
GENERAL NOTICES

NOTICE 655 OF 2014

COMPETITION COMMISSION

NOTIFICATION TO APPROVE WITH CONDITIONS THE TRANSACTION INVOLVING:

ELI LILLY NEDERLAND B.V

AND

LOHMANN SE

CASE NUMBER: 2014MAR0103

The Competition Commission hereby gives notice, in terms of Rule 38 (3)(c) of the 'Rules for the Conduct of Proceedings in the Competition Commission, that it has approved the transaction involving the above mentioned firms subject to conditions as set out below:

On 19 March 2014, the Competition Commission ("the Commission") received notice of an intermediate merger whereby the primary acquiring firm, Eli Lilly and Company ("Eli Lilly"), intends to acquire Lohmann SE ("Lohmann") through its subsidiary, Eli Lilly Nederland B.V. ("Eli Lilly Nederland"). Following implementation of the proposed transaction, Eli Lilly will exercise sole control over Lohmann.

Eli Lilly is an international company headquartered in the United States of America. It is a research based global company active in the discovery, development, manufacture and distribution of healthcare products for human humans and animals. In South Africa, Eli Lilly operates through its own affiliate entity, Eli Lilly SA. It supplies both human and animal health products in South Africa. Within the animal health market, Eli Lilly imports and distributes its own branded animal health products (vaccines, pharmaceuticals and feed additives) which are

manufactured outside South Africa for food animals (livestock) and companion animals (pets) through its division, Elanco. Lohmann imports and distributes animal health products (vaccines, pharmaceuticals and feed additives) with a primary focus on the poultry sector. Locally, Lohmann operates through its subsidiary IVS. IVS is a distributor for Lohmann's poultry vaccines in South Africa and the sale of these vaccines constitute the bulk of its business in terms of sales. Lohmann also distributes animal health products on behalf of other third parties in South Africa.

The Commission found that there is horizontal overlap in the activities of the merging parties as both Eli Lilly and Lohmann distribute animal health products in the country. The Commission's assessment of the relevant markets found there are distinct national product markets, namely, (i) the market for the distribution of animal vaccines, (ii) the market for the distribution of pharmaceuticals and (iii) the market for the distribution of feed additives.

The Commission found that the proposed transaction is unlikely to substantially prevent or lessen competition in all implicated markets, as customers have countervailing power. Furthermore, there are alternative players in the markets that can constrain the merged entity post-merger.

The proposed transaction, however, raises public interest concerns in relation to job losses. In a worst case scenario, approximately 12 employees employed by Lohmann are likely to lose their jobs.

The parties submit the potential redundancies will most likely be identified in the back office areas such as finance, accounting, purchasing and administration. However, the acquiring firm has not conducted a thorough due diligence of the target firm's business activities in South Africa, as this is not the main strategic focus of the transaction, and will only be able to do a thorough assessment post-merger when the businesses are integrated.

The Commission is of the view that the proposed merger would result in substantial job losses. To address these employment concerns, the Commission engaged with the parties and proposed a condition to cap the number of employees to be retrenched. The merging parties have agreed to a condition but proposed that the condition be imposed for a period of 1 year period. The Commission is however of the view that a condition should be imposed requiring merging parties not to retrench a maximum of 12 employees for a period of 2 (two) years.

Further, the proposed transaction does not raise any other public interest concerns.

The Commission therefore approved the merger with Conditions in terms of section 4(1)(b)(ii) of the Competition Act no. 89 of 1998, as amended.

Enquiries in this regard may be addressed to Manager: Mergers and Acquisitions Division at Private Bag X23, Lynnwood Ridge, 0040. Telephone: (012) 394 3298, or Facsimile: (012) 394 4298.