

DEROGATION LETTER

IN RESPECT OF INITIAL ENFORCEMENT ORDERS ISSUED PURSUANT TO SECTION 72(2) ENTERPRISE ACT 2002

Consent under section 72(3C) of the Enterprise Act 2002 to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority ('CMA') on 28 November 2023

COMPLETED ACQUISITION BY PHARMACY2U LIMITED OF METABOLIC HEALTHCARE LTD

We refer to your letter dated 19 January 2024 requesting that the CMA consents to derogations from the Initial Enforcement Order of 28 November 2023 (the '**Initial Order**'). The terms defined in the Initial Order have the same meaning in this letter.

Under the Initial Order, save with the written consent of the CMA, the Acquirer Group and Lloyds Direct are required to hold separate the Lloyds Direct business from the Acquirer Group business and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference.

After due consideration of your request for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, the Acquirer Group and Lloyds Direct may carry out the following actions, in respect of the specific paragraphs:

1. Paragraph 5(l) of the Initial Order

The CMA understands that Lloyds Direct intends to request an interim loan from P2U [REDACTED] in March 2024.

In light of this, P2U's Authorised Individual (as defined in derogation (1) of 28 November 2023) needs to pose various questions to, and receive answers from, Lloyds Direct's Financial Director, [REDACTED], and Managing Director, [REDACTED], in order to understand why an interim loan is required. This is to ensure Lloyds Direct is maintained as a going concern and is able to execute its pre-merger business plans.

The questions are as follows:

1. First, the Authorised Individual submits on behalf of P2U that the forecast model that was agreed before the Initial Order showed [REDACTED]. The Authorised Individual therefore needs to confirm whether the Lloyds Direct business is still on track

to achieve this forecast and, if not, request that Lloyds Direct's Financial Director updates the forecast for the impact on cash in Q4.

2. Second, the Authorised Individual needs to be informed as to whether Lloyds Direct has made any progress in [X], in line with pre-merger and pre IEO plans.
3. Third, the Authorised Individual would like to request whether [X], in line with the templates approved by the CMA, and remain in line with pre-merger and pre-IEO plans. This would enable the Authorised Individual to understand the underlying trading performance and size of the one-off costs.
4. Finally, the Authorised Individual needs to understand Lloyds Direct's plans to [X]. The Authorised Individual would not require a granular breakdown of figures, rather a high-level overview.

(together, the "**Additional Financial Information**").

To the extent that the Additional Financial Information is not already included in the Financial Information (defined in derogation (2) of 28 November 2023), P2U therefore requests a derogation from paragraph 5(l) of the Initial Order in order for the Authorised Individual to discuss the Additional Financial Information with Lloyds Direct's Financial Director and Managing Director solely for the purpose of assessing Lloyds Direct's loan request.

The CMA consents to this derogation strictly on the basis that:

- (a) the Additional Financial Information is strictly necessary to enable P2U to monitor Lloyds Direct's financial viability and competitive capability;
- (b) the Additional Financial Information shall be used only for assessing Lloyds Direct's loan request and shall be limited to the topics covered in the questions (1)-(4) above;
- (c) the discussion regarding the Additional Financial Information shall be limited to the Authorised Individual and Lloyds Direct's Financial Director and Managing Director and shall be subject to the NDA signed by the Authorised Individual;
- (d) P2U will not enter into a loan agreement with Lloyds Direct without separate advance CMA consent;
- (e) should remedial action be required by the CMA in relation to the Lloyds Direct business, any records or copies (electronic or otherwise) of business secrets, know-how, commercially-sensitive information, intellectual property or any

other information of a confidential or proprietary nature, wherever they may be held, that were received from the Lloyds Direct business for the purposes of this derogation will be returned to the Lloyds Direct business and any copies destroyed, except to the extent that record retention is required by law or regulation; and

- (f) this derogation will not result in any pre-emptive action which might prejudice the outcome of a reference or impede the taking of any action which may be justified by the CMA's decision on a reference.

2. Paragraphs 5(a) and 5(g) of the Initial Order

The CMA understands that P2U and Lloyds Direct have received a request from the pharmaceutical distributor [X] to sign a cross-company guarantee of debts owed by Lloyds Direct to [X]. As such, P2U submits that the P2U business and the Lloyds Direct business would be jointly and severally liable for servicing the debt.

P2U submits that this derogation is necessary to protect Lloyds Direct's financial viability and seeks neither to integrate the Lloyds Direct and P2U businesses nor to enable P2U to control the Lloyds Direct business.

P2U therefore requests a derogation from paragraphs 5(a) and 5(g) of the Initial Order in order for P2U and Lloyds Direct to sign the cross-company guarantee of debts owed to [X].

The CMA consents to this derogation strictly on the basis that:

- (a) this derogation is strictly necessary to protect Lloyds Direct's financial viability and will not integrate the Lloyds Direct and P2U businesses nor enable P2U to control the Lloyds Direct business; and
- (b) this derogation will not result in any pre-emptive action which might prejudice the outcome of a reference or impede the taking of any action which may be justified by the CMA's decision on a reference.

Yours sincerely,

Matteo Alchini

Assistant Director, Remedies Business and Financial Analysis

23 January 2024