

REFERENCE RELATING TO THE ANTICIPATED ACQUISITION BY CELESIO AG OF SAINSBURY'S SUPERMARKETS UK PHARMACY BUSINESS

Notice of proposal to accept Final Undertakings pursuant to sections 41 and 82 of, and Schedule 10 to, the Enterprise Act 2002 and public consultation on the proposed Final Undertakings

1. On 29 July 2015 Lloyds Pharmacy Limited (Lloyds) entered into (i) a Business Sale Agreement (which was on 30 June 2016 replaced by an amended Business Sale Agreement) and (ii) a Cooperation Agreement to acquire Sainsbury's Supermarkets UK Pharmacy Business (the Target).
2. On 29 December 2015, the Competition and Markets Authority (CMA) referred the then anticipated acquisition by Lloyds of the Target for further investigation and report by a Group of CMA Panel Members (the Inquiry Group) under section 33(1) of the Enterprise Act 2002 ('the Act').
3. On 27 June 2016 the CMA accepted from Lloyds interim undertakings pursuant to section 80 of the Act for the purpose of preventing pre-emptive action prior to the reference being finally determined. It accepted equivalent undertakings from Sainsbury's Supermarkets Limited (Sainsbury's) on 7 July 2016. On 7 July 2016 the CMA also accepted from Celesio AG (Celesio) an undertaking in accordance with section 80 of the Act to refrain from any action that would frustrate Lloyds' ability to comply with its interim undertakings.
4. On 29 July 2016, the CMA published its final report concluding that the anticipated acquisition may be expected to result in a substantial lessening of competition (SLC) in 12 local areas (the 'Relevant Areas') and that this may be expected to lead to an adverse effect for customers in terms of a reduction in the quality of pharmacy services in the Relevant Areas.
5. Following publication of the Final Report, on 25 August 2016, the CMA accepted interim undertakings from Lloyds, Celesio and Sainsbury's under section 80 of the Act for the purpose of preventing pre-emptive action prior to the reference being finally determined (Interim Measures).
6. On 30 August 2016, a Monitoring Trustee was appointed pursuant to directions given by the CMA on 25 August 2016 under the Interim Measures.

7. The Transaction was completed on 31 August 2016.
8. The CMA has reached agreement with Lloyds and Celesio on the terms of the proposed undertakings to remedy the SLCs identified in the Final Report and the adverse effects which flow from them, and the proposed undertakings are annexed to this Notice.

Notice of proposal to accept undertakings

9. The CMA now hereby gives notice of the proposed undertakings under paragraph 2 of Schedule 10 to the Act that:
 - a. The CMA proposes to accept the annexed proposed undertakings; and
 - b. The proposed undertakings seek to address the SLCs identified in the Final Report and the adverse effects which may be expected to flow from them in the Relevant Areas.
10. The CMA invites written representations on the proposed undertakings from any person or persons who wish to comment. Representations should reach the CMA by 5pm on 15 October (15 days starting with the date of the publication of this Notice) and should be addressed to:

Remedies Manager
Celesio / Sainsbury's Pharmacy Business merger inquiry
Competition and Markets Authority
Victoria House
Southampton Row
London
WC1B 4AD

Or by email to celesio.sainsburys@cma.gsi.gov.uk

11. The CMA will consider any representations made in accordance with this Notice and may make modifications to the proposed undertakings as a result. In the absence of any written representations, or in the event that the CMA decides, on consideration of representations made and not withdrawn, not to amend the proposed undertakings, the CMA proposes to accept the undertakings in their present form pursuant to section 82 of the Act. If the CMA considers that any representation necessitates any material change to the proposed undertakings, the CMA will give notice of the proposed modifications.
12. Once accepted the final undertakings may be varied, superseded or released by the CMA under section 82(2) of the Act.

13. This Notice and a non-confidential version of the proposed undertakings will be published on the CMA website.

Signed by authority of the CMA

SIMON POLITO

Group Chair

30 September 2016