma Shares on a minority basis (including net synergies) (i.e. 'fairness').

Chemist Warehouse Shareholders are expected to receive approximately 6.317841 New Sigma Shares for every Chemist Warehouse Share held. Kroll has compared the assessed value of a Chemist Warehouse Share on a minority, stand-alone basis with the assessed value of a New Sigma Share on a minority basis (taking into account the expected synergies) after factoring in the Scheme Cash Consideration component.

The generally accepted definition of 'fair value' (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length. 'Fair value' excludes 'special value', which is the value over and above the value that a particular buyer, which can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

In the absence of direct market evidence, fair value is commonly derived by applying one or more of the following valuation approaches:

- income approach;
- the market approach; or
- cost approach.

These approaches are discussed in further detail in Appendix 4. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the asset or business and the actual practice adopted by purchasers of the type of asset or business involved.

A secondary methodology is often adopted as a cross-check to ensure the reasonableness of the outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, the market approach and income approach are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich (e.g. real estate investment trusts), a cost approach is typically adopted as there tends to be minimal goodwill, if any.

11.2.2 Selection of valuation methodology

A discussion of the rationale for the selection of the valuation methodologies is set out as follows.

Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. Application of this approach involves the capitalisation of the cash flows or earnings (or revenue) of a business at a multiple that reflects both the risks of the business and the future growth prospects of the income it generates. It is commonly adopted where:

- the asset or business or similar assets are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is a substantial operating history and a consistent earnings trend.

Chemist Warehouse and Sigma each have substantial operating histories and there is no basis to expect that the Merged Group business will be unable to continue indefinitely. In addition, there are a number of publicly traded pharmacy, healthcare and consumer businesses within Australia and internationally and also some transactions involving pharmacy and healthcare businesses within Australia from which to calculate meaningful multiples.

Application of this approach involves the capitalisation of the cash flows or earnings of a business at a multiple that reflects both the risks of the business and the future growth prospects of the earnings it generates. This methodology requires an element of professional judgement as to:

- the level of earnings or cash flows that are expected to be maintainable indefinitely, after allowing for the impact of various one-offs and non-recurring items for Chemist Warehouse and the Merged Group; and
- an appropriate capitalisation multiple that reflects the risk and growth prospects associated with the level of earnings being capitalised. The capitalisation multiple is usually determined having regard to market evidence derived from comparable transactions and sharemarket prices for comparable companies, whilst also considering the specific characteristics of the business being valued.

The earnings bases to which a multiple is commonly applied include revenue, earnings before interest, taxes, depreciation and amortisation (**EBITDA**), earnings before interest and taxes (**EBIT**), and NPAT. The choice will typically depend on the industry and characteristics of the subject asset or business. We note that EBIT is commonly used to value pharmacy, healthcare and consumer businesses. Consequently, we have adopted EBIT as the earnings base for our valuation and utilised EBIT-to-Enterprise Value (**EV/EBIT**) multiples as the metric for our earnings capitalisation method. Furthermore, in order to facilitate a meaningful comparison, we have based our analysis using underlying EBIT as an earnings definition to remove distortions to value caused by items such as transaction costs, tax adjustments and other one-off significant items which are not part of ongoing operations. We have also considered the price-to-NPAT (**P/NPAT**) multiples as part of our analysis.

In considering the appropriate earnings period of the asset or business being valued from which to calculate multiples, factors that a valuer may take into account include whether the historical performance of the asset or business reflects the expected level of future operating performance, such as when significant changes occur in the operating environment, such as in a rising interest rate environment, or the underlying business is cyclical.

In our assessment of Chemist Warehouse and the Merged Group, Kroll has considered the impact of the macroeconomic environment on both businesses, noting that Chemist Warehouse performance is the significant contributor to the Merged Group. In the case of Chemist Warehouse, Kroll notes that Chemist Warehouse has historically not presented underlying earnings with normalisations. We have conducted our own analysis, including holding discussion with Chemist Warehouse management, to determine appropriate adjustments for FY24 earnings. The adjustments required for Chemist Warehouse's FY24 earnings are discussed in detail in Section 11.4.2 of this report. Kroll notes that Sigma's historical earnings do not include the impact of the New Supply Contract which commenced on 1 July 2024, for an agreed period of five years. Kroll has made an adjustment for this impact to the Merged Group's earnings, discussed in Section 11.5.2 of this report alongside additional adjustments to the Merged Group's maintainable FY24 earnings.

Kroll has only assessed maintainable earnings for FY24 given that neither Chemist Warehouse, nor the Merged Group has provided earnings guidance for future periods. Moreover, broker coverage on the Merged Group is limited and not provided on the same basis (current Sigma broker forecasts are provided on a financial year ending 31 January, which conflicts with the Merged Group's financial year ending 30 June), therefore Kroll adopted FY24 as the maintainable earnings year for both Chemist Warehouse and the Merged Group. Additionally, the impact of the New Supply Contract for the Merged Group is not yet clear in the broker forecasts, and as a result these are less reliable.

With regard to the Merged Group, we have made similar adjustments to those required for the Chemist Warehouse valuation, where applicable for the Merged Group. The adjustments required for the Merged Group's FY24 earnings are discussed in detail in Section 11.5.2 of this report.

Determining the appropriate earnings multiple on which to apply to the earnings base is the most judgemental aspect of valuation. Offers for a particular asset or business provide the most reliable guidance for selecting the earnings multiples, however, in the absence of such offers, the multiple must be inferred from other sources.

The primary methodology used by valuers is to examine the multiples paid by other buyers for similar businesses in recent transactions. Although the multiple in each transaction will be influenced by a unique set of factors, such as prevailing economic conditions, strategic considerations, the availability of synergistic benefits, regulatory frameworks, investment and sharemarket conditions, and the number of competing buyers, a pattern may emerge from transactions involving similar businesses, showing a typical range of multiples. This range often reflects the opportunities (e.g. growth prospects) and risks of the business, with mature businesses with stable, low growth, generally attracting lower multiples than those with high growth potential, all else being equal. The critical task in valuation is assessing the specific business's attributes and distinguishing it from its peers in order to form a judgement as to its position within that range. In this context, we note that future growth, scale and diversification are the key drivers of EV/EBIT multiples for the comparable companies. For P/NPAT multiples, similar factors appear to influence the multiples.

We note that the multiples implied by transactions typically include a premium for control, which may be substantial due to synergy or other strategic benefits available to the acquirer. In this regard, as we do not consider the Merger Proposal to be a control transaction, but rather as a 'reverse takeover', our valuation of both Chemist Warehouse and the Merged Group will not be based on a control multiple, and so transaction evidence becomes less relevant. As a result, another approach to determining an appropriate earnings multiple is to consider sharemarket evidence, which reflects the prices at which minority parcels of shares are traded on a stock exchange and excludes a control premium. In our assessment of the underlying equity value of both Chemist Warehouse and the Merged Group, as we have assessed a minority value for each company, we have mainly relied on comparable company analysis.

The analysis of comparable transactions and sharemarket evidence does not often result in a clear conclusion regarding the appropriate multiple or range of multiples that should apply. Multiples can vary significantly for a wide range of reasons, making the application of judgment an essential part of the process. Furthermore, it is important to consider the specific attributes of the business being valued to determine whether they justify a higher or lower multiple compared to peers. This evaluation is inherently a matter of professional judgement.

Income approach

Under an income approach, the value of an asset or business is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history, there is a variable pattern of cash flow, or the asset or business has a finite life.

The most common application of the income approach is the DCF methodology. This methodology allows for cash flows to reflect a range of risks and opportunities and also allows for a range of scenarios to be modelled.

A DCF methodology can be applied to cash flows to the whole asset or business or cash flows to equity. Cash flow to the whole asset or business is most commonly used because an asset or business should theoretically have a single value that is independent of how it is financed or whether income is paid as dividends or reinvested.

Utilising a DCF methodology requires estimation of cash flows for a number of years and discounting those cash flows back to a present value. The Merged Group has not provided any forecast guidance, and accordingly Kroll has deemed that there was not a reasonable basis to adopt a valuation based on the income approach, and as such has relied on the market approach as the primary approach.

Cost approach

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). This approach does not capture the growth potential or internally generated intangible value associated with Chemist Warehouse or the Merged Group and consequently has not been adopted.

11.3 Market Approach

11.3.1 Sharemarket evidence

In determining an appropriate range of capitalisation multiples to apply to the maintainable earnings of Chemist Warehouse and the Merged Group, we have considered the following:

- trading multiples of comparable listed Australian and international health and pharmacy companies, and Australian consumer companies;
- multiples implied by recent transactions involving pharmaceutical and healthcare companies, noting that these transactions included a premium for control; and
- the specific attributes of Chemist Warehouse and the Merged Group.

We have considered the same group of comparable companies and comparable transactions for Chemist Warehouse and the Merged Group given the very similar nature of the operations of Chemist Warehouse and the Merged Group (refer to Sections 8.4 and 10.3 of this report for further discussion on the operations of both businesses).

On balance, we consider that a multiple of 16.0 to 18.0 times adjusted EBIT is reasonable for Chemist Warehouse, on a minority basis. Our selected multiple range for the Merged Group was slightly higher at 18.0 to 20.0 times adjusted Pro Forma EBIT.

We note that the selected multiple ranges for Chemist Warehouse and the Merged Group sits within the range of the current trading multiples of the comparable companies, particularly EBOS and the Australian consumer comparable companies. In assessing the multiples to apply to the earnings of Chemist Warehouse and the Merged Group, we have considered the following group of companies:

- **Australian health and pharmacy**: EBOS is viewed as the most comparable listed company (exclusive of Sigma) to the Merged Group, as it has a franchise pharmacy network consisting predominantly of the Terry White Chemmart banner group (refer to Section 7.1.3 of this report) and is the owner of Symbion, one of Australia's major full-line pharmaceutical wholesaler alongside Sigma.

Kroll has also included Sigma in this Australian pharmacy grouping on a pre-Proposed Merger basis;[88]

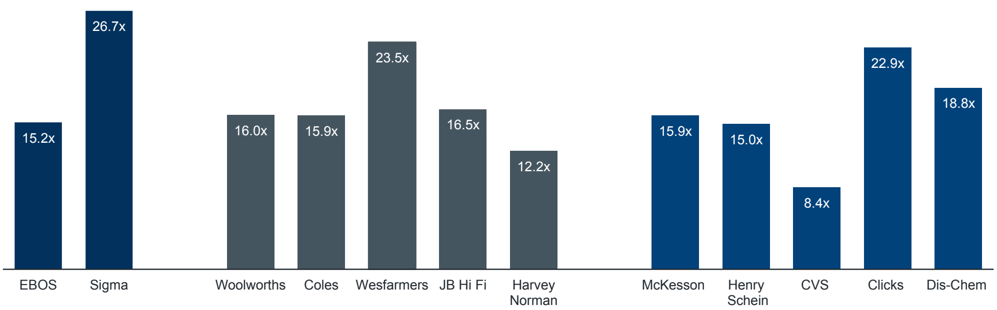
- **Australian consumer**: including Woolworths Group Limited (**Woolworths**) and Coles Group Limited (**Coles**) as the two major Australian consumer focused supermarket chains. Wesfarmers Limited (**Wesfarmers**) is a diversified Australian business with significant exposure to Australian consumers via the Bunnings Group, Kmart Group and Officeworks. Moreover, Wesfarmers acquired Australian Pharmaceuticals Industry (**API**) in 2022, one of Australia's major full-line pharmaceutical wholesalers and owner of the Priceline pharmacy brand. JB Hi-Fi Limited (**JB Hi-Fi**) and Harvey Norman Holdings Ltd (**Harvey Norman**) have been included in this group as more focused Australian retail providers selling technology, in-home and consumer products; and
- **international health and pharmacy**: including McKesson Corporation (**McKesson**), Henry Schein, Inc (**Henry Schein**), CVS Health Corporation (**CVS**), Clicks Group Limited (**Clicks**) and Dis-Chem Pharmacies Limited (**Dis-Chem**). The United-States based companies are generally more diversified and larger in scale relative to Chemist Warehouse and the Merged Group, however, they have exposure to similar types of pharmacy and health consumers. McKesson has limited retail footprint as the company is mainly engaged in distribution of OTC pharmaceutical drugs and healthcare-related products along with services to retail customers in Canada and Europe. Henry Schein do not have a retail footprint as it provides health care products to dental practitioners, surgery centres and healthcare clinics. The South African peers, Clicks and Dis-Chem, are more similar in operations to Chemist Warehouse and the Merged Group, however the South African economy and market is less comparable to Australia, making comparison between Clicks and Dis-Chem to Chemist Warehouse and the Merged Group complex.

Further details regarding the identified comparable transactions and companies are included in Appendix 5 of this report.

EBIT Multiples

The following charts summarise the historical and first forecast year trading multiples for the comparable companies.

Last Twelve Months (LTM) EBIT Multiples



Source: S&P Capital IQ, Company financial statements; Kroll analysis.
Notes:
1. Sigma multiples (stand-alone) are based on the closing share price on 6 December 2023. The multiples for all other companies are based on the share price on 6 December 2024.
2. EBIT multiples are based on normalised operating income which excludes non-recurring and non-operating gains and losses.

[88] Sigma sharemarket data shown as at 6 December 2023, the last day of trading prior to the announcement of the Proposed Merger.

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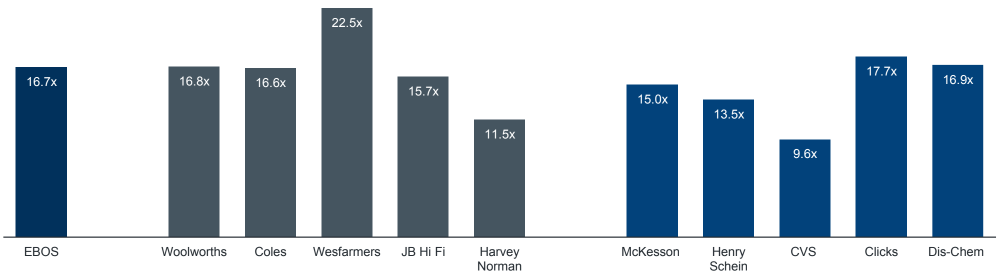
FY+1 EBIT Multiples



Source: S&P Capital IQ, Company financial statements; Kroll analysis.
Notes:
1. The multiples for all other companies are based on the share price on 6 December 2024.
2. EBIT multiples are based on normalised operating income which excludes non-recurring and non-operating gains and losses.

The following factors are relevant to the consideration of the comparable company multiples:

- the selected companies have elements of comparability, and also face similar external factors to Chemist Warehouse and the Merged Group, including macroeconomic factors (e.g. inflation, cost of living pressures), competition, and shifts in consumer preferences (e.g. online shopping);
- the earnings multiples at which the comparable companies are trading are driven by several factors, in particular the scale of their operations, supply chain risk and future growth prospects. Additionally, we note that the drivers of earnings growth include the success of ongoing strategy and operational changes, such as new and planned store openings, and growth in online or multi-channel sales;
- we note that the implied EBIT multiple for many of the comparable companies are relatively consistent when comparing historical EBIT multiples to forward EBIT multiples as a result of muted short term EBIT growth for certain comparable companies. The median LTM EBIT multiple of the comparable companies is 15.9 times as compared to the median FY+1 EBIT multiple of 16.6 times reflecting particularly the Australian consumer discretionary and pharmaceutical companies. This reflects expectations for relatively benign earnings growth for the supermarkets over the near term. Neither Chemist Warehouse, nor the Merged Group, have provided forward guidance and broker forecasts for the Merged Group are limited and varied. As a result, whilst we have presented FY+1 multiples, we have predominantly relied upon historical multiples to support our valuations of Chemist Warehouse and the Merged Group;
- historical EBIT multiples for our comparable company grouping are broadly in the range of 8.4 to 26.7 times EBIT. Australian comparable companies have several characteristics which contribute to them trading at higher multiples. These characteristics include:
  - **scale, diversification and degree of supply chain control:** perceived lower risk resulting from greater scale, stronger brand reputation, high level of supply chain control and greater diversification as a result of, for example, the presence of multiple operating units. Greater scale also allows for economies of scale, especially as retailers optimise their supply chains and consolidate their brick-and-mortar stores. In particular, Wesfarmers has the higher enterprise value of the Australian comparable companies and is trading at a higher multiple. Conversely, the smallest comparable (as measured by enterprise value), Harvey Norman, trades at the lowest multiple, reflecting the markets desire for larger diversified consumer retailers;
  - **growth:** current external factors, such as high levels of inflation and increasing demand for omnichannel sales, are generally creating pressures in the consumer retail industry and influencing how consumers shop. Australian supermarkets have faced increasing political and social pressures for rising costs since the COVID-19 pandemic. [89]

[89] Australian Associated Press. "*Supermarkets blamed most for cost-of-living woes*". 17 October 2024.

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Companies such as Chemist Warehouse, with its everyday low pricing model, are seen more favourably in an environment of elevated inflation, with an expectation that it will outperform as consumers become more price sensitive. Similar trends have been evident for the international health and pharmacy comparable companies, with changing consumer trends, such as increased use of mail-order and digital options, leading to closures of brick and mortar stores. For example, CVS is nearing completion of a three-year strategy to close 900 pharmacies, and international pharmacy competitor Walgreens Boots Alliance, Inc (**Walgreens**) has recently announced plans to close 1,200 stores; [90] and

- expectations of improved performance following periods of underperformance can also be a driver of higher multiples, as seen with Sigma's historical multiples (measured prior to the announcement of the Merger Proposal on 6 December 2023) which had fell in FY24 as a result of lower demand for RATs and other COVID-19 related products as well as the divestment of the hospital wholesale distribution business (refer to Section 9.5 of this report for further analysis). This makes Sigma's historical multiples less useful as a comparative.

- EBOS is the most directly comparable Australian company (other than Sigma) as a full-line pharmaceutical wholesaler and retail pharmacy banner group franchisor in Australia and New Zealand, with EBOS estimated to represent, through its franchise network, approximately 12% of Australian retail pharmacies (refer to Section 7.1.3 of this report for further information). As such, EBOS is likely to be the Merged Group's nearest competitor in terms of scale in the Australian wholesaling and retail pharmacy franchisor market. However, EBOS is diversified into other segments of the market including animal care and institutional healthcare (medical technologies, medical consumables and hospital). As at 6 December 2024, the company traded at a multiple of 15.2 times historical EBIT and 16.7 times FY+1 EBIT, with an expected EBIT growth rate from FY to FY+2 of (0.4)%. EBOS's growth outlook is muted as a result of the loss of the Chemist Warehouse wholesale supply contract starting from 1 July 2024, which had represented approximately $1.9 billion in annual revenue for EBOS (refer to Section 9.9.2 of this report for analysis of EBOS's recent share trading performance);
- Sigma, prior to the announcement of the Merger Proposal, on 6 December 2023, was trading at multiple of 26.7 times last twelve months EBIT, reflecting the highest multiple in the comparable company grouping. Sigma's elevated multiple likely reflects Sigma's declining revenues and earnings (as measured by adjusted EBIT) performance in FY24 relative to FY23 (refer to Section 9.5 of this report) as well as the markets expectation of improved financial performance for Sigma after it announced it had agreed the New Supply Contract with Chemist Warehouse;
- the two large Australian supermarket chains, Woolworths and Coles, trade at similar multiples, of 16.0 and 15.9 times historical EBIT respectively reflecting the strength of both businesses and their sophisticated integrated supply chains. Woolworths has historically been supported by a slightly elevated multiple due to its greater scale and diversification relative to Coles, with Woolworths operating 1,111 supermarkets compared to 856 for Coles (as at 30 June 2024), however, is presently experiencing short-term supply chain issues which has narrowed the differential. Woolworths also has a slightly more diversified revenue base, with 25.3% of FY24 revenue derived outside of its Australian food division, compared to only 10.4% of FY24 revenue derived outside of Coles' non supermarkets division;
- Australian diversified conglomerate, Wesfarmers, is the largest Australian comparable company, with a market capitalisation of $84.1 billion. Wesfarmers has operations across multiple industries, including significant retailing (namely the Bunnings Group, Kmart Group and Officeworks), chemicals, energy and fertilisers, healthcare and industrials and safety segments. Wesfarmers significant diversification enables greater earnings stability, which explains why Wesfarmers trades at the highest multiples amongst the Australian comparable companies (exclusive of Sigma), at 23.5 times historical EBIT and 22.5 times FY+1 EBIT;
- Harvey Norman and JB Hi-Fi represent more specialised Australian retailers, with focuses on technology and home goods. Both businesses benefit from strong brand recognition within Australia, however the two businesses operate differently, with Harvey Norman operating a franchise model,

[90] AP News. "Walgreens to close 1,200 stores as US pharmacies struggle to define a new role". 16 October 2024.

while JB Hi-Fi owns and operates its stores. Harvey Norman trades at a historical multiple of 12.2 times EBIT, lower than JB Hi-Fi, which currently trades at a 16.5 times historical EBIT multiple. The multiple uplift that JB Hi-Fi benefits from is likely explained by its track record of consistent financial performance. Harvey Norman has suffered from declining revenues from FY21 to FY24, while JB Hi-Fi was able to grow revenues by 7.5% over the same period. Sharemarket gains for JB Hi-Fi have occurred as a result of its strong recent financial performance, with muted share trading for Harvey Norman recently; and

- the international pharmacy and health comparable companies are exposed to different economic conditions, including arguably a more competitive market in the United States, relative to the Australian comparable companies and, as a result, Kroll has assigned less weight to these comparable companies. Brick and mortar pharmacy stores in the United States have undergone significant restructuring in the United States post the COVID-19 pandemic. CVS has felt the impacts of greater consumer preference for mail order and online shopping in the pharmacy space.[91] As a result, CVS trades at a depressed multiple of 8.5 times historical EBIT with market awareness of its shrinking store footprint. Conversely, Henry Schein and McKesson, with stronger growth outlook driven by both businesses exposure to health services and product distribution, trade at higher multiples, 15.0 and 15.9 times historical EBIT respectively. The two South African comparable companies, Clicks and Dis-Chem, are more similar in operations and growth profile to Chemist Warehouse. Both the companies trade at multiples towards the upper end of the peer set, with Clicks trading at a historical EBIT multiple of 22.9 times, and Dis-Chem trading at 18.8 times historical EBIT.

Trading Multiples Summary

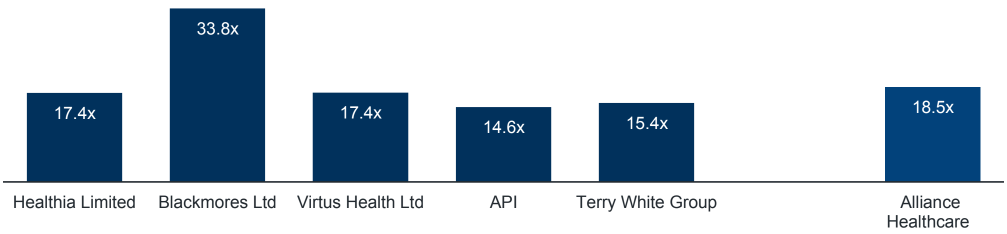
The Australian comparable companies reflect a reasonable, albeit broad, range of multiples that we would anticipate for both Chemist Warehouse and the Merged Group due to exposure to similar industries and customers. Moreover, the trading multiples are more appropriate for valuing minority interests as they do not include a premium for control.

11.3.2 Transaction evidence

EBIT Multiples

The following charts summarise the historical and first forecast year implied multiples for the comparable transactions.

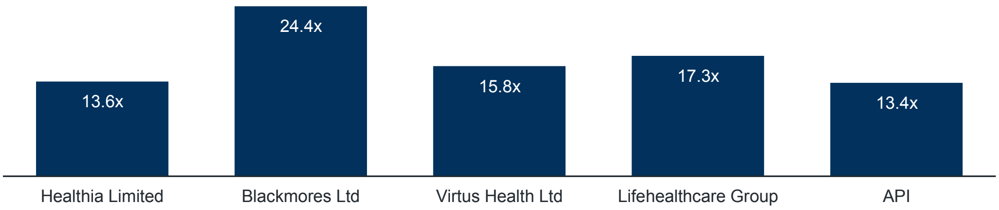
LTM EBIT Multiples



Source: S&P Capital IQ, Company financial statements; Kroll analysis.

[91] AP News. “Walgreens to close 1,200 stores as US pharmacies struggle to define a new role”. 16 October 2024.

FY+1 EBIT Multiples



Source: S&P Capital IQ, Company financial statements; Kroll analysis.

Kroll notes the following in relation to the transaction evidence:

- the multiples implied by transactions typically include a premium for control, which may be substantial due to synergy or other strategic benefits available to the acquirer. In this regard, as we do not consider the Merger Proposal to be a control transaction, but rather as a 'reverse takeover', our valuation of both Chemist Warehouse and the Merged Group will not be based on a control multiple, and so transaction evidence becomes less relevant.
- none of the transactions are directly comparable to Chemist Warehouse's operations in terms of scale, growth or geographical footprint:
  - scale is likely to be a key driver of value as a result of the ability to capture diversification benefits and economies of scale. Many of the target companies are smaller than Chemist Warehouse, with lower levels of diversification and higher operational risks, and as a result we would expect these companies to be transacted at lower multiples. In the comparable transaction grouping, there are no transactions at a comparable scale to the size of Chemist Warehouse or the Merged Group. The largest comparable transaction, the Blackmores acquisition in 2023, occurred at the highest EBIT multiple of 33.8 times, reflecting strong demand for Blackmores products and brand, favourable structural demographic and societal trends and unique synergies available to Kirin Holdings Company Limited (**Kirin**), including the ability for Kirin to sell Blackmores' products to a much larger customer base in Japan. The offer price for Blackmores represented a 31.5% premium to the 1 month VWAP. If this premium is removed from the Blackmores enterprise value, the multiples reduce to 25.7 times historical EBIT and 18.6 times forecast EBIT In addition, Blackmores management expected to deliver $5 to $10 million of business improvements on a stand-alone basis over and above the broker forecast earnings. If these benefits are added back to Blackmores' earnings, the multiple reduces further to 21.7 to 23.5 times historical EBIT and 16.4 to 17.4 times broker forecast EBIT. The significant difference in Blackmore's forecast multiples and historical multiples can be attributed to its relatively high near-term growth prospects (broker forecast EBIT growth of 14.8% to 22.4% over three years) as a result of transformation initiatives and international expansion opportunities. For these reasons, and also due to the fact that the multiple is inclusive of a control premium, we find that the multiple implied by the acquisition of Blackmores of 33.8 times historical EBIT is not comparable to the multiples that would apply for Chemist Warehouse or the Merged Group;
  - the most relevant transaction in terms of both operations is Wesfarmers' acquisition of API in 2021. API, like the Merged Group will be, is a full-line pharmaceutical wholesaler, with a retail pharmacy franchise network. The API transaction implied a multiple of 14.6 times LTM EBIT and 13.4 times NTM forecast EBIT. Wesfarmers noted the acquisition of API provided an attractive opportunity to enter the growing health, wellbeing and beauty sector. Kroll notes that the significantly smaller relative transaction size, and the lower growth profile of API's retail pharmacy franchise network relative to the Chemist Warehouse Australian Franchise Network supports a lower earnings multiple applied to this transaction relative to Chemist Warehouse and the Merged Group.
  - another major Australian retail pharmacy franchise network operator, Terry White Group was acquired by EBOS in 2018. The transaction arguably occurred at a slightly muted implied multiple (15.4 times historical EBIT) as a result of the fact that EBOS already had majority control of Terry

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White Group with a stake just over 50% prior to the transaction. Kroll notes that the significantly smaller relative transaction size, and the lower growth profile of the Terry White Group retail pharmacy franchise network relative to the Chemist Warehouse Australian Franchise Network supports a lower earnings multiple applied to this transaction relative to Chemist Warehouse and the Merged Group.

  - the Amerisource Bergen Corporation's (**Amerisource Bergen**) 2021 acquisition of the Alliance Healthcare businesses (**Alliance Healthcare**) of Walgreens represents the only international transaction. Alliance Healthcare is a wholesale distributor of pharmaceutical products and related health care services. The transaction implied a historical EBIT multiple of 18.5 times, however the transaction multiple is based on segment financials as the transaction was a division divestment and not a company acquisition. The acquisition was viewed as strategic for Amerisource Bergen to expand their distribution network globally, particularly in Europe.

- the other three transactions represent businesses with lower levels of comparability to Chemist Warehouse and the Merged Group. Healthia Limited (**Healthia**) is a healthcare provider of a range of services including occupational therapy and optometry, Virtus Health (**Virtus**) is a leading provider of fertility services and LifeHealthcare Group Limited **(LifeHealthcare)** is a medical devices and capital equipment manufacturer. These transactions implied a multiple range of 13.6 to 17.3 times forecast EBIT.

The most relevant transactions in the comparable transaction grouping occurred at historical EBIT multiples in the range of 14.6 to 18.5, noting that each of these companies is substantially smaller than Chemist Warehouse and the Merged Group.

11.4 Valuation of Chemist Warehouse

11.4.1 Summary

Kroll has assessed the value of Chemist Warehouse's equity attributable to Chemist Warehouse Shareholders to be in the range of $9,512.4 million to $10,743.2 million on a minority basis, which corresponds to a value per Chemist Warehouse Share in the range of $4.85 to $5.48. The value of Chemist Warehouse's equity has been determined by estimating the fair value of Chemist Warehouse's operating business, together with consideration for equity accounted investments, surplus assets, adjusted net debt, and deducting outside equity interests. Our rationale for the selection of this methodology is set out in Section 11.2.2 of this report.

The valuation of Chemist Warehouse is summarised as follows.

Chemist Warehouse Valuation Summary ($ millions)

	Section Reference	Valuation Range Low	High
Maintainable EBIT	11.4.2	581.8	581.8
Capitalisation multiple	11.4.3	16.0	18.0
Value of Chemist Warehouse's operating business (minority interest)		**9,308.2**	**10,471.8**
Add: Equity accounted investments	11.4.4	488.7	556.0
Add: Surplus assets (net)	11.4.5	127.9	127.9
Chemist Warehouse Enterprise Value (minority basis)		**9,924.9**	**11,155.7**
Adjusted target net debt (including lease liabilities)	11.4.6	(407.0)	(407.0)
Chemist Warehouse Equity Value (minority basis)		**9,517.9**	**10,748.7**
Less: Equity attributable to non-controlling interest	8.6.1	(5.5)	(5.5)
Equity attributable to Chemist Warehouse Shareholders (minority basis)		**9,512.4**	**10,743.2**
Chemist Warehouse fully diluted shares on issue (millions)	8.8	1,567.9	1,567.9
Value per Chemist Warehouse Share (minority basis, fully diluted) ($)		**$6.07**	**$6.85**
Marketability Discount	11.4.6	20.0%	20.0%
Equity value to Chemist Warehouse Shareholders (minority basis, fully diluted, discount for marketability) ($)		**$4.85**	**$5.48**

Source: Kroll analysis.

In assessing a value range for Chemist Warehouse's operating business, Kroll has adopted a market approach as the primary methodology utilising multiples of EBIT (refer to Section 11.3 of this report). The values derived from the primary methodology have been cross-checked against the recent share sales of Chemist Warehouse (refer to Section 11.4.8 of this report). In this regard, we note that our range of assessed values per Chemist Warehouse Share is higher than the most recent disclosed Chemist Warehouse Share transfer or issue prices of $4.50 and $4.79 that occurred in the six months immediately before the Last Practicable Date (refer to Sections 6.6 and 12.1 of the Scheme Booklet for information on Chemist Warehouse Share sales). In this regard, during this period, share prices for the majority of comparable companies have increased, with the S&P/ASX 200 Index rising by 9.3% in the six months to 6 December 2024.

Our range of assessed values represents the underlying, stand-alone value of a portfolio interest in Chemist Warehouse, excluding a premium for control and the value of any synergies that may be available to acquirers of Chemist Warehouse.

Our range of assessed values per Chemist Warehouse share also represents the value that may be realised if Chemist Warehouse Shareholders theoretically sought to, and were able to, dispose of their Chemist Warehouse Shares in the immediate term, recognising that in our view any such value would likely be subject to a marketability discount. While marketability discounts are typically in the order of 20% to 40%,[92] it is challenging to accurately estimate the specific discount that would apply to a Chemist Warehouse Share in this context. This uncertainty arises due to the limited opportunities for unlisted shares to be disposed outside of an exit event, as well as the unknown timing and form of any potential exit event, which could take the form of an initial public offering, share sale, or trade sale.

[92] "Case in Point: 20 Years in the Making: A Decision on Marketability Discount", Kroll, 8 March 2016.

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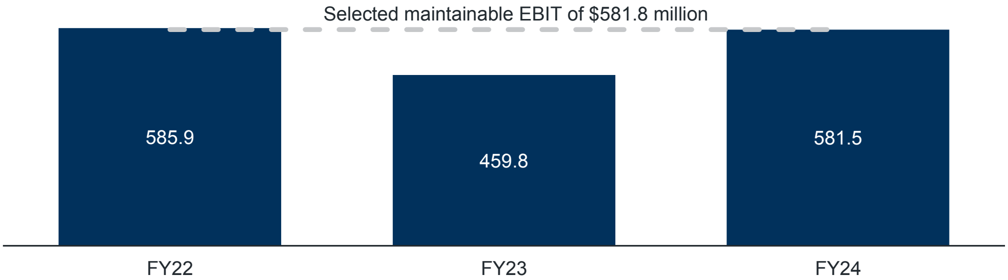
11.4.2 Maintainable earnings

Maintainable earnings should reflect the earnings that can be achieved in the future for the business on an ongoing basis. Kroll has selected a maintainable EBIT of $581.8 million, which reflects FY24 reported EBIT of $581.5 million adjusted for one-items and income from equity accounted investments.

Chemist Warehouse's historical EBIT for FY22 to FY24 relative to the selected EBIT is presented as follows.

Chemist Warehouse Historical and Maintainable EBIT ($ millions)



Source: Kroll analysis.

In assessing maintainable earnings for Chemist Warehouse, the following factors have been considered:

- the historical EBIT figures represent statutory EBIT and therefore include any items would not be considered to form part of the underlying earnings of the business on an ongoing basis. They may therefore include individually significant non-recurring items, earnings from non-operating assets or earnings from equity accounted investments;
- as Chemist Warehouse is an unlisted company it is not covered by brokers. Chemist Warehouse management has not released any guidance or provided any forecast information to Kroll. Therefore, future estimates of earnings are not available for consideration;
- FY24 is the most appropriate year on which to select a maintainable EBIT, as it reflects both the current macroeconomic environment and Chemist Warehouse's most recent operating and financial performance;
- Chemist Warehouse's FY22 and FY23 EBIT are less relevant as:
  - FY22 EBIT was unusually high, driven by elevated sales of COVID-19 related products and increased e-commerce activity during the pandemic. Many of these products carried a higher wholesale gross profit margin, resulting in an abnormally high EBIT level that does not reflect typical operating conditions; and
  - FY23 EBIT is lower than FY24 EBIT, primarily as FY24 reflects a 6.0% increase in the number of Chemist Warehouse stores and consequential growth in franchise fee revenues and wholesale sales. Using FY23 EBIT would underestimate Chemist Warehouse's maintainable earnings going forward, as it would exclude the impact of an expanded store base as well as its FY24 organic growth.

For these reasons, Kroll has selected the FY24 EBIT of $581.5 million as the most appropriate basis for our maintainable earnings. In addition, Kroll has adjusted FY24 EBIT for the following non-recurring items and non-operating items:

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Kroll FY24 Maintainable Earnings for Chemist Warehouse

	$m
FY24 Reported EBIT	**581.5**
Add: transaction costs relating to the Scheme	8.2
Add: one-off share-based payments	14.6
Add: loss from investments	0.5
Less: income from associates and joint ventures	(23.1)
Kroll FY24 Maintainable Earnings	**581.8**

Source: Kroll analysis.

On this basis Kroll has selected a maintainable EBIT of $581.8 million.

11.4.3 Selected EBIT Multiple

Kroll has selected an EBIT multiple in the range of 16.0 to 18.0. In selecting a multiple for Chemist Warehouse, we have considered the following:

- the selected multiple for Chemist Warehouse is based on trading multiples of the most comparable publicly listed companies, which reflect minority parcels traded on the sharemarket. As such, the selected multiples do not include a control premium and reflect the value of Chemist Warehouse on a stand-alone basis, excluding the impact of the Scheme;
- as discussed in Section 11.3.1 of this report, EBIT multiples for the most comparable publicly listed Australian and international listed health and pharmaceutical companies, as well as large Australian consumer retail companies, which are generally in the range of 15.0 to 19.0 times historical EBIT. Of the comparable company peer set, the companies at the high end of the range are represented by larger and more diversified companies that have a stronger growth outlook, whilst the low end of the range is represented by smaller and less diversified companies that have a weaker growth outlook;
- the implied multiples for Chemist Warehouse are within the range of multiples. This is reasonable since:
  - Chemist Warehouse is of relatively smaller scale than many of the comparable companies, however, is relatively large within the Australian retail pharmacy industry, benefitting from substantial market presence and economies of scale. In terms of scale it is broadly equivalent in size to EBOS and JB Hi-Fi, which trade at historical EBIT multiples of 15.2 times and 16.5 times respectively, and larger than Harvey Norman which trades at 12.2 times. However, we note JB Hi-Fi and Harvey Norman both have weaker growth outlooks in the current weaker retail environment given their products being more discretionary in nature;
  - Chemist Warehouse is relatively less vertically integrated and diversified than some larger companies, including McKesson Corporation (**McKesson**) or Wesfarmers or Woolworths, which trade at multiples of 15.9 times, 23.5 times, and 16.0 times respectively. However, it offers multi-channel sales through its extensive store network and online presence, which provides financial resilience in changing market conditions. Chemist Warehouse also has an international presence, in contrast to many of these comparable companies, having successfully proven its business model overseas for a number of years; and
  - Chemist Warehouse arguably has a relatively strong growth outlook, supported by ongoing store expansion both domestically and internationally, an effective low-price model which appeals in an inflationary environment, and increasing organic retail network sales. Its business model also has a strong cash conversion relative to peers. We note that Chemist Warehouse's historical statutory EBIT has grown at a 5-year CAGR of 15.6% from FY19 to FY24, which is higher than the forecast growth rates of many of the comparable companies and more equivalent to the growth rates exhibited by Clicks (19.8%) and Dis-Chem (17.0%). Clicks trades at a historical EBIT multiple of 22.9 times and Dis-Chem at 18.8 times. Comparisons between Chemist Warehouse and these peers is inherently difficult due to differences in the Australian and South African markets, however, the multiple differential can be reasoned by:

- Clicks and Dis-Chem businesses having integrated wholesale businesses. For example, Clicks' wholly owned subsidiary United Pharmaceutical Distributors (UPD) is a leading full-range pharmaceutical wholesaler, while Dis-Chem owns an integrated wholesale division called CJ Distribution;
- they are more diversified businesses, with Clicks and Dis-Chem offering brands focused as specialty maternity and baby goods retailers (similar to ASX-listed Baby Bunting Group Limited) amongst other differentiated products and services;
- the different regulatory environments between Australia and South Africa. For example, the regulatory environment in Australia (e.g. pharmacy ownership laws and locational restrictions) can limit scalability, whereas in South Africa non-pharmacists (including corporations) are allowed to own pharmacies;
- country-specific factors. We note that South Africa is classed as an emerging market, which may lend itself to higher growth rates, however, there are other drawbacks including political and economic instability, regulatory uncertainty, or limited access to capital; and
- the lack of forward guidance for Chemist Warehouse, making it difficult to make assumptions about future growth relative to higher growth peers;

Consequently, a multiple towards the mid-to-high end of the range of comparable companies is appropriate; and

- as discussed in Section 11.3.2 of this report, EBIT multiples for transactions involving pharmaceutical wholesaling, distribution and retailing companies are generally in the range of 14.6 times to 18.5 times. The most comparable transactions, the acquisitions of API and Terry White Group, occurred at multiples of 14.6 times to 15.4 times LTM EBIT. In this regard, while these transactions are similar in terms of the nature of the underlying operating business, they each had a lower growth outlook and were substantially smaller than Chemist Warehouse, warranting a lower multiple. We note that these transactions were control transactions, whereas the value of Chemist Warehouse is on a minority basis.

For these reasons, we find our selected an EBIT multiple range of 16.0 to 18.0 to be reasonable.

11.4.4 Equity accounted investments

Chemist Warehouse has equity accounted investments in associates and joint ventures. Virtually all of the income derived from these investments is from the majority economic interest in the Chemist Warehouse New Zealand joint venture.

Kroll has derived a valuation of the Chemist Warehouse New Zealand operating business by applying a capitalisation multiple to the EBIT of Chemist Warehouse New Zealand. The capitalisation multiple selected was in line with the multiple applied to the Chemist Warehouse earnings. Following adjustments for net debt (including lease liabilities), Kroll arrived at a valuation of the majority economic interest in the Chemist Warehouse New Zealand equity accounted investment of between $488.7 to $556.0 million.

11.4.5 Surplus assets

Kroll has valued Chemist Warehouse's surplus assets at $127.9 million. Surplus assets at Implementation include:

- $59.5 million of equity investments in third-party product suppliers and service providers (refer to Section 8.2(j) of the Scheme Booklet for more details);
- financial assets recorded at fair value through the profit and loss statement of $2.3 million, which reflect a number of smaller investments; and
- a share placement in Sigma negotiated as part of the New Supply Contract. Issuance of these shares to Chemist Warehouse is contingent on the Scheme not being Implemented. Kroll has valued this shareholding at $66.2 million (post-tax).

11.4.6 Adjusted Target Net Debt

As discussed in Section 8.5 of this report, as at 30 June 2024 Chemist Warehouse had $46.2 million net debt.

Under the terms of the Proposed Merger, Chemist Warehouse has advised that it will have approximately $300 million net debt as at the Implementation Date. We note that Kroll's calculation of net debt differs from the calculations used by Chemist Warehouse in its disclosure, as Kroll's calculation includes the benefit of loans receivable of $13.5 million and includes net lease liabilities (which is appropriate for a valuation undertaken on a post AASB 16 basis).

Kroll's calculation of Chemist Warehouse's target net debt (including net lease liabilities) at Implementation is as follows.

Adjusted Target Net Debt

	$m
Chemist Warehouse target net debt at Implementation	**300.0**
Less: Financial assets (loans receivable)	(13.5)
Add: Net lease liabilities	120.5
Adjusted Target Net Debt	**407.0**

Source: Kroll analysis.

11.4.7 Discount for lack of marketability

Chemist Warehouse is an unlisted Australian public company. As a result, Chemist Warehouse Shareholders do not have access to a liquid market to price and sell their shareholdings and therefore suffer an inherent marketability or liquidity discount. We observe that marketability discounts are typically in the order of 20% to 40%.[93]

Kroll has assessed an appropriate marketability discount to be 20.0% which is at the low end of the range of observations for the following reasons:

- Chemist Warehouse has been looking to provide liquidity to its shareholders for some time and there has been a general market expectation that this would occur;
- the existing shareholders deed has various rights that mean that no single shareholder can control the company;
- there are 311 existing Chemist Warehouse Shareholders whereas companies with larger discounts typically have few shareholders;
- the business is of significant size and there is level of both regulatory oversight and public interest which provides a level of transparency around its operations; and
- Chemist Warehouse has shown a strong ability to pay dividends to historically, with dividend payout ratios ranging between 40% to 87% over FY22 to FY24 (refer to Section 8.5.1 of this report for further information).

We note that factors that can impact the level of any discount include:

- the number of shareholders, the terms of any shareholders agreement and whether different shareholders have different rights;
- availability of information on the underlying business and its financial condition;
- complexity of the underlying business and business strategy;
- the level of transparency as to its business and operations;
- potential for a sale of the business or an initial public offering of stock;
- the size of the business, as measured by earnings; and

[93] "Case in Point: 20 Years in the Making: A Decision on Marketability Discount." Kroll, 8 March 2016.

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- regularity of distributions to equity holders.

11.4.8 Cross-check

As a cross-check, Kroll notes that our range of assessed values per Chemist Warehouse Share is higher than the most recent disclosed Chemist Warehouse Share transfer or issue prices of $4.50 and $4.79 (refer to Sections 6.6 and 12.1 of the Scheme Booklet for information on Chemist Warehouse Share sales). In this regard, during this period, share prices for the majority of comparable companies have increased, with the S&P/ASX 200 Index rising by 9.3% in the six months to 6 December 2024.

We note that as these transactions are between directors or Chemist Warehouse and certain directors and whilst they represent the best evidence to which parties were prepared to transact, they are not evidence of a liquid market and should be viewed with caution.

11.5 Valuation of the Merged Group

11.5.1 Summary

Kroll has assessed the value of the Merged Group's equity on a minority basis to be in the range of $11,342.2 million to $13,004.6 million, which corresponds to a value per New Sigma Share in the range of $0.98 to $1.13. This value of the Merged Group's equity has been determined by estimating the fair value of the Merged Group's operating business, together with consideration for any surplus assets and adjusted net debt. Our rationale for the selection of this methodology is set out in Section 11.2.2 of this report.

The valuation of the Merged Group is summarised as follows.

Merged Group Valuation Summary ($ millions)

	Section Reference	Valuation Range Low	High
Maintainable earnings (Adjusted EBIT)	11.5.2	647.6	657.6
Capitalisation multiple	11.5.3	18.0	20.0
Value of Merged Group's operating business (minority interest)		**11,656.2**	**13,151.4**
Add: Equity accounted investments	11.5.4	488.7	556.0
Add: Surplus assets (net)	11.5.5	77.4	77.4
Add: Synergies	11.5.6	520.0	620.0
Merged Group Enterprise Value (minority basis)		**12,742.4**	**14,404.8**
Adjusted target net debt (including lease liabilities)[1]	11.5.7	(1,394.7)	(1,394.7)
Merged Group Equity Value (minority basis)		**11,347.7**	**13,010.1**
Less: Equity attributable to non-controlling interest	8.6.1	(5.5)	(5.5)
Equity attributable to New Sigma Shareholders (minority basis)		**11,342.2**	**13,004.6**
Merged Group fully diluted shares on issue (millions)[2]	10.9	11,545.4	11,545.4
Value per New Sigma Share (minority basis, fully diluted) ($)		**$0.98**	**$1.13**

Source: Kroll analysis.
Note:
1. The increase in net debt for the Merged Group is management's estimate of a maintainable level of debt of the Merged Group. It includes the impact of the $700 million aggregate Scheme Cash Consideration, payment of transaction costs and the funding of the ramp up of working capital to supply franchisees under the New Supply Contract.
2. Excludes the 6,120,640 Sigma Performance Rights that will lapse upon Implementation and be replaced with cash bonuses of equivalent value. The cash settlement of these Sigma Performance Rights has been considered within the Merged Group's anticipated net debt at Implementation (refer to Section 11.5.7 of this report).

In assessing a value range for the Merged Group's operating business, Kroll has adopted a market approach as the primary methodology utilising multiples of EBIT (refer to Section 11.2 of this report).

Our range of assessed values represents the underlying stand-alone value of a portfolio interest in the Merged Group and therefore excludes a premium for control and the value for synergies that may be available to acquirers of the Merged Group.

11.5.2 Maintainable earnings

Maintainable earnings should reflect the earnings that can be achieved in the future for the business on an ongoing basis. Kroll has selected a maintainable EBIT of $647.6 to $657.6 million.

In assessing maintainable earnings for the Merged Group, the following factors have been considered:

- the historical pro forma EBIT has been provided for FY22 to FY24 (refer to Section 10.6 of this report and Section 8.17 of the Scheme Booklet for further information on the Pro Forma historical financial information):
  - of these figures, we find pro forma FY24 EBIT of $605.5 million to be the most appropriate on which to base our assessment of maintainable earnings as:
    - FY22 pro forma EBIT includes abnormally high earnings contribution from Chemist Warehouse, driven by elevated sales of higher margin of COVID-19 related products and increased e-commerce activity during the pandemic;
    - FY23 pro forma EBIT does not include the significant increase in Chemist Warehouse's EBIT as a result of an increase in stores and consequential growth in franchise fee revenues and wholesale sales;
    - of the available pro forma numbers, FY24 also reflects the most recent macroeconomic environment as well as the most recent operating and financial performance of both Chemist Warehouse and Sigma;
- the Merged Group is not yet a stand-alone business and therefore it is not covered by brokers. Kroll notes that the Merged Group has received some financial forecasts by Sigma Brokers (refer to Section 10.6.1 of this report), however, coverage is limited and EBIT forecasts vary widely. We also note inconsistency in the timing of future financial periods used. It appears that brokers assume that FY26 is the first period in which the benefits of implementation flow through to earnings. However, it is not clear what level of synergies the brokers have individually included in their forecasts for each financial year. For these reasons, Kroll is of the opinion that broker forecasts do not represent reasonable basis on which to perform our valuation; and
- neither Sigma, nor Chemist Warehouse, have released any guidance with respect to the Merged Group earnings.

For these reasons, we have adopted FY24 pro forma EBIT of $605.5 million as the basis for our maintainable earnings. Kroll has assessed the FY24 pro forma EBIT and made certain adjustments to reflect individually significant non-recurring items, earnings from non-operating assets or earnings from equity accounted investments.

We have also included the estimated impact of incremental EBIT from the New Supply Contract which has not been captured in the FY24 pro forma earnings. This has been estimated by comparing Sigma's FY25 EBIT earnings guidance of $50 to $60 million with 1H25 actual Adjusted EBIT of $18.0 million and annualising the result. Adjustments are made to this figure to reflect the portion of earnings from sources other than the New Supply Contract, as well as the portion of earnings within the 1H25 actual Adjusted EBIT that reflect contribution from the New Supply Contract.

These adjustments are shown in the following table.

Kroll FY24 Maintainable Earnings for the Merged Group ($ millions)

	Low	High
FY24 Pro Forma EBIT	**605.5**	**605.5**
Add: one-off share-based payments	14.6	14.6
Add: loss from investments	0.5	0.5
Add: Kroll estimated incremental impact of the New Supply Contract	50.0	60.0
Subtract: income from associates and joint ventures	(23.1)	(23.1)
Kroll FY24 Maintainable Earnings	**647.6**	**657.6**

Source: Kroll analysis.

On this basis Kroll has selected a maintainable EBIT range of $647.6 to 657.6 million.

11.5.3 Selected EBIT Multiple

Kroll has selected an EBIT multiple in the range of 18.0 to 20.0. In selecting a multiple for the Merged Group, we have considered the following:

- the selected multiple for Merged Group is based on trading multiples of the most comparable publicly listed companies, which reflect minority parcels traded on the sharemarket. As such, the selected multiples do not include a control premium and reflect the value of the Merged Group on a stand-alone basis, excluding the impact of the Scheme;
- as discussed in Section 11.3.1 of this report, EBIT multiples for the most comparable publicly listed Australian and international listed health and pharmaceutical companies, as well as large Australian consumer retail companies, which are generally in the range of 12.2 to 23.5 times historical EBIT. Of the comparable company peer set, the companies at the high end of the range are generally represented by larger and more diversified companies with a stronger growth outlook, whilst the low end of the range is represented by smaller and less diversified companies that have a weaker growth outlook. We believe the Merged Group is worthy of a multiple at the high end of the range of multiples implied, as few of the comparable companies offer the combination of scale, diversification and estimated future growth that the Merged Group is expected to achieve;
- we have adopted slightly higher multiples for the Merged Group, relative to Chemist Warehouse, which we consider is justified as:
  - the Merged Group, relative to Chemist Warehouse will have access to Sigma's integrated and automated distribution network that will streamline its existing distribution processes allowing the distribution of product to occur more cost effectively and efficiently while enhancing long-term certainty regarding supply of pharmaceutical products for Chemist Warehouse franchisees. This expertise may also assist in Chemist Warehouse's international expansion;
  - the opportunity for additional synergies, above the approximate $60.0 million per annum (full run-rate, pre-tax) stated synergies;
  - combining two complementary businesses to create an integrated retail pharmacy franchisor and full-line pharmaceutical wholesaler and distributor. The Merged Group will also benefit from the combined expertise, skills, and experience of the management teams of both Chemist Warehouse and Sigma;
  - the Merged Group will be a larger business, with Merged Group FY24 pro-forma EBIT of $605.5 million, excluding synergies. There is also the opportunity to leverage Chemist Warehouse's marketing expertise across the Merged group more broadly;
  - the Merged Group is more diversified as a result of the contribution of Sigma's revenues and earnings and its own franchise network, private labels and exclusive brands. Sigma has extensive, automated distribution infrastructure and logistics capabilities that the Merged Group will benefit from, in addition to Chemist Warehouse's leading retailing and marketing experience;
  - in June 2024, the Pharmacy Guild of Australia and the Australian Government signed the Eighth Community Pharmacy Agreement (**8CPA**), delivering a total funding envelope of $26.5 billion, or approximately 22.0% higher than the previous agreement. We note that negotiations are well-

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advanced for a new industry agreement that will provide enhanced financial support for CSO wholesalers. The agreement is expected to be concluded in the near-term and Sigma has advised that it may provide further upside to guidance;

- we note that the Merged Group will be a similar business to both Clicks and Dis-Chem, as a relatively high growth, integrated wholesale and retail pharmacy franchisor. We note that these comparable companies trade on relatively higher historical EBIT multiples of 22.9 times and 18.8 times, respectively. However, for the reasons noted in Section 11.4.3 of this report, we acknowledge that comparisons between these South African listed peers and the Merged Group are complex; and
- as discussed in Section 11.3.2 of this report, EBIT multiples for transactions involving pharmaceutical wholesaling, distribution and retailing companies are generally in the range of 14.6 to 18.5 times. The most comparable transactions, the acquisitions of API and Terry White Group, occurred at multiples of 14.6 times to 15.4 times LTM EBIT. We note that these transactions were control transactions, whereas the value of the Merged Group is on a minority basis.

11.5.4 Equity accounted investments

The Merged Group's equity accounted investments reflect Chemist Warehouse's equity accounted investments. As a result, Kroll has adopted the same valuation for the Merged Group's equity accounted investments as the valuation for Chemist Warehouse's equity accounted investments.

Refer to Section 11.4.4 of this report for the valuation of Chemist Warehouse's equity accounted investments.

11.5.5 Surplus assets

Kroll has valued the Merged Group's surplus assets at $77.4 million. Surplus assets at Implementation include:

- pro forma $59.5 million of equity investments in third-party product suppliers and service providers (refer to Section 8.2(j) of the Scheme Booklet for more details); and
- pro forma financial assets with an associated book value of $18.0 million.

11.5.6 Synergies

Kroll has valued the cost synergies achievable by the Merged Group (refer to Section 10.4 of this report for further information). The cost synergies disclosed to the market by Sigma have been reviewed by a third party, forming reasonable basis for Kroll to include them in the valuation of the Merged Group.

Kroll has valued the synergies, using a discounted cash flow valuation, at between $520.0 million and $620.0 million.

In arriving at the selected value range, we have had consideration to the following factors:

- the Merged Group estimates annual net run-rate pre-tax cost synergies to be approximately $60 million per annum. It is expected that these synergies will be realised four years post completion of the Proposed Merger, with full run rate synergies expected to be achieved in the fifth year post Implementation. Potential cost synergies are expected to include rationalisation and optimisation of corporate costs and supply chain optimisation;
- the Merged Group estimates additional one-off costs to achieve synergies of approximately $75 million. There is a risk that the estimated integration costs may be higher than those currently expected to be incurred; and
- implied multiples of the full rate run of announced cost synergies, with adjustments for the time value of money and considerations for appropriate discount rates and terminal value multiples.

In order to assess the reasonable of the assumed synergies, Kroll has held discussions with Chemist Warehouse and Sigma management in relation to the synergies and reviewed internal analysis of synergies that it expects the Merged Group to achieve.

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Kroll also notes that the estimate of implementation costs is within the range of scope of reasonable estimates, based on the rule of thumb that implementation costs are typically one times run-rate synergies. [94]

11.5.7 Net debt

As discussed in Section 10.6 of this report, the Merged Group's net cash/(debt) as at the Implementation Date is estimated to be in the range of $(1.0) billion to $(1.3) billion. We note that the cash settlement of the 6,120,640 Sigma Performance Rights that will lapse upon Implementation of the Scheme has been considered within the Merged Group's anticipated net debt at Implementation.

Kroll's calculation of the Merged Group's target net debt (including net lease liabilities) at Implementation is as follows.

Adjusted Target Net Debt

	$m
Merged Group's anticipated net debt at Implementation (midpoint)[1]	**1,150.0**
Less: Financial assets (loans receivable)	(13.5)
Add: Net lease liabilities	258.2
Adjusted Target Net Debt	**1,394.7**

Source: Kroll analysis.
Notes:
1. The increase in net debt for the Merged Group is management's estimate of a maintainable level of debt of the Merged Group. It includes the impact of the $700 million aggregate Scheme Cash Consideration, payment of transaction costs and the funding of the ramp up of working capital to supply franchisees under the New Supply Contract.

11.6 Analysis of recent trading in Sigma Shares

Kroll notes the significant discrepancy between the current share trading price ($2.88 closing price as at 5 December 2024) of Sigma when compared to the fundamental valuation of New Sigma Shares detailed in Section 11.5 of this report.

Kroll has provided market evidence for both comparable companies and comparable transactions in Section 11.3 of this report. Kroll notes that the trading multiples implied by the current Sigma share price appear to be disconnected from a fundamental valuation relative to comparable companies.

At the current Sigma share price, the Merged Group FY24 historical EV/EBIT multiple is over 40 times.[95] Kroll notes that the implied EBIT multiple sits significantly above both the median of the comparable companies, and the median of the comparable transactions.

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[94] McKinsey. "A winning formula for deal synergies". 8 May 2020.
[95] Calculated by grossing up Sigma's market capitalisation by Sigma's proportional equity ownership in the Merged Group (14.75%), adding anticipated Merged Group net debt and comparing to the Merged Group's Adjusted EBIT.

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Appendix 1 – Kroll disclosures

Qualifications

The individuals with overall responsibility for preparing this report on behalf of Kroll are Ian Jedlin and Celeste Oakley. Ian is an Associate and Accredited Business Valuation Specialist of the Institute of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Shares Institute of Australia and holds a Master of Commerce from the University of New South Wales. He is also a member of the Standards Review Board of the International Valuation Standards Council. Celeste holds a Bachelor of Economics and Bachelor of Laws and a CFA designation. Both Ian and Celeste have extensive experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert's reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Kroll's opinion as to whether the Scheme is in the best interests of Chemist Warehouse Shareholders. Kroll expressly disclaims any liability to any Chemist Warehouse Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, Kroll has had no involvement in the preparation of the Scheme Booklet or any other document prepared in respect of the Proposed Merger. As such, Kroll takes no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Proposed Merger (other than this report).

Independence

Kroll considers itself to be independent in accordance with the requirements of Regulatory Guide 112 issued by the ASIC on 30 March 2011. In considering independence, it is noted that Kroll does not have, and has not had within the previous two years, any business or professional relationship with Chemist Warehouse or Sigma or any financial or other interest that could reasonably be regarded as capable of affecting our ability to provide an unbiased opinion for Chemist Warehouse Shareholders. Kroll's only role with respect to the Proposed Merger has been the preparation of this report.

Kroll will receive a fixed fee of $300,000 (excluding GST and out of pocket expenses) for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Meetings. Kroll will receive no other benefit for the preparation of this report.

Declarations

Chemist Warehouse has provided an indemnity to us for any claims arising out of any misstatement or omission in any material or information provided to us in the preparation of this report.

During the course of this engagement, Kroll provided draft copies of this report to management of Chemist Warehouse for comment as to factual accuracy, as opposed to opinions, which are the responsibility of Kroll alone. Changes made to this report as a result of those reviews have not altered the methodology or opinions of Kroll as stated in this report.

The engagement has been conducted in accordance with professional standard APES 225 "Valuation Service" issued by the Accounting Professional & Ethical Standards Board (**APESB**).

Kroll is authorised by Millinium Capital Managers Limited, Australian Financial Services License no. 284336, to provide the following financial services as their Corporate Authorised Representative: provide financial product advice in respect of the following classes of financial products; interests in managed investment schemes including investor directed portfolio services; and shares with respect to retail clients and wholesale clients.

Consents

Kroll consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet to be issued to Chemist Warehouse Shareholders. Neither the whole nor any part of this report or its attachments or any reference thereto may be included or attached to any other document without the prior written consent of Kroll as to the form and context in which it appears.

Appendix 2 – Limitations and reliance on information

Limitations and Reliance on Information

Kroll's opinion is based on prevailing economic, market, business and other conditions at the date of this report. However, the factors impacting these conditions continue to evolve and can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively. 0We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Our report is based on financial and other information provided by Chemist Warehouse, Sigma, and their advisers. Chemist Warehouse and Sigma have each been responsible for ensuring that information provided by them and their representatives is not false or misleading or incomplete. Chemist Warehouse and Sigma have represented in writing to Kroll that to their knowledge, the information provided in relation to their businesses is complete and not incorrect or misleading in any material respect. Complete information is deemed to be information which at the time of completing this report should have been made available to Kroll and would have reasonably been expected to have been made available to Kroll to enable us to form our opinion. We have no reason to believe that any material facts have been withheld from us.

In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying such information. Nothing in this report should be taken to imply that Kroll has in any way carried out an audit of the books of account or other records of Chemist Warehouse or Sigma for the purposes of this report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards, as applicable.

In addition, we have also had discussions with Chemist Warehouse in relation to the nature of the business operations, specific risks and opportunities, historical results of Chemist Warehouse and prospects for the foreseeable future of Chemist Warehouse. This type of information has been evaluated through analysis, inquiry and review to the extent considered necessary or practical as part of the information used in forming our opinion is comprised of the opinions and judgements of management. Kroll does not warrant that its procedures and inquiries have identified all matters that a more extensive analysis might disclose as they did not include verification work nor an audit or review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. Such information is often not capable of external verification or validation.

The statements and opinions included in this report are given in good faith and in the belief that such statements and opinions are not false or misleading.

Disclosure of information

In preparing this report, Kroll has had access to all financial information considered necessary in order to provide the required opinion. Chemist Warehouse has requested Kroll limit the disclosure of certain information relating to Chemist Warehouse. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Chemist Warehouse. As such the information in this report, unless otherwise indicated, has been limited to the type of information that is regularly placed into the public domain by Chemist Warehouse.

Sources of Information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- Scheme Booklet
- Sigma Prospectus
- annual reports for Chemist Warehouse for FY22, FY23 and FY24

- recent press articles regarding Chemist Warehouse
- results presentations, annual reports, press releases and other public filings relating to comparable companies and comparable transactions
- broker reports and press articles relating to comparable companies and comparable transactions
- information sourced from S&P Capital IQ
- various industry research reports (cited where required)

Sigma publicly available information including:

- results presentations and annual reports for Sigma for 2022, 2023, 2024 and 2025 (1H25)
- ASX announcements, press releases, media and analyst presentations and other public filings by Sigma including information available on its website
- broker reports and recent press articles regarding Sigma
- information sourced from S&P Capital IQ.

Non-public information:

- Chemist Warehouse Board papers and other internal briefing papers prepared by Chemist Warehouse in relation to the Proposed Merger
- Management accounts
- Due diligence reports (including independent assessment of synergies)
- other confidential documents, presentations and workpapers.

In addition, we have had discussions with, and obtained information from, senior management of Chemist Warehouse and Sigma.

Appendix 3 – Broker Consensus

Merged Group

Sigma has not released earnings guidance for the Merged Group. However, on standalone basis As far as Kroll is aware, Sigma is followed by eight brokers, none of which are advisors to the transaction. Following the ACCC's announcement, on 7 November 2024, that it would not oppose the Proposed Merger subject to the Merger Undertaking, three brokers have published reports on the Merged Group financials assuming the transaction will be completed before 31 January 2025. One broker has published reports on the Merged Group financials on pro-forma basis. Kroll has considered the forecasts for the three brokers (excluding the forecasts by one broker on pro-forma basis) in order to provide an indication of the brokers' expected future financial performance of the Merged Group.

A summary of the broker forecasts for the Merged Group is provided as follows.

Merged Group Broker Forecast Revenue, Gross profit and EBIT ($ millions)

		Revenue				Gross profit				EBIT			
	Date of report	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27
Broker 1	8-Nov-24	3,322.1	4,626.6	9,796.3	10,469.6	218.1	NA	NA	NA	23.2	56.8	852.4	1,016.6
Broker 2	7-Nov-24	3,322.1	4,530.1	9,729.0	10,368.4	218.1	286.2	1,664.7	1,818.2	23.2	54.0	905.4	1,054.9
Broker 3	7-Nov-24	3,322.1	4,859.0	9,340.0	9,685.0	218.1	431.0	1,556.0	1,656.0	23.2	105.0	744.0	802.0
Low		**3,322.1**	**4,530.1**	**9,340.0**	**9,685.0**	**218.1**	**286.2**	**1,556.0**	**1,656.0**	**23.2**	**54.0**	**744.0**	**802.0**
High		**3,322.1**	**4,859.0**	**9,796.3**	**10,469.6**	**218.1**	**431.0**	**1,664.7**	**1,818.2**	**23.2**	**105.0**	**905.4**	**1,054.9**
Median		**3,322.1**	**4,626.6**	**9,729.0**	**10,368.4**	**218.1**	**358.6**	**1,610.4**	**1,737.1**	**23.2**	**56.8**	**852.4**	**1,016.6**
Mean		**3,322.1**	**4,671.9**	**9,621.8**	**10,174.3**	**218.1**	**358.6**	**1,610.4**	**1,737.1**	**23.2**	**71.9**	**833.9**	**957.8**

Source: Brokers' reports, Kroll analysis.
Note: FY24 figures represent Sigma on an actual and standalone basis.

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Merged Group Broker Forecast NPAT ($ millions), EPS (cents) and DPS (cents)

		NPAT				EPS				DPS			
	Date of report	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27	FY24	FY25	FY26	FY27
Broker 1	8-Nov-24	4.5	41.5	581.6	698.2	0.4	2.5	5.0	6.0	1.0	1.0	3.5	4.2
Broker 2	7-Nov-24	4.5	32.0	604.4	706.6	0.4	2.0	5.2	6.1	1.0	1.0	2.1	2.4
Broker 3	7-Nov-24	4.5	52.0	481.0	520.0	0.4	0.4	4.2	4.5	1.0	1.0	2.0	2.0
Low		**4.5**	**32.0**	**481.0**	**520.0**	**0.4**	**0.4**	**4.2**	**4.5**	**1.0**	**1.0**	**2.0**	**2.0**
High		**4.5**	**52.0**	**604.4**	**706.6**	**0.4**	**2.5**	**5.2**	**6.1**	**1.0**	**1.0**	**3.5**	**4.2**
Median		**4.5**	**41.5**	**581.6**	**698.2**	**0.4**	**2.0**	**5.0**	**6.0**	**1.0**	**1.0**	**2.1**	**2.4**
Mean		**4.5**	**41.8**	**555.7**	**641.6**	**0.4**	**1.6**	**4.8**	**5.5**	**1.0**	**1.0**	**2.5**	**2.9**

Source: Brokers' reports, Kroll analysis.
Note: FY24 figures represent Sigma on an actual and standalone basis.

Appendix 4 – Valuation methodologies

The purpose of the valuation methodology adopted is, in the absence of direct market evidence, to provide an estimate of value using methodologies that rely on other sources of evidence. Consistent with International Valuation Standards, valuation methodologies applicable to assets or businesses can be categorised under three approaches: market approach, income approach and cost approach.

These approaches have application in different circumstances. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved.

Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is substantial operating history and a consistent earnings trend.

The market comparable methodology indicates the value of a business by comparing it to publicly traded companies in similar lines of business. An analysis of the trading multiples of comparable companies yields insight into investor perceptions and, therefore, the value of the subject company. The multiples are evaluated and compared based on the relative growth potential and risk profile of the subject company vis-a-vis the publicly traded comparable companies. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands.

The comparable transaction methodology indicates value based on exchange prices in actual transactions. This process essentially involves the comparison and correlation of the subject company with other similar businesses recently sold or currently offered for sale. Considerations such as timeframe of transaction, premiums, and conditions of sale are analysed, and the observed transaction multiples are subjectively adjusted to indicate a value for the subject company.

A key step in both methods is determining the appropriate unit of comparison. In a business valuation common units of comparison include, revenue, EBITDA, EBIT, net profit after tax and book values. The choice will typically depend on the industry and characteristics of the subject asset.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them.

Income approach

Under an income approach the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history or there is a variable pattern of cash flow or the asset has a finite life.

The most common methodology adopted is the DCF methodology. It has a strong theoretical basis and benefits by explicitly estimating future cash flows, allowing it to be used in a variety of circumstances, whether that be a start-up or an established business. It also allows for various scenarios and/or sensitivities to be modelled. Under a DCF methodology, forecast cash flows are discounted back to the valuation date resulting in a present value for the asset. Where there is an explicit forecast period a terminal value will typically be included, representing the value of the asset at the end of this period, which is also discounted back to the valuation date to give an overall value for the business. The rate at which the future cash flows are discounted (the discount rate) should reflect not only the time value of money, but also the risk associated with the asset or business' future operations. Whilst discount rates are generally determined from observable data, substantial judgement is required in their determination. Further, the cash flows themselves also require considerable judgement in their preparation, placing significant importance on the quality of the underlying cash flow forecasts and the determination of an appropriate discount rate in order for a DCF methodology to produce a sensible valuation figure.

DCF's can also be extremely sensitive to what may be considered small changes in various assumptions and the longer the forecast period the more difficult it is in general to forecast cash flows with sufficient reliability. As such, it is important to adequately understand the basis and risks associated with the various assumptions used to derive the cash flow forecasts and recognise the impact it can have on resulting values including the value range. Notwithstanding, DCF methodologies are widely used and benefit from the rigour associated with the preparation of future cash flows.

Cost approach

Under a cost approach the value of an asset is determined having regard to the cost to replace or reproduce the asset. The most common methodologies include:

- the replacement cost;
- the reproduction cost method; and
- the summation method.

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies).

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Appendix 5 – Market Evidence

Comparable companies

The following table sets out the trading multiples for the comparable companies to Chemist Warehouse and the Merged Group, as at 6 December 2024.

Comparable Companies

Company name	Country	Market Capitalisation ($ million)	Enterprise value ($ million)	EBIT multiple[1]		EBIT CAGR (FY to FY+2)
				LTM	FY+1	
Australia Health and Pharmacy						
EBOS Group Ltd	Australia	6,617.6	7,915.3	15.2x	16.7x	(0.4)%
Sigma Healthcare[2]	Australia	760.8	966.3	26.7x[3]	22.4x	43.8%[3]
Australia Consumer						
Woolworths Group Limited	Australia	36,496.1	51,441.1	16.0x	16.8x	1.7%
Coles Group Limited	Australia	25,378.1	34,547.1	15.9x	16.6x	3.6%
Wesfarmers Limited	Australia	84,059.1	93,564.1	23.5x	22.5x	7.3%
JB Hi-Fi Limited	Australia	10,364.9	10,704.6	16.5x	15.7x	5.2%
Harvey Norman Holdings	Australia	6,018.2	7,979.4	12.2x	11.5x	7.5%
International Health and Pharmacy						
McKesson Corporation	United States	119,905.1	127,646.0	15.9x	15.0x	10.0%
Henry Schein, Inc.	United States	14,245.1	20,201.8	15.0x	13.5x	5.8%
CVS Health Corporation	United States	108,895.0	178,145.6	8.4x	9.6x	(13.4%)
Clicks Group Limited	South Africa	8,255.6	8,317.6	22.9x	17.7x	19.8%
Dis-Chem Pharmacies Limited	South Africa	2,808.3	3,154.5	18.8x	16.9x	17.0%
Mean[4]				**16.4x**	**15.7x**	**5.8%**
Median[4]				**15.9x**	**16.6x**	**6.8%**

Source: Company fillings, Capital IQ, Kroll analysis.

Notes:

1. EBIT multiple is calculated based on normalised operating income, repectively which excludes non-recurring items.
2. Market data and financials considered for Sigma is at 6 December 2023, the last trading day prior to the announcement of the Merger Proposal.
3. LTM period ending July 2023 is considered as the first period to calculate the CAGR for Sigma.
4. Mean and median calculation excludes Sigma Healthcare given the multiples and growth rates are outliers.

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Australian Health and Pharmacy

EBOS Group Ltd

EBOS is a marketer, wholesaler and distribution of healthcare, medical and pharmaceutical products predominantly in Australia and New Zealand. EBOS operates as one of Australia's three major full-line pharmaceutical wholesalers, and operates various franchise pharmacy banner groups, namely Terry White Chemmart. EBOS operates two core segments: Healthcare and Animal Care.

EBOS has a market capitalisation of $6.6 billion is currently trading at a historical EBIT multiple of 15.2 times, and a forward EBIT multiple of 16.7 times.

Sigma Healthcare

Sigma operates as a pharmaceutical wholesaler, distributor and retail pharmacy franchisor business in Australia. Sigma is engaged in wholesale and distribution of prescription medicines to over 4,000 retail pharmacies nationally, including franchisees operating under the Amcal and Discount Drug Store brands Sigma provides third-party logistics services to pharmaceutical manufacturers and other suppliers through the use of excess capacity in its extensive national distribution network.

As of December 7, 2023, date before the announcement of Sigma's merger with Chemist Warehouse, Sigma had a market capitalization of $966.3 million. It was trading at a historical EBIT multiple of 26.7 times and a forward EBIT multiple of 22.4 times.

Australian Consumer

Woolworths Group Ltd

Woolworths is an Australian based retailer, operating the Woolworths supermarket chain in Australia and New Zealand, as well as Big W retail chain. Woolworths operates as one of Australia's two major supermarket chains, with over 1,100 Woolworths supermarket and metro stores in Australia (as at 30 June 2024). Woolworths has diversified operations including in speciality retailing through Big W, Petstock and Healthylife as well as operating business-to-business food services and other adjacent platforms and services.

Woolworths has a market capitalisation of $36.5 billion is currently trading at a historical EBIT multiple of 16.0 times, and a forward EBIT multiple of 16.8 times.

Coles Group Ltd

Coles is an Australian based retailer, operating the Coles supermarket chain in Australia, as well as Liquorland retail chain. Coles operates as one of Australia's two major supermarket chains, with over 850 supermarket stores and 992 liquor stores in Australia (as at 30 June 2024). Coles also offers its products online via a mobile app, and its e-commerce sales accounted for 9% of the total sales for the year ending June 30, 2024. Coles is also a 50% shareholder of Flybuys, a customer loyalty program which has more than nine million active members.

Coles has a market capitalisation of $25.4 billion is currently trading at a historical EBIT multiple of 15.9 times, and a forward EBIT multiple of 16.6 times.

Wesfarmers Ltd

Wesfarmers owns a diversified portfolio of businesses which includes retail, industrial, and health. It operates its retail business through Bunnings, Kmart Group and Officeworks retails stores. Bunnings is a retailer of home improvement and outdoor living products and suppliers of project builders and housing industry. Kmart group operates 322 stores in Australia and New Zealand which retails apparel and general merchandise. Officeworks operates as a chain of retail office supplies stores. Wesfarmers' Industrial segments includes supply of chemicals, fertilisers, and safety products to the mining, agriculture and industrial sector. Health business includes brands such as API, Priceline, Clear Skincare, Soul Pattinson Chemist, Club Premium and Pharmacist Advice.

Wesfarmers has a market capitalisation of $84.1 billion is currently trading at a historical EBIT multiple of 23.5 times, and a forward EBIT multiple of 22.5 times.

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JB Hi-Fi Limited

JB Hi-Fi Limited is a retailer of consumer electronics in Australia and New Zealand. The company operates under two retail brands: JB Hi-Fi (including JB Hi-Fi Home) and The Good Guys. Its product range includes branded computers, TVs, mobile phones, home appliances, portable audio devices, and more. As of June 30, 2024, JB Hi-Fi Limited has 224 JB Hi-Fi/JB Hi-Fi Home stores in Australia and New Zealand, and 106 The Good Guys stores in Australia.

JB Hi-Fi Limited has a market capitalisation of $10.4 billion is currently trading at a historical EBIT multiple of 16.5 times, and a forward EBIT multiple of 15.7 times.

Harvey Norman Holdings Limited

Harvey Norman is a holding company for integrated franchised and non-franchised retail, property and financial services operations in Australia. As of June 2024, in Australia 196 franchised businesses are licensed to operate under the Harvey Norman, Domayne and Joyce Mayne brands selling primarily furniture, electrical goods, computers, telecommunications, homewares and furnishings. Harvey Norman also has international operations in New Zealand, Ireland, Northern Ireland, Slovenia, and Croatia and holds a controlling interest in Pertama Holdings Limited which operates in Singapore and Malaysia.

Harvey Norman has a market capitalisation of $6.0 billion is currently trading at a historical EBIT multiple of 12.2 times, and a forward EBIT multiple of 11.5 times.

International Health and Pharmacy

McKesson Corporation

McKesson provides healthcare services in the United States and internationally and operates through four segments including U.S. Pharmaceutical, International, Medical-Surgical Solutions, and Prescription Technology Solutions (RxTS). The U.S. Pharmaceutical segment has over 27 distribution centres in the US which supplies branded, generic, specialty, biosimilar, and over-the-counter pharmaceutical drugs and other healthcare-related products. The International segment offers distribution and services to wholesale, institutional, and retail customers in Europe and Canada. The Medical-Surgical Solutions segment provides surgical supply distribution, logistics, and other services to healthcare providers. The RxTS segment offers solution to help patients get the medications and provides solution for therapies and interventions to biopharma manufacturers.

McKesson has a market capitalisation of $119.9 billion is currently trading at a historical EBIT multiple of 15.9 times, and a forward EBIT multiple of 15.0 times.

Henry Schein, Inc

Henry Schein is a global provider of health care products and services for dental and medical practitioners which operates through two segments, Health Care Distribution, and Technology and Value-Added Services. The Health Care Distribution segment offers dental products, including infection-control products articulators, abrasives, dental chairs, composites, anaesthetics, teeth, dental implants, gypsum, acrylics and others. The Technology and Value-Added Services segment offers software, technology, and other value-added services that include practice management software systems for dental and medical practitioners. Health Care Distribution segment contributed 93.5% to the total net sales of Henry Schein in the year ending 31 December 2023.

Henry Schein has a market capitalisation of $14.2 billion is currently trading at a historical EBIT multiple of 15.0 times, and a forward EBIT multiple of 13.5 times.

CVS Health Corporation

CVS provides health solution in the US and operates through three business segments including Pharmacy & Consumer Wellness, Health Care Benefits, and Health Services. The Pharmacy & Consumer Wellness segment offers prescription and over-the-counter drugs, consumer health and beauty products, and personal care products. As of September 30, 2024, the Pharmacy & Consumer Wellness segment operated more than 9,000 retail locations along with online retail pharmacy websites, long-term care pharmacies and on-site pharmacies, retail specialty pharmacy stores, compounding pharmacies and branches for infusion and enteral nutrition services. The Health Care Benefits segment offers health insurance products and related services. The Health Services segment offers pharmacy benefit management solutions, including plan design and administration, formulary management, retail pharmacy network management and others.

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CVS has a market capitalisation of $108.9 billion is currently trading at a historical EBIT multiple of 8.4 times, and a forward EBIT multiple of 9.6 times.

Clicks Group Limited

Clicks Group is a South Africa-based healthcare retailer. Clicks Group operates multiple segments including Clicks, Clicks Baby and UPD. Click's is South Africa's leading pharmacy, healthy and beauty retailer with over 930 stores and over 715 in-store pharmacies. Click's Baby retails a wide range of mother and baby products including baby hardware, accessories and baby foods across six standalone stores in South Africa. UPD is South Africa's only full-line pharmaceutical wholesaler and supplies retail pharmacies, private hospitals, dispensing doctors and retail health stores. Clicks Group also manages the global retail brand 'The Body Shop' under a franchise agreement in South Africa.

Clicks has a market capitalisation of $8.3 billion is currently trading at a historical EBIT multiple of 22.9 times, and a forward EBIT multiple of 17.7 times.

Dis-Chem Pharmacies Limited

Dis-Chem is a South Africa-based retailer and wholesaler of affordable healthcare products and pharmaceuticals. Dis-Chem operates a retail and wholesale segment, with the retail segment operates 274 pharmacy stores and 53 retail baby stores. The pharmacy stores sell pharmaceutical products, personal and beauty care products and healthcare and nutrition products. Dis-Chem's wholesale segment consists of the CJ Wholesale and Dis-Chem distribution businesses, which wholesales pharmaceuticals and health and beauty products.

Dis-Chem has a market capitalisation of $2.8 billion is currently trading at a historical EBIT multiple of 18.8 times, and a forward EBIT multiple of 16.9 times.

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Comparable Transactions

The following tables set out the key comparable healthcare transactions.

Comparable Healthcare Transactions

Announcement date	Target	Acquirer	Country / Region	Stake acquired (%)	Implied Enterprise Value ($ million)	EBIT multiple	
						Historical	Forward
Australian Healthcare							
31 August 2023	Healthia Limited	Pacific Equity Partners	Australia	100.0%	536.3	17.4x	13.6x
27 April 2023	Blackmores Ltd	Kirin Health Science	Australia	100.0%	1,839.9	33.8x	24.4x
14 December 2021	Virtus Health Ltd	BGH Capital	Australia	100.0%	836.7	17.4x	15.8x
9 December 2021	Lifehealthcare Group	EBOS Group	Australia	100.0%[2]	1,286.0	na[3]	17.3x
8 November 2021	Australian Pharmaceutical Industries Limited	WFM Investments Pty Ltd	Australia	100.0%	1,025.0	14.6x	13.4x
19 October 2018	Terry White Group	EBOS Group	Australia	49.9%	120.1	15.4x	na
International Healthcare							
6 January 2021	Alliance Healthcare Businesses of Walgreens Boots Alliance, Inc	Amerisource Bergen Corporation	Europe	100.0%	8,016	18.5x	na

Source: S&P Capital IQ, Company announcements, Kroll analysis.

Notes:

1. EBIT multiples is calculated based on normalised operating income, which excludes non-recurring items.
2. EBOS acquired 100% of LifeHealthcare's Australian and New Zealand subsidiaries and 51% of its Asian subsidiary, Transmedic, with the remaining 49% retained by Transmedic's co-founders.
3. na represents not available.

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Australian Healthcare

Healthia Limited / Pacific Equity Partners

On 31 August 2023, Healthia announced it had entered into a Scheme Implementation Deed to be acquired by an entity owned by funds advised by Pacific Equity Partners. The transaction occurred at a 84.6% premium on the last closing price before the announcement date of the offer. Healthia is a diversified healthcare provider in Australia and New Zealand. Healthia provides various health services including occupational therapy, optometry, orthotics, podiatry and physiotherapy. Pacific Equity Partners is an Australian private equity firm. The acquisition was completed on December 11, 2023, at an implied historical EBIT multiple of 17.4 times.

Blackmores Limited / Kirin

On 27 April 2023, Blackmores and Kirin announced that they had entered into a Scheme Implementation Deed under which Kirin would acquire 100% of Blackmores via a scheme of arrangement. Blackmores is a vertically integrated Australian consumer products company, specialising in the manufacturing and sales of vitamins, minerals and health supplement sector. Kirin is a holding company that owns food and beverage, pharmaceuticals and health sciences businesses that operate in Japan and globally. The acquisition occurred at an high implied historical EBIT multiple of 33.8 times, given the acquisition provides various growth opportunities Kirin by leveraging Blackmores' distribution channels and capabilities.

Virtus Health / BGH Capital

On 14 December 2021, BGH Capital (**BGH**) proposed to buy 79.98% stake in Virtus for $7.10 per share. Due to a bidding war with UK-based investor CapVest, the offer price was later increased to $8.10 per share in June 2022. Virtus operates as a provider of fertility services in Australia, Ireland, Denmark, Singapore and the UK and offers fertility care and related specialised diagnostic and day hospital services. BGH is an Australian and New Zealand focused private equity firm. The transaction implied a historical EBIT multiple of 17.4 times.

LifeHealthcare Group / EBOS Group Limited

On December 9, 2021, EBOS Group agreed to acquire LifeHealthcare for an implied enterprise value of approximately $1.3 billion. Under the agreement, EBOS would acquire 100% of LifeHealthcare's Australian and New Zealand subsidiaries and 51% of its Asian subsidiary, Transmedic, with the remaining 49% retained by Transmedic's co-founders. LifeHealthcare operates as a distributor of medical devices, consumables, and capital equipment in Australia, New Zealand, and Southeast Asia. EBOS Group completed the acquisition of LifeHealthcare in May 2022 at an implied forward EBIT multiple of 17.3 times.

API / WFM Investments Pty Ltd

On 31 March 2022, a subsidiary of Wesfarmers, WFM Investments Pty Ltd, announced the acquisition of 100% of API via a scheme of arrangement for an implied enterprise value of $1.0 billion. API is an Australian distributor and wholesaler of pharmaceutical, medical, health and beauty products as well as owner of Priceline Pharmacy and other pharmacy brands. Wesfarmers is a large conglomerate group with assets across the Australian and New Zealand retail and industrial sectors. The acquisition occurred at an implied historical EBIT multiple of 14.6 times.

Terry White Group / EBOS Group

On 12 December 2018 , EBOS Group acquired the remaining 49.9% of the Terry White Group at an implied enterprise value of $120.1 million. Terry White Group is the owner of the Terry White Chemmart pharmacy networks in Australia which offers baby and child, beauty, general health, personal care, skin care, vitamins, and weight products. EBOS Group is a wholesaler and distributor of healthcare goods operating in Australia and New Zealand. The acquisition occurred at an implied historical EBIT multiple of 15.4 times.

International Healthcare

Alliance Healthcare Businesses of Walgreens Boots Alliance, Inc / AmerisourceBergen

On 2 June 2021, AmerisourceBergen completed the acquisition of majority of Alliance Healthcare from Walgreens Boots Alliance, Inc at an implied enterprise value of $8.0 billion. The acquisition excludes Alliance Healthcare's businesses in Germany, Italy and China The acquired company operates as a global

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wholesaler of pharmaceuticals. AmerisourceBergen is a global company operates as a wholesale distributor of pharmaceutical products and related health care services. The acquisition is expected to expand AmerisourceBergen's distribution network globally, particularly in Europe. The transaction implied a historical EBIT multiple of 18.5 times.

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Part Two – Financial Services Guide

What is an FSG?

This Financial Services Guide ("FSG") is an important document that provides you with information to help you decide whether to use our financial services.

This FSG contains information on:

- who we are;
- who our authorised representatives are;
- how we can be contacted;
- certain financial services that we can offer you;

how we, our authorised representatives and other parties involved in providing the financial services are paid in relation to the financial services we offer; and

details of how you can make a complaint about us or the financial services we provide.

Who we are?

Kroll Australia Pty Ltd. (ACN 116 738 535) ("We", "us" and "Kroll") is authorised to provide retail financial services on behalf of Millinium Capital Managers Limited (ACN 111 283 357) ("Millinium"), Australian Financial Services License ("AFSL") no. 284336, as a Corporate Authorised Representative ("CAR"). We have also appointed Mr. Ian Jedlin as an authorised representative to Millinium's AFSL (our "Authorised Representative"). All authorised representatives of Kroll are authorised representatives of Millinium. We aim to provide quality financial products and services to investors. Kroll acts on its own behalf when providing financial services.

Kroll has been engaged by Chemist Warehouse Limited ('Client') to prepare an independent expert's report ("Report") in connection with the proposed sale of Client's business to Sigma Limited. Chemist Warehouse Limited will provide our Report to you.

Our details

Kroll Australia Pty Ltd
Level 32, 85 Castlereagh St
SYDNEY
NSW 2000
www.kroll.com
Ph: 02 8286 7200

Our Authorised Representative

Ian Jedlin
ASIC authorised representative: No. 000404117
Level 32, 85 Castlereagh St
SYDNEY
NSW 2000

Authorised Financial Services

Kroll is authorised by Millinium to provide the following financial services as their CAR:

- provide financial product advice in respect of the following classes of financial products:
  - interests in managed investment schemes including investor directed portfolio services; and
  - shares,
  - with respect to retail clients and wholesale clients.

This FSG only relates to the provision of general advice by Kroll.

Personal Advice

Neither we nor our authorised representatives can provide you with personal advice. Personal advice is advice that takes into account your objectives, financial situation and needs. Where you are referred to a financial planner for personal advice, they will make reasonable enquiries to understand your personal objectives, financial situation and needs. Their personal advice, and any relevant warnings, will be provided to you in their Statement of Advice ("SOA").

Remuneration

Kroll charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay Kroll $300,000 (excluding GST and out of pocket expenses) for preparing the Report. Kroll and its officers, representatives, related entities and associates ("Personnel") will not receive any other fee or benefit in connection with the provision of the Report. All Personnel that provide general advice on our behalf in providing services are on contract to us and receive a salary or payments in accordance with their respective contracts. They may also receive a bonus, but it is not related to the general advice provided in the Report.

Kroll may provide professional services, including consultancy, business intelligence, transfer pricing and financial advisory services, to the person who engaged us and receive fees for those services Kroll and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaint Redressal

If you have a complaint, please let either Kroll or the Authorised Representative know. Formal complaints should be sent in writing to Complaints Officer, Kroll, Level 32, 85 Castlereagh St, SYDNEY, NSW 2000. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 8286 7227 and they will assist you in documenting your complaint. If the complaint cannot be settled in the first instance by Kroll, you should contact Millinium via the contact details set out below:

In writing:

Dispute Resolution Officer
Millinium Capital Managers Limited
GPO Box 615
Sydney, NSW, 2000

When your complaint is received by Millinium it will be entered onto Millinium's complaints register. All details of the complaint will be sent to the Disputes Resolution Officer who will investigate the circumstances of the complaint. If the Disputes Resolution Officer is unable to reach a satisfactory resolution of the complaint within thirty (30) business days of receipt, you should contact Australian Financial Complaints Authority ("AFCA"). The details are:

In writing:

https://www.afca.org.au/make-a-complaint
Telephone
1300 56 55 62 (local call rate)
Email
info@afca.orga.au
Website
www.afca.org.au

Please note that AFCA can currently only deal with claims for compensation up to $1,085,000. Monetary limits and the AFCA terms of reference do change from time to time. Current details can be obtained from the AFCA website listed above.

Annexure 3

Investigating Accountant's Report

Annexure 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

13 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 CWG Scheme Booklet 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 CWG Scheme Booklet (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

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331 MELBOURNE VIC 3001
T: +61 3 8603 1000, F: +61 3 8603 1999,, www.pwc.com.au

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 7.7(c), 7.7(d) and 7.7(e) and 7.7(f) 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 6.8(c), 6.8(d) and 6.8(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 8.17(d), 8.17(g) and 8.17(i) 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 to Income Statements and Statement of Cash Flows in sections 8.17(e) and 8.17(h) of the Public Document.

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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 8.17(i) 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 8.17(i) 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 sections 7.7(c), 7.7(d), 7.7(e) and 7.7(f) of the Public Document, and comprising:

- the Sigma Statement of Financial Position as at 31 July 2024 as set out in figure 17 in section 7.7(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 13 and 14 in section 7.7(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 15 and 16 in section 7.7(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 18, 19 and 20 in section 7.7(f) 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 21, 22 and 23 in section 7.7(f) of the Public Document,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in *section* 7.7(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 6.8(c), 6.8(d) and 6.8(e) of the Public Document, and comprising:

- the CWG Statement of Financial Position as at 30 June 2024 as set out in figure 7 in section 6.8(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 5 in section 6.8(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 6 in section 6.8(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 6.8(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 sections 8.17(d), 8.17(g) and 8.17(i) 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 59 in section 8.17(i) 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 50 in section 8.17(d) 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 55 in section 8.17(g) of the Public Document,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 8.17(b) 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 7.7(a), 6.8(a) and 8.17(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

AWelsh

Andy Welsh
Authorised Representative
PricewaterhouseCoopers Securities Ltd

Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 13 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)

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

Annexure 4

Scheme of arrangement

Annexure 4. Scheme of arrangement

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Scheme of arrangement

CW Group Holdings Limited

Scheme Shareholders

80 Collins Street Melbourne Vic 3000 Australia
GPO Box 128A Melbourne Vic 3001 Australia

T +61 3 9288 1234 **F** +61 3 9288 1567
herbertsmithfreehills.com DX 240 Melbourne

Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

CW Group Holdings Limited

ACN 635 851 839 of 6 Albert Street, Preston VIC 3072

The **Scheme Shareholders**

1 Definitions, interpretation and scheme components

1.1 Definitions

The meanings of the terms used in this Scheme are set out below.

Term	Meaning
ADI	authorised deposit-taking institution (as defined in the *Banking Act 1959* (Cth)).
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691) and, where the context requires, the financial market that it operates.
Business Day	a day on which banks are open for business in Melbourne, other than a Saturday, Sunday or public holiday.
Chemist Warehouse	CW Group Holdings Limited (ACN 635 851 839).
Chemist Warehouse Leakage	has the meaning given in the Merger Implementation Agreement.

Term	Meaning
Chemist Warehouse Registry	Computershare Investor Services Pty Limited (ACN 078 279 277).
Chemist Warehouse Share	a fully paid ordinary share in the capital of Chemist Warehouse.
Chemist Warehouse Shareholder	a person who is registered as the holder of a Chemist Warehouse Share in the Chemist Warehouse Share Register.
Chemist Warehouse Share Register	the register of members of Chemist Warehouse maintained by the Chemist Warehouse Registry in accordance with the Corporations Act.
Corporations Act	the *Corporations Act 2001* (Cth).
Court	the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Chemist Warehouse and Sigma.
Deed Poll	the deed poll under which Sigma covenants in favour of the Scheme Shareholders to perform the obligations attributed to Sigma under this Scheme.
Effective	when used in relation to this 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 this Scheme.
Effective Date	the date on which this Scheme becomes Effective.
End Date	has the meaning given in the Merger Implementation Agreement.
Government Agency	has the meaning given in the Merger Implementation Agreement.
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.

Term	Meaning
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 New Sigma Shares when the Scheme becomes Effective.
Leakage	has the meaning given in the Merger Implementation Agreement.
Merger Implementation Agreement	the merger implementation agreement dated 11 December 2023 (as amended) between Chemist Warehouse and Sigma relating to the implementation of this Scheme.
New Sigma Share	a Sigma Share to be issued to Scheme Shareholders under this Scheme.
PPSA	the *Personal Property Securities Act 2009* (Cth).
Registered Address	in relation to a Chemist Warehouse Shareholder, the address shown in the Chemist Warehouse Share Register as at the Scheme Record Date.
Sale Agent	the sale agent appointed under clause 5.5 of the Merger Implementation Agreement to sell the New Sigma Shares that are to be issued under clause 5.5(a)(1) of this Scheme.
Scheme	this 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 Cash Consideration	a cash amount per Scheme Share held by a Scheme Shareholder calculated as follows: $N = \frac{\$700\ million + A}{B}$ where: N is the cash amount per Scheme Share held by a Scheme Shareholder; A is the net amount of any Leakage calculated in accordance with clause 11 of the Merger Implementation Agreement, provided that:

Term	Meaning
	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 B is the total number of Scheme Shares.
Scheme Consideration	the consideration to be provided by Sigma to each Scheme Shareholder for the transfer to Sigma of each Scheme Share, being: 1 the Scheme Cash Consideration; and 2 the Scheme Share Consideration, for each Chemist Warehouse Share held by a Scheme Shareholder as at the Scheme Record Date.
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 or such other time and date as agreed in writing by Chemist Warehouse and Sigma.
Scheme Share Consideration	for each Scheme Share held by a Scheme Shareholder, the number of New Sigma Shares calculated as follows: $N = \frac{0.8575 \times (\frac{A}{0.1425})}{B}$ where: N is the number of New Sigma Shares; 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: 1 excludes any options, rights or securities existing as at the date of this 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 2 includes any options, rights or securities existing as at the date of this 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

Term	Meaning
	B is the total number of Scheme Shares.
Scheme Shareholder	a Chemist Warehouse Shareholder as at the Scheme Record Date.
Scheme Shares	all Chemist Warehouse Shares held by the Scheme Shareholders as at the Scheme Record Date.
Scheme Transfer	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Sigma as transferee, which may be a master transfer of all or part of the Scheme Shares.
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 this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.
Sigma	Sigma Healthcare Limited (ACN 088 417 403).
Sigma Leakage	has the meaning given in the Merger Implementation Agreement.
Sigma Registry	Link Market Services Limited (ACN 083 214 537).
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 Registry in accordance with the Corporations Act.
Unclaimed Money Act	the *Unclaimed Money Act 2008* (Vic).

1.2 Interpretation

In this Scheme:

(a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;

(b) the singular includes the plural and the plural includes the singular;

(c) words of any gender include all genders;

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(d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;

(e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;

(f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Scheme;

(g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them (whether passed by the same or another Government Agency with legal power to do so);

(h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;

(i) a reference to '$', 'A$' or 'dollar' is to Australian currency;

(j) a reference to any time is, unless otherwise indicated, a reference to that time in Melbourne, Victoria;

(k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1.1, has the same meaning when used in this Scheme;

(l) a reference to a party to a document includes that party's successors and permitted assignees;

(m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;

(n) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;

(o) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:

(1) which ceases to exist; or

(2) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions;

(p) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;

(q) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later; and

(r) if an act prescribed under this Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day.

1.3 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

2 Preliminary matters

(a) Chemist Warehouse is an unlisted public company limited by shares, incorporated in Australia and registered in Victoria, Australia.

(b) Sigma is a public company limited by shares, incorporated in Australia and registered in New South Wales, Australia. The Sigma Shares are quoted for trading on the ASX.

(c) Chemist Warehouse and Sigma have agreed, by executing the Merger Implementation Agreement, to implement this Scheme on the terms and conditions of the Merger Implementation Agreement.

(d) If this Scheme becomes Effective, each of the following will occur:

  (1) all of the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to Sigma on the Implementation Date;

  (2) in consideration of the transfer of the Scheme Shares to Sigma, Sigma will provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with this Scheme and the Deed Poll; and

  (3) Chemist Warehouse will enter Sigma's name in the Chemist Warehouse Share Register as the holder of all of the Scheme Shares.

(e) This Scheme attributes actions to Sigma but does not itself impose an obligation on it to perform those actions. Sigma has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders subject to this Scheme becoming Effective.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(a) all the conditions in Schedule 3 of the Merger Implementation Agreement (other than the condition in clause 1.3 of Schedule 3 of the Merger Implementation Agreement relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Merger Implementation Agreement by 8.00am on the Second Court Date;

(b) neither the Merger Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;

(c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Sigma and Chemist Warehouse;

(d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by Sigma and Chemist Warehouse having been satisfied or waived; and

(e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date Chemist Warehouse and Sigma agree in writing).

3.2 Certificate

(a) Chemist Warehouse and Sigma will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.

(b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

3.3 End Date

This Scheme will lapse and be of no further force or effect if:

(a) the Effective Date does not occur on or before the End Date; or

(b) the Merger Implementation Agreement or the Deed Poll is terminated in accordance with its terms,

unless Chemist Warehouse and Sigma otherwise agree in writing.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

Chemist Warehouse must lodge with ASIC an office copy of the Court order in accordance with subsection 411(10) of the Corporations Act, approving this Scheme by no later than 5.00pm on the first Business Day after the date on which the Court order was made (or such other date as agreed in writing by Sigma).

4.2 Transfer of Scheme Shares

On the Implementation Date:

(a) subject to the provision of the Scheme Consideration in the manner contemplated by clauses 5.2(b), 5.2(c) and 5.3(a), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Sigma, without the need for any further act by any Scheme Shareholder (other than acts performed by Chemist Warehouse as attorney and agent for Scheme Shareholders under clause 7.5), by:

(1) Chemist Warehouse delivering to Sigma a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by Chemist Warehouse, for registration; and

(2) Sigma duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Chemist Warehouse for registration; and

(b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), but subject to the stamping of the Scheme Transfer (if required), Chemist Warehouse must enter, or procure the entry of, the name of Sigma in the Chemist Warehouse Share Register as the registered holder of all the Scheme Shares transferred to Sigma in accordance with this Scheme.

5 Scheme Consideration

5.1 Provision of Scheme Consideration

The Scheme Consideration in respect of each Scheme Share is:

(a) the Scheme Cash Consideration; and

(b) the Scheme Share Consideration.

5.2 Provision of Scheme Cash Consideration

(a) Sigma must by no later than the Business Day before the Implementation Date, deposit, or procure the deposit, in cleared funds an amount equal to the aggregate Scheme Cash Consideration payable to all Scheme Shareholders under the Scheme, into an Australian dollar denominated trust account with an ADI operated by Chemist Warehouse as trustee for the Scheme Shareholders, (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Sigma's account).

(b) On the Implementation Date, subject to funds having been deposited in accordance with clause 5.2(a), Chemist Warehouse must pay or procure the payment of the Scheme Cash Consideration to each Scheme Shareholder in respect of all of that Scheme Shareholder's Scheme Shares from the trust account referred to in clause 5.2(a).

(c) The obligations of Chemist Warehouse under clause 5.2(b) will be satisfied by Chemist Warehouse (in its absolute discretion, and despite any election referred to in clause 5.2(c)(1) or authority referred to in clause 5.2(c)(2) made or given by the Scheme Shareholder):

(1) if a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Chemist Warehouse Registry to receive dividend payments from Chemist Warehouse by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;

(2) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Shareholder by an appropriate authority from the Scheme Shareholder to Chemist Warehouse; or

(3) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.4).

(d) To the extent that, following satisfaction of Chemist Warehouse's obligations under clause 5.2(b), there is a surplus in the amount held by Chemist

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Warehouse as trustee for the Scheme Shareholders in the trust account referred to in that clause, that surplus must be paid by Chemist Warehouse to Sigma.

5.3 Provision of Scheme Share Consideration

Sigma must, subject to clauses 5.4, 5.5, 5.6 and 5.8:

(a) on or before the Implementation Date, issue the Scheme Share Consideration to each Scheme Shareholder and procure that the name and address of each Scheme Shareholder is entered in the Sigma Share Register in respect of those New Sigma Shares; and

(b) procure that on or before the date that is 10 Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder representing the number of New Sigma Shares issued to the Scheme Shareholder pursuant to this Scheme.

5.4 Joint holders

In the case of Scheme Shares held in joint names:

(a) subject to clause 5.2(c), the Scheme Cash Consideration is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Chemist Warehouse, the holder whose name appears first in the Chemist Warehouse Share Register as at the Scheme Record Date or to the joint holders;

(b) the New Sigma Shares to be issued under this Scheme must be issued to and registered in the names of the joint holders; and

(c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Chemist Warehouse, the holder whose name appears first in the Chemist Warehouse Share Register as at the Scheme Record Date or to the joint holders.

5.5 Ineligible Foreign Shareholders

(a) Sigma will be under no obligation to issue any New Sigma Shares under this Scheme to any Ineligible Foreign Shareholder and instead:

(1) subject to clauses 5.6 and 5.8, Sigma must, on or before the Implementation Date, issue the New Sigma Shares which would otherwise be required to be issued to the Ineligible Foreign Shareholders under this Scheme to the Sale Agent;

(2) Sigma must procure that as soon as reasonably practicable on or after the Implementation Date, the Sale Agent, in consultation with Sigma, sells or procures the sale of all the New Sigma Shares issued to the Sale Agent and remits to Chemist Warehouse the proceeds of the sale (after deduction of any applicable brokerage, stamp duty and other costs, taxes and charges) (**Proceeds**);

(3) promptly after receiving the Proceeds in respect of the sale of all of the New Sigma Shares referred to in clause 5.5(a)(1), Chemist Warehouse must pay, or procure the payment of, to each Ineligible Foreign Shareholder, the amount 'A' calculated in accordance with the following formula and rounded down to the nearest cent:

$$A = \left(\frac{B}{C}\right) \times D$$

where

B = the number of New Sigma Shares that would otherwise have been issued to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which were issued to the Sale Agent;

C = the total number of New Sigma Shares which would otherwise have been issued to all Ineligible Foreign Shareholders and which were issued to the Sale Agent; and

D = the Proceeds (as defined in clause 5.5(a)(2)).

(b) The Ineligible Foreign Shareholders acknowledge that none of Sigma, Chemist Warehouse or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New Sigma Shares described in clause 5.5(a).

(c) Chemist Warehouse must make, or procure the making of, payments to Ineligible Foreign Shareholders under clause 5.5(a) by either (in the absolute discretion of Chemist Warehouse, and despite any election referred to in clause 5.5(c)(1) or authority referred to in clause 5.5(c)(2) made or given by the Scheme Shareholder):

(1) if an Ineligible Foreign Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Chemist Warehouse Registry to receive dividend payments from Chemist Warehouse by electronic funds transfer to a bank account nominated by the Ineligible Foreign Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;

(2) paying or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Ineligible Foreign Shareholder by an appropriate authority from the Ineligible Foreign Shareholder to Chemist Warehouse; or

(3) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Foreign Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Ineligible Foreign Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.4).

(d) If Chemist Warehouse receives professional advice that any withholding or other tax is required by law or by a Government Agency to be withheld from a payment to an Ineligible Foreign Shareholder, Chemist Warehouse is entitled to withhold the relevant amount before making the payment to the Ineligible Foreign Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 5.5(a)(3)). Chemist Warehouse must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Ineligible Foreign Shareholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Ineligible Foreign Shareholder.

(e) Each Ineligible Foreign Shareholder appoints Chemist Warehouse as its agent to receive on its behalf any financial services guide (or similar or equivalent document) or other notices (including any updates of those documents) that the

Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act or any other applicable law.

(f) Payment of the amount 'A' calculated in accordance with clause 5.5(a) to an Ineligible Foreign Shareholder in accordance with this clause 5.4(c) satisfies in full the Ineligible Foreign Shareholder's right to Scheme Share Consideration.

5.6 Fractional entitlements and splitting

(a) Where the calculation of the Scheme Cash Consideration or number of New Sigma Shares to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent or New Sigma Share, the fractional entitlement will be rounded down to the nearest whole cent or number of New Sigma Shares, as applicable.

(b) If Sigma or Chemist Warehouse is of the opinion, formed reasonably, that several Scheme Shareholders, each of which holds a holding of Chemist Warehouse Shares which results in a fractional entitlement to the Scheme Cash Consideration or New Sigma Shares have, before the Scheme Record Date, been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration, Sigma may direct Chemist Warehouse to, and Chemist Warehouse may, give notice to those Scheme Shareholders:

(1) setting out the names and Registered Addresses of all of them;

(2) stating that opinion; and

(3) attributing to one of them specifically identified in the notice the Chemist Warehouse Shares held by all of them,

and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of this Scheme, be taken to hold all those Chemist Warehouse Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of this Scheme, be taken to hold no Chemist Warehouse Shares.

5.7 Unclaimed money

(a) Chemist Warehouse may cancel a cheque issued under this clause 5 if the cheque:

(1) is returned to Chemist Warehouse; or

(2) has not been presented for payment within six months after the date on which the cheque was sent.

(b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Chemist Warehouse (or the Chemist Warehouse Registry) (which request may not be made until the date which is 10 Business Days after the Implementation Date), Chemist Warehouse must reissue a cheque that was previously cancelled under this clause 5.7.

(c) The Unclaimed Money Act will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of the Unclaimed Money Act) but any interest or other benefit accrued from the unclaimed Scheme Consideration will be for the benefit of Sigma.

5.8 Orders of a court or Government Agency

If written notice is given to Chemist Warehouse (or the Chemist Warehouse Registry) or Sigma (or the Sigma Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

(a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Chemist Warehouse or Sigma in accordance with this clause 5, then Chemist Warehouse or Sigma (as applicable) shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or

(b) prevents Chemist Warehouse or Sigma from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Chemist Warehouse or Sigma shall be entitled to (as applicable):

(1) retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration; and

(2) not to issue (or direct Sigma to issue), or to issue to a trustee or nominee, such number of New Sigma Shares as that Scheme Shareholder would otherwise be entitled under clause 5.3,

until such time as provision of the Scheme Consideration in accordance with this clause 5 is permitted by that (or another) order or direction or otherwise by law.

5.9 Status of New Sigma Shares

Subject to this Scheme becoming Effective, Sigma must:

(a) issue the New Sigma Shares required to be issued by it under this Scheme on terms such that each such New Sigma Share will:

(1) rank equally in all respects with all other Sigma Shares on issue; and

(2) be entitled to participate in and receive any dividends or distribution of capital paid and any other entitlements accruing in respect of Sigma Shares on and from the Implementation Date;

(b) use its reasonable endeavours to ensure that the New Sigma Shares issued as Scheme Share Consideration will be listed for quotation on the official list of ASX with effect from the first Business Day after the Effective Date (or such later date as ASX may require), initially on a deferred settlement basis and, with effect from the first Business Day after the Implementation Date, on an ordinary (T+2) settlement basis; and

(c) ensure that each such New Sigma Share is duly and validly issued in accordance with all applicable laws and the constitution of Sigma, fully paid and free from any mortgage, charge, lien, encumbrance, pledge or other security interest (including any 'security interest' within the meaning of section 12 of the PPSA).

HERBERT SMITH FREEHILLS

6 Dealings in Chemist Warehouse Shares

6.1 Determination of Scheme Shareholders

(a) To establish the identity of the Scheme Shareholders, dealings in Chemist Warehouse Shares or other alterations to the Chemist Warehouse Share Register will only be recognised if registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received before the Scheme Record Date at the place where the Chemist Warehouse Share Register is kept.

(b) Chemist Warehouse must not accept for registration, nor recognise for any purpose (except a transfer to Sigma pursuant to this Scheme and any subsequent transfer by Sigma or its successors in title), any transfer or transmission application or other request received after the Scheme Record Date, or received prior to such times but not in registrable or actionable form, as appropriate.

6.2 Register

(a) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or otherwise deal with, or purport or agree to dispose of or otherwise deal with, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Chemist Warehouse shall be entitled to disregard any such disposal or other dealing.

(b) For the purpose of determining entitlements to the Scheme Consideration, Chemist Warehouse must maintain the Chemist Warehouse Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been provided to the Scheme Shareholders. The Chemist Warehouse Share Register in this form will solely determine entitlements to the Scheme Consideration.

(c) All statements of holding for Chemist Warehouse Shares (other than statements of holding in favour of Sigma) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Chemist Warehouse Share Register (other than entries on the Chemist Warehouse Share Register in respect of Sigma) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Chemist Warehouse Shares relating to that entry.

(d) As soon as possible on or after the Scheme Record Date, and in any event by 5.00pm on the first Business Day after the Scheme Record Date, Chemist Warehouse will ensure that details of the names, Registered Addresses and holdings of Chemist Warehouse Shares for each Scheme Shareholder as shown in the Chemist Warehouse Share Register are available to Sigma in the form Sigma reasonably requires.

(e) Without limiting Chemist Warehouse's obligations under clause 6.2(d), Chemist Warehouse must provide, or procure the provision, to Sigma, such other information as Sigma may reasonably require in connection with the provision of the Scheme Consideration to the Scheme Shareholders in accordance with this Scheme.

(f) Each Scheme Shareholder agrees that the information referred to in clause 6.2(e) may be disclosed to Sigma, the Sigma Registry and Sigma's advisers and other service providers to the extent necessary to effect this Scheme.

7 General Scheme provisions

7.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

(a) Chemist Warehouse may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Sigma has consented in writing; and

(b) each Scheme Shareholder agrees to any such alterations or conditions which Chemist Warehouse has consented to.

7.2 Scheme Shareholders' agreements and warranties

(a) Each Scheme Shareholder:

(1) agrees to the transfer of their Chemist Warehouse Shares together with all rights and entitlements attaching to those Chemist Warehouse Shares in accordance with this Scheme;

(2) agrees to the variation, cancellation or modification of the rights attached to their Chemist Warehouse Shares constituted by or resulting from this Scheme;

(3) agrees to, on the direction of Sigma, destroy any share certificates or holding statements relating to their Chemist Warehouse Shares;

(4) that is issued New Sigma Shares agrees to become a member of Sigma and to be bound by the terms of the constitution of Sigma; and

(5) acknowledges and agrees that this Scheme binds Chemist Warehouse and all Scheme Shareholders (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting).

(b) Each Scheme Shareholder is taken to have warranted to Chemist Warehouse and Sigma on the Implementation Date, and appointed and authorised Chemist Warehouse as its attorney and agent to warrant to Sigma on the Implementation Date, that:

(1) all their Chemist Warehouse Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the PPSA) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and

(2) they have full power and capacity to transfer their Chemist Warehouse Shares to Sigma together with any rights and entitlements attaching to those shares.

(c) Chemist Warehouse undertakes that it will provide such warranty in clause 7.2(b) to Sigma as agent and attorney of each Scheme Shareholder.

HERBERT SMITH FREEHILLS

7.3 Title to and rights in Scheme Shares

(a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Sigma will, at the time of transfer of them to Sigma vest in Sigma free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the PPSA) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.

(b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.2(b), 5.2(c) and 5.3(a) Sigma will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Chemist Warehouse of Sigma in the Chemist Warehouse Share Register as the holder of the Scheme Shares.

7.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.2(b), 5.2(c) and 5.3(a) and until Chemist Warehouse registers Sigma as the holder of all Scheme Shares in the Chemist Warehouse Share Register, each Scheme Shareholder:

(a) is deemed to have irrevocably appointed Sigma as attorney and agent (and directed Sigma in each such capacity) to appoint any director, officer, secretary or agent nominated by Sigma as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution or document;

(b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 7.4(a));

(c) must take all other actions in the capacity of a registered holder of Scheme Shares as Sigma reasonably directs; and

(d) acknowledges and agrees that in exercising the powers referred to in clause 7.4(a), Sigma and any director, officer, secretary or agent nominated by Sigma under clause 7.4(a) may act in the best interests of Sigma as the intended registered holder of the Scheme Shares.

7.5 Authority given to Chemist Warehouse

Each Scheme Shareholder, without the need for any further act:

(a) on the Effective Date, irrevocably appoints Chemist Warehouse and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Sigma, and Chemist Warehouse undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Sigma on behalf of and as agent and attorney for each Scheme Shareholder; and

(b) on the Implementation Date, irrevocably appoints Chemist Warehouse and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation):

(1) executing the Scheme Transfer; and

(2) executing and delivering any deed or document required by Sigma, that causes each Scheme Shareholder to become a shareholder of Sigma and to be bound by the constitution of Sigma,

and Chemist Warehouse accepts each such appointment. Chemist Warehouse as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 7.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

7.6 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Scheme Shareholder to Chemist Warehouse that are binding or deemed binding between the Scheme Shareholder and Chemist Warehouse relating to Chemist Warehouse or Chemist Warehouse Shares, including instructions, notifications or elections relating to:

(a) whether dividends are to be paid by cheque or into a specific bank account;

(b) payments of dividends on Chemist Warehouse Shares; and

(c) notices or other communications from Chemist Warehouse (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by Sigma in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to Sigma and to be a binding instruction, notification or election to, and accepted by, Sigma in respect of the New Sigma Shares issued to that Scheme Shareholder until that instruction, notification or election is revoked or amended in writing addressed to Sigma at its registry.

7.7 Binding effect of Scheme

This Scheme binds Chemist Warehouse and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Chemist Warehouse.

8 General

8.1 Stamp duty

Sigma:

(a) must pay all duty, if applicable (including applicable stamp duties and any fines and penalties with respect to any such duty) in respect of this Scheme, the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under or in connection with this Scheme and the Deed Poll; and

(b) indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 8.1(a).

8.2 Consent

Each of the Scheme Shareholders consents to Chemist Warehouse doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme and the transactions contemplated by it, whether on behalf of the Scheme Shareholders, Chemist Warehouse or otherwise.

8.3 Notices

(a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Chemist Warehouse, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Chemist Warehouse's registered office or at the office of the Chemist Warehouse Registry.

(b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Chemist Warehouse Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

8.4 Governing law

(a) This Scheme is governed by the laws in force in Victoria.

(b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

8.5 Further action

Chemist Warehouse must do all things and execute all documents (whether on its own behalf or on behalf of each Scheme Shareholder) necessary to give full effect to this Scheme and the transactions contemplated by it.

8.6 No liability when acting in good faith

Each Scheme Shareholder agrees that neither Chemist Warehouse nor Sigma, nor any of their respective directors, officers, secretaries or employees, shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Annexure 5

Deed poll

Annexure 5. Deed poll

Deed

Deed poll

Sigma Healthcare Limited

80 Collins Street Melbourne Vic 3000 Australia
GPO Box 128A Melbourne Vic 3001 Australia

T +61 3 9288 1234 **F** +61 3 9288 1567
herbertsmithfreehills.com DX 240 Melbourne

Deed poll

Date ▸ 9 December 2024

This deed poll is made

By	**Sigma Healthcare Limited** ACN 088 417 403 of Level 6, 2125 Dandenong Road, Clayton VIC 3168 (**Sigma**)
in favour of	each Scheme Shareholder
Recitals	1 Chemist Warehouse and Sigma entered into the Merger Implementation Agreement. 2 In the Merger Implementation Agreement, Sigma agreed to make this deed poll. 3 Sigma is making this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Scheme.

This deed poll provides as follows:

1 Definitions and interpretation

1.1 Definitions

(a) The meanings of the terms used in this deed poll are set out below.

Term	Meaning
Chemist Warehouse	CW Group Holdings Limited (ACN 635 851 839).
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Term	Meaning
Merger Implementation Agreement	the merger implementation agreement dated 11 December 2023 (as amended) between Chemist Warehouse and Sigma relating to the implementation of the Scheme.
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between Chemist Warehouse and the Scheme Shareholders, substantially in the form attached to the Merger Implementation Agreement, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Chemist Warehouse and Sigma.

(b) Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Clauses 1.2, 1.3 and 1.4 of the Scheme apply to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

Sigma acknowledges that:

(a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and

(b) under the Scheme, each Scheme Shareholder irrevocably appoints Chemist Warehouse and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Sigma.

2 Conditions to obligations

2.1 Conditions

This deed poll and the obligations of Sigma under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Sigma under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

(a) the Merger Implementation Agreement is terminated in accordance with its terms; or

(b) the Scheme has not become Effective on or before the End Date,

unless Chemist Warehouse and Sigma otherwise agree in writing.

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

(a) Sigma is released from its obligations to further perform this deed poll except those obligations under clause 7.1; and

(b) each Scheme Shareholder retains the rights they have against Sigma in respect of any breach of this deed poll which occurred before this deed poll was terminated.

3 Scheme obligations

3.1 Undertaking to provide Scheme Consideration

Subject to clause 2, Sigma undertakes in favour of each Scheme Shareholder to:

(a) provide, or procure the provision of, the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme by:

(1) in relation to the Scheme Cash Consideration, by no later than the Business Day before the Implementation Date, depositing, or procuring the deposit of, in cleared funds, an amount equal to the aggregate Scheme Cash Consideration payable to all Scheme Shareholders under the Scheme into an Australian dollar denominated trust account with an ADI operated by Chemist Warehouse as trustee for the Scheme Shareholders (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Sigma's account); and

(2) in relation to the Scheme Share Consideration, on or before the Implementation Date, issuing the Scheme Share Consideration to each Scheme Shareholder; and

(b) undertake all other actions, and give each acknowledgement, representation and warranty (if any), attributed to it under the Scheme,

in each case, subject to and in accordance with the terms of the Scheme.

3.2 Shares to rank equally

Sigma covenants in favour of each Scheme Shareholder that the New Sigma Shares which are issued to each Scheme Shareholder in accordance with the Scheme will:

(a) rank equally with all other Sigma Shares on issue as set out in clause 5.9(a)(1) of the Scheme; and

(b) be issued fully paid and free from any mortgage, charge, lien, encumbrance, pledge or other security interest (including any 'security interest' within the meaning of section 12 of the PPSA).

4 Warranties

Sigma represents and warrants in favour of each Scheme Shareholder, in respect of itself, that:

(a) it is a corporation validly existing under the laws of its place of registration;

(b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

(c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and the transactions contemplated by this deed poll;

(d) this deed poll is valid and binding on it and enforceable in accordance with its terms; and

(e) this deed poll does not conflict with, or result in a breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until the earlier of:

(a) Sigma having fully performed its obligations under this deed poll; and

(b) the termination of this deed poll.

6 Notices

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

(a) in writing and in English; and

(b) addressed to Sigma in accordance with the details set out below (or any alternative details nominated by Sigma by Notice).

Attention	Kara McGowan
Address	Level 6, 2125 Dandenong Road, Clayton VIC 3168
Email address	Kara.McGowan@sigmahealthcare.com.au

6.2 How Notice must be given and when Notice is received

(a) A Notice must be given by one of the methods set out in the table below.

(b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address
By pre-paid post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting
By email to the nominated email address	The earlier of: 1 when the party sending the email receives notification that the email was successfully transmitted and read by the receiving party; 2 the time that the recipient confirms receipt of the email by reply email to the sender; and 3 four hours after the email was sent (as recorded on the device from which the sender sent the email), unless the party sending the email receives, within that four hour period, an automated message that the email was not successfully transmitted.

6.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than by email as permitted in clause 6.2).

7 General

7.1 Stamp duty

Sigma:

(a) must pay all stamp duty and any related fines and penalties in respect of the Scheme, this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll; and

(b) indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

(a) This deed poll is governed by the law in force in Victoria.

(b) Sigma irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Sigma irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.3 Waiver

(a) Sigma may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.

(b) No Scheme Shareholder may rely on words or conduct of Sigma as a waiver of any right unless the waiver is in writing and signed by Sigma.

(c) The meanings of the terms used in this clause 7.3 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this deed poll and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.4 Variation

A provision of this deed poll may not be varied unless:

(a) if before the First Court Date, the variation is agreed to by Chemist Warehouse; or

(b) if on or after the First Court Date, the variation is agreed to by Chemist Warehouse and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Sigma will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of Sigma and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Assignment

(a) The rights created by this deed poll are personal to Sigma and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Sigma.

(b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Further action

Sigma must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it

HERBERT SMITH FREEHILLS

Signing page

Executed as a deed poll

Sigma

Signed sealed and delivered by
Sigma Healthcare Limited
by

sign here ►		*sign here* ►	
	Company Secretary/Director		Director
print name	Kara McGowan	*print name*	**VIKESH RAMSUNDER**

Annexure 6

Notice of Scheme Meeting

Annexure 6. Notice of Scheme Meeting

CW Group Holdings Limited ACN 635 851 839

Notice of Scheme Meeting

Notice is hereby given that, by an order of the Federal Court of Australia (**Court**) pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of fully paid ordinary shareholders of CW Group Holdings Limited ACN 635 851 839 (**Chemist Warehouse**) (**Chemist Warehouse Shareholders**) will be held in-person at the Olympic Hotel, 31 Albert Street, Preston VIC 3072 and virtually at https://meetnow.global/MV5LCT9 on 29 January 2025 commencing at 6.00pm (Melbourne time) (**Scheme Meeting**).

Chemist Warehouse Shareholders and their authorised proxies, attorneys and corporate representatives (each a **Participant**) may participate in the Scheme Meeting. Further information on how to participate in the Scheme Meeting is set out in the explanatory notes that accompany and form part of this notice, and in the Scheme Meeting Online Guide that can be found in your personalised email.

Chemist Warehouse Shareholders who are unable to, or do not wish to, participate in the Scheme Meeting, or will not have access to a device and the internet, are encouraged to submit a directed proxy vote as early as possible and in any event by 6.00pm (Melbourne time) on 27 January 2025 by completing and submitting a proxy form in accordance with the instructions on that form.

Business of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement under Part 5.1 of the Corporations Act (with or without amendment or any alterations or conditions approved by the Court) to be made between Chemist Warehouse and the Chemist Warehouse Shareholders.

Chemist Warehouse Shareholders at the Scheme Meeting will be asked to consider and, if thought fit, pass (with or without modification or conditions) the following resolution (**Scheme Resolution**):

'That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between CW Group Holdings Limited and the holders of its fully paid ordinary shares (the terms of which are described in the scheme booklet of which the notice convening this meeting forms part of) is agreed to (with or without amendment or any alterations or conditions as approved by the Federal Court of Australia to which CW Group Holdings Limited and Sigma Healthcare Limited agree).'

Dated 13 December 2024

By order of the Court and the Board of CW Group Holdings Limited.

Jack Gance
Chairman

Explanatory notes

1 General

This notice and the Scheme Resolution should be read in conjunction with the Scheme Booklet, of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme Resolution.

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet.

Unless otherwise defined, terms used in this notice have the same meaning as set out in the Glossary in section 13 of the Scheme Booklet.

2 Chair

The Court has directed that Jack Gance is to act as chair of the Scheme Meeting (Chair) and that if he is unable or unwilling to act, Mario Verrocchi is to act as chair of the Scheme Meeting.

3 Recommendation

The Chemist Warehouse Board unanimously recommends that you vote in favour of the Scheme Resolution, in the absence of a Chemist Warehouse Superior Proposal and subject to the Chemist Warehouse Independent Expert continuing to conclude that the Scheme is in the best interests of Chemist Warehouse Shareholders.

Each Chemist Warehouse Director intends to vote, or procure the voting of, all Chemist Warehouse Shares owned or controlled by him or her in favour of the Scheme Resolution, in the absence of a Chemist Warehouse Superior Proposal and subject to the Chemist Warehouse Independent Expert continuing to conclude that the Scheme is in the best interests of Chemist Warehouse Shareholders.

4 Quorum

A quorum for a meeting of Chemist Warehouse Shareholders is two or more members, two of those members holding not less than 5% of the votes that may be cast as at a general meeting, present at the Scheme Meeting and entitled to vote on the Scheme Resolution.

5 Majorities Required

In accordance with section 411(4)(a) of the Corporations Act, for the Scheme to be approved by Chemist Warehouse Shareholders, the Scheme Resolution must be passed by the Scheme Requisite Majorities, being:

- 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, corporate representative); and
- at least 75% of the total number of votes cast on the Scheme Resolution by 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, corporate representative).

The vote on the Scheme Resolution will be decided on a poll as determined by the Chair, subject to the requirements of the Corporations Act and the Chemist Warehouse constitution.

On a resolution determined by a poll, each registered Chemist Warehouse Shareholder participating in the Scheme Meeting, or present by proxy, representative or attorney has one vote for every fully paid ordinary share held.

Voting results will be announced to the ASX by Sigma as soon as practicable after the Scheme Meeting.

6 Court Approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme must be approved by the order of the Court. If the Scheme Resolution set out in this notice is agreed to by the Scheme Requisite Majorities set out above and the other conditions set out in the Merger Implementation Agreement (other than Court approval) are satisfied or waived (where capable of waiver), Chemist Warehouse will apply to the Court for the necessary orders to give effect to the Scheme.

7 Determination of entitlement to participate and vote

For the purposes of determining the entitlement to vote at the Scheme Meeting, Chemist Warehouse Shareholders who are registered as a holder of Chemist Warehouse Shares on the Chemist Warehouse Share Register at 7.00pm (Melbourne time) on 27 January 2025 will be entitled to participate in and vote at the Scheme Meeting. Accordingly, transfers registered after this time will be disregarded in determining entitlements to participate in and vote at the Scheme Meeting either in person, online, by proxy or attorney, or in the case of a corporate Chemist Warehouse Shareholder, by a corporate representative.

8 Participation and voting

Chemist Warehouse Shareholders entitled to vote at the Scheme Meeting may vote:

- **in person:** by attending the Scheme Meeting in person at the Olympic Hotel, 31 Albert Street, Preston VIC 3072;
- **online:** by participating and voting via the online platform at https://meetnow.global/MV5LCT9;
- **by proxy:** by completing and lodging the proxy form in accordance with the instructions on that form. Proxy forms must be received by the Chemist Warehouse Share Registry by 6.00pm (Melbourne time) on 27 January 2025 to be effective;
- **by attorney:** by appointing an attorney to participate in and vote at the Scheme Meeting on the Chemist Warehouse Shareholder's behalf. A power of attorney, or a certified copy of such power of attorney, must be received by the Chemist Warehouse Share Registry by 6.00pm (Melbourne time) on 27 January 2025; or
- **by corporate representative:** in the case of a corporate Chemist Warehouse Shareholder, by appointing a corporate representative to participate in and vote at the Scheme Meeting on the Chemist Warehouse Shareholder's behalf. A duly executed certificate of appointment in accordance with section 250D of the Corporations Act must be received by the Chemist Warehouse Share Registry prior to the Scheme Meeting.

If Chemist Warehouse Shares are jointly held, each of the joint Chemist Warehouse Shareholders are entitled to vote. However, if more than one person votes in respect of jointly held Chemist Warehouse Shares, only the vote of the shareholder whose name appears first on the Chemist Warehouse Share Register will be counted.

8.1 Attending and voting in person

Chemist Warehouse Shareholders may attend the Scheme Meeting in person at the Olympic Hotel, 31 Albert Street, Preston VIC 3072 to vote.

Chemist Warehouse Shareholders, proxyholders, attorneys and authorised corporate representatives who are attending the meeting in person are asked to arrive at least 30 minutes prior to the start of the Scheme Meeting for registration. Please ensure you have your Security Number (**SN**) for ease of registration.

8.2 Attending and voting via the online meeting platform

Participants will be able to participate in the Scheme Meeting via an online platform at https://meetnow.global/MV5LCT9. Participants will need a desktop or mobile/tablet device with internet access to do so.

Participants will be able to listen to the Chair and others, and view presentation slides, live and in real-time. Participants will also have the ability to ask questions via the online platform, to speak and ask questions via telephone, and hear all of the discussions that occur at the Scheme Meeting, subject to the connectivity of their devices. In order to ensure an orderly meeting, the Chair will have authority to make rules (including rules regarding the time permitted for each Participant to ask questions). The Chair will explain such rules at the commencement of the Scheme Meeting.

To participate and vote using the online platform:

- Chemist Warehouse Shareholders will need their SN (which is shown on their holding certificate or proxy form) and their postcode (or country code if outside Australia) for verification purposes;
- proxyholders will need to contact the Chemist Warehouse Share Registry in the hour before the start of the Scheme Meeting on +61 3 9415 4024 to obtain a unique email invitation link to enter the online platform; and
- attorneys and corporate representatives can log in to the online platform using the SN and postcode of the relevant Chemist Warehouse Shareholder.

Further information on how to participate and vote via the online platform, and ask questions during the Scheme Meeting, is set out in the Scheme Meeting Online Guide that can be found in your personalised email.

Registration via the online platform will open one hour prior to 6.00pm (Melbourne time) on 29 January 2025. Logging into the online platform at least 15 minutes prior to the start time is recommended. Participants should test the online platform link to see that it works on their device before the Scheme Meeting commences. Further information on device compatibility as well as a step-by-step guide to successfully log in and navigate the online platform is provided in the Scheme Meeting Online Guide.

8.3 Voting by proxy

Chemist Warehouse Shareholders who are entitled to attend and vote can appoint a proxy to participate in the Scheme Meeting and vote on their behalf.

A proxy need not be a Chemist Warehouse Shareholder and can be either an individual or a body corporate.

A Chemist Warehouse Shareholder can appoint a proxy by lodging the applicable proxy form online at www.investorvote.com.au or by completing and returning the applicable proxy form.

A Chemist Warehouse Shareholder who wishes to direct how their proxy should vote should mark the appropriate boxes on the applicable proxy form. If a proxy is not directed how to vote on the Scheme Resolution, that Chemist Warehouse Shareholder authorises that proxy to vote as the proxy decides.

A Chemist Warehouse Shareholder who is entitled to cast two or more votes may appoint up to two proxies. Where two proxies are appointed, each proxy should be appointed to exercise a specified proportion or number of the Chemist Warehouse Shareholder's votes. If the appointment does not specify the proportion or number of the Chemist Warehouse Shareholder's votes each proxy may exercise, then each proxy may exercise half of the votes. An additional proxy form for the Scheme Meeting will be supplied by the Chemist Warehouse Share Registry on request for the purpose of appointing a second proxy.

In the case of joint shareholders, the proxy form must be completed by either one or all of the joint shareholders or the proxy appointment made online by either one of the joint shareholders.

If a proxy is appointed under a power of attorney, the power of attorney under which the proxy is appointed, or a certified copy of that power of attorney, must accompany the proxy appointment or be provided to the Chemist Warehouse Share Registry, unless the power of attorney has previously been received by the Chemist Warehouse Share Registry.

If you intend to appoint the Chair as your proxy, you can direct the Chair how to vote by marking the box for the Scheme Resolution. If you do not mark the box next to the Scheme Resolution, then by signing and submitting the proxy form, you will be authorising the Chair to vote as they see fit in respect of the Scheme Resolution.

If an appointed proxy does not attend the Scheme Meeting, the Chair will be taken to have been appointed as the proxy for that Chemist Warehouse Shareholder for the Scheme Meeting. If the proxy appointment specifies the way to vote on the Scheme Resolution and the appointed proxy does not attend the Scheme Meeting or attends the relevant Scheme Meeting but does not vote on the Scheme Resolution, a directed proxy will default to the Chair who must vote the proxy as directed.

The Chair intends to vote all available undirected proxies in favour of the Scheme Resolution.

To be effective, the proxy form (together with any power of attorney or authority under which it is signed) must be received by no later than 6.00pm (Melbourne time) on 27 January 2025 in one of the following ways:

- **online:** submitting it online at www.investorvote.com.au by following the prompts;
- **by mobile device:** if you have a smart phone or other compatible mobile device, you can lodge your vote via the Chemist Warehouse Share Registry's voting website by scanning the QR code on the front of the proxy form. Log-in using the SN and postcode for your shareholding;
- **by mail:** by posting it to the Chemist Warehouse Share Registry in the reply paid envelope provided (where applicable) at the following address:

  Computershare Investor Services Pty Limited GPO Box 242, Melbourne VIC 3001 Australia;
- **by fax:** by faxing it to the Chemist Warehouse Share Registry at 1800 783 447 within Australia or +61 3 9473 2555 outside Australia; or
- **by hand:** by depositing it at the Chemist Warehouse Share Registry, during normal business hours at the following address:

  Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067.

If you complete and return a proxy form, you may still attend and ask questions at the Scheme Meeting in person or online and you will not revoke your proxy appointment. However, if you have appointed a proxy and vote at the Scheme Meeting, the authority of your proxy to vote on your behalf will be automatically revoked.

For more information concerning the appointment of a proxy and lodgement, please refer to the proxy form.

8.4 Voting by corporate representative

A corporation that is a Chemist Warehouse Shareholder, or that has been appointed as a proxy, must appoint an individual to act as its corporate representative at the Scheme Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. A form of certificate may be downloaded via www.investorcentre.com/au (under 'Printable Forms') or obtained from the Chemist Warehouse Share Registry at +61 3 9415 4024, between 9.00am and 5.00pm (Melbourne time), Monday to Friday. The certificate of appointment may set out restrictions on the corporate representative's powers.

The certificate of appointment of corporate representative must be received by the Chemist Warehouse Share Registry prior to the Scheme Meeting. Chemist Warehouse Shareholders may submit the certificate:

- via email, by sending it to proxies@computershare.com.au; or
- in any of the ways specified for proxy forms in section 8.3, except the certificate cannot be lodged online or by mobile device.

If a certificate is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been received by the Chemist Warehouse Share Registry.

A validly appointed corporate representative wishing to participate in and vote at the Scheme Meeting via the online platform will require the appointing Chemist Warehouse Shareholder's name, postcode and the SN of the shareholding in order to access the online platform.

8.5 Voting by attorney

You may appoint not more than two attorneys to participate in and vote at the Scheme Meeting on your behalf. An attorney need not be a Chemist Warehouse Shareholder and will have the right to vote and also to speak at the Scheme Meeting.

A power of attorney appointing an attorney to participate in and vote at the Scheme Meeting must be duly executed by you and specify your name, the company (that is Chemist Warehouse), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.

If two attorneys are appointed, each attorney may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each attorney may exercise half of your votes.

A power of attorney, or a certified copy of such power of attorney, should be received by the Chemist Warehouse Share Registry before 6.00pm (Melbourne time) on 27 January 2025 in any of ways specified for proxy forms in section 8.3, except that a power of attorney or a certified copy of a power of attorney cannot be lodged online or by mobile device.

A validly appointed attorney wishing to participate in and vote at the Scheme Meeting via the online platform will require the appointing Chemist Warehouse Shareholder's name, postcode and the SN of the shareholding in order to access the online platform.

If two attorneys are appointed, each must contact the Chemist Warehouse Shareholder Information Line at +61 3 9462 9111, between 8.30am and 5.00pm (Melbourne time), Monday to Friday and before 6.00pm (Melbourne time) on 27 January 2025 to organise voting and online platform access arrangements.

9 Questions

9.1 Prior to the Scheme Meeting

Chemist Warehouse Shareholders may ask questions in advance of the Scheme Meeting by submitting questions online at www.investorvote.com.au. Questions must be received by no later than 6.00pm (Melbourne time) on 27 January 2025.

9.2 During the Scheme Meeting

Chemist Warehouse Shareholders will have a reasonable opportunity to ask questions about the Scheme during the Scheme Meeting in person or via the online platform.

If Chemist Warehouse Shareholders participate in the Scheme Meeting via the online platform, they may ask written questions or verbal questions during the Scheme Meeting. For further information, please refer to the Scheme Meeting Online Guide.

The Chair will endeavour to address as many of the more frequently raised relevant questions as possible during the course of the Scheme Meeting. However, there may not be sufficient time available during the Scheme Meeting to address all of the questions raised. Individual responses will not be sent to Chemist Warehouse Shareholders.

10 Technical difficulties

Technical difficulties may arise during the course of the Scheme Meeting. The Chair has discretion as to whether and how the Scheme Meeting should proceed in the event that a technical difficulty arises. In exercising their discretion, the Chair will have regard to the number of Chemist Warehouse Shareholders affected and the extent to which participation in the business of the Scheme Meeting is affected.

Where they consider it appropriate, the Chair may continue to hold the Scheme Meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, Chemist Warehouse Shareholders are encouraged to lodge a directed proxy by no later than 6.00pm (Melbourne time) on 27 January 2025, even if they plan to attend the Scheme Meeting in person or online.

Corporate directory

Chemist Warehouse's registered office

6 Albert Street,
Preston VIC 3072

Financial adviser

Rothschild & Co Australia Limited

Level 34, 88 Phillip Street
Sydney NSW 2000

Legal adviser

Herbert Smith Freehills

Level 24, 80 Collins Street
Melbourne VIC 3000

Chemist Warehouse Independent Expert

Kroll Australia Pty Ltd

85 Castlereagh Street
Sydney NSW 2000

Tax adviser

KPMG

Tower Two
Collins Square
727 Collins Street
Melbourne VIC 3008

Chemist Warehouse Shareholder Information Line

Between 8.30am and 5.00pm (Melbourne time),
Monday to Friday (excluding public holidays)

+61 3 9462 9111

Financial adviser

Oaktower Partnership Pty Ltd

Level 15, The Como Centre
644 Chapel Street
South Yarra Vic 3141

Chemist Warehouse Share Registry

Computershare Investor Services Pty Limited

Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Investigating Accountant

PricewaterhouseCoopers Securities Ltd

One International Towers Sydney
Watermans Quay Barangaroo NSW 2000

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