

ASX Release

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Trading Update - My Chemist/Chemist Warehouse Group

Sigma Healthcare Limited (Sigma) has been in ongoing discussions in relation to the operation of certain aspects of the current Supply Agreement with the My Chemist/Chemist Warehouse Group (MC/CW). As part of this, offers of mediation and binding arbitration were also proposed but were rejected by MC/CW.

As a satisfactory resolution has not been reached, Sigma has now decided to commence legal proceedings against MC/CW.

The proposed proceedings relate to MC/CW's stated intention to acquire certain products from an alternate CSO Wholesaler. Sigma maintains that under the existing agreement MC/CW is not entitled to acquire products from another CSO Wholesaler. Remedies to be sought by Sigma include declarations and injunctions for specific performance of the agreement.

If MC/CW acts in accordance with their stated intention, the impact on Sigma's EBIT is expected to be approximately \$5m - \$10m per annum. While Sigma remains confident of its position, this action, combined with a continuation of the subdued start to the financial year, may mean that current year underlying EBIT could be up to 5% below FY2016/17 (subject to the outcome of the proposed proceedings). Ongoing legal costs will also impact earnings.

Sigma values the relationship with MC/CW and will continue to provide operational support to MC/CW in accordance with the terms of the current Supply Agreement which runs to June 2019.

As this matter is to be the subject of legal proceedings, no further comments will be made.