




**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

**IN THE MATTER OF
FIRST PHASE REVIEW**

***IN THE MATTER OF ACQUISITION BY BOEHRINGER
INGELHEIM GROUP OF COMPANIES OF SANOFI'S ANIMAL
HEALTH BUSINESS, MERIAL.***

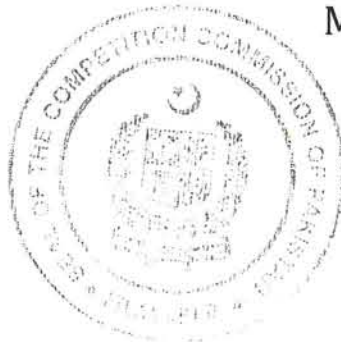
CASE: 832-Mergers/CCP/16

Commission


Ms. Vadiyya Khalil
Chairperson



Mr. Shahzad Ansar
Member



I. BACKGROUND

1. On 10th August, 2016, Boehringer Ingelheim group of companies ("BI" or "Acquirer"), submitted a pre-merger application ("Application") notifying the Competition Commission of Pakistan ("Commission") acquisition of the Animal Health business ("AH business") of Sanofi, known as Merial ("Merial" or "Target") (collectively "Merger Parties").

II. MERGER PARTIES

Acquirer:

2. BI is an independent family-owned business headquartered in Ingelheim, Germany. The parent company of BI group is C.H. Boehringer Sohn AG & Co. KG, a German limited partnership. BI is supervised by a Shareholders' committee chaired by Christian Boehringer and representing the shareholder families. BI is active worldwide on the development, production, distribution and marketing of pharmaceutical products, more particularly (i) prescription products, (ii) Consumer Health Care ("CHC") products, (iii) biopharmaceuticals and (iv) animal health products.
3. With approximately 3000 employees worldwide, BI achieved a turnover of approximately EUR (approximately PKR) in 2015 while its global assets stood at EUR (approximately PKR).

Target:

4. Sanofi is a publically listed company, headquartered in Paris, France, whose shares are traded on Euro-Next and the New York Stock Exchange. It is the ultimate parent company of a global healthcare consolidated group consisting of approximately 400 subsidiaries. Sanofi is active in the research, development, manufacture and sale of healthcare products, and is organized around three principal activities: (i) pharmaceuticals, (ii) human vaccines and (iii) animal health.
5. Sanofi's animal health activity is carried out through Merial and focuses on anesthetic, anti-parasitic, antimicrobial, cardiovascular, gastrointestinal and respiratory medicines, as well as vaccines against viral and bacterial diseases. In 2015, Merial generated a worldwide turnover of EUR (approximately PKR) while its global assets stood at EUR (approximately PKR). In Pakistan Merial sells vaccines, anti-parasiticides and to a lesser extent, nutrient and vitamin supplies. In 2015, Merial achieved EUR (approximately PKR) sales in Pakistan.



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III. TRANSACTION

6. BI intends to acquire Sanofi's AH business, Merial, through an asset swap, whereby BI's CHC business would be transferred to Sanofi in exchange for Merial. The Commission has approved the transfer of BI's CHC business to Sanofi via order dated 13th June 2016. This Application is with regard to the second part of the transaction, the transfer of Sanofi's AH business, Merial, to BI.
7. Merial enterprise value is estimated to be EUR [REDACTED] (approximately PKR [REDACTED]). The transaction also includes a cash payment of EUR [REDACTED] (approximately PKR [REDACTED]) from BI to Sanofi. The total consideration being paid for the transfer of Merial to BI is, therefore, EUR [REDACTED] (approximately PKR [REDACTED]) which is the transaction value in this case.
8. The transaction meets the notification thresholds as prescribed under Regulation 4 (2) (a), (b) and (c) of the Merger Regulations, as the value of the gross assets of the undertaking is greater than PKR 300 million, and the combined assets of the undertakings are greater than PKR 1 billion. The annual turnover of the undertaking is greater than PKR 500 million, and the combined turnover of the undertakings is greater than PKR 1 billion, while the transaction value in this case is greater than PKR 100 million.

IV. THE RELEVANT MARKET

9. As Merial's products are distributed nationwide and the conditions of competition are sufficiently homogenous across the country, the relevant geographic market has been identified as Pakistan.
10. The relevant product market has been defined as the distribution of poultry and cattle vaccines in Pakistan, and is composed of multiple players manufacturing close substitutes of products in the relevant product market. Overlapping products manufactured by the Acquirer, Target and competitors are as follows:
 1. Monovalent live poultry vaccines against Newcastle Disease;
 2. Monovalent killed poultry vaccine against Newcastle Disease;
 3. Monovalent live poultry vaccines against Gumboro disease; and
 4. Multivalent poultry vaccines against Newcastle Disease, Infectious Bronchitis and Egg Drop Syndrome.
11. Market shares of the Merger Parties and their competitors in the overlapping products mentioned above are as follows:



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1. Monovalent live poultry vaccines against Newcastle Disease

Sr. No.	Name of Company	Sales Value (EUR)	Market Share
1.	BI		
2.	MERIAL		
3.	CEVA		
4.	MERCK		
5.	ZOETIS		
6.	OTHERS		
7.	TOTAL		

2. Monovalent killed poultry vaccine against Newcastle Disease

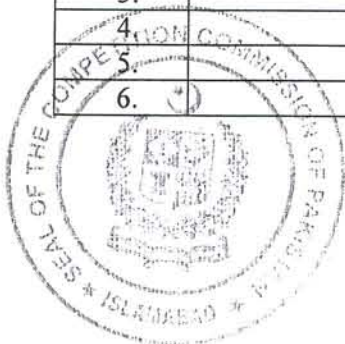
Sr. No.	Name of Company	Sales Value (EUR)	Market Share
1.	BI		
2.	MERIAL		
3.	CEVA		
4.	MERCK		
5.	OTHERS		
6.	TOTAL		

3. Monovalent live poultry vaccines against Gumboro disease

Sr. No.	Name of Company	Sales Value (EUR)	Market Share
1.	BI		
2.	MERIAL		
3.	CEVA		
4.	MERCK		
5.	ZOETIS		
6.	OTHERS		
7.	TOTAL		

4. Multivalent poultry vaccines against Newcastle Disease, Infectious Bronchitis and Egg Drop Syndrome

Sr. No.	Name of Company	Sales value (EUR)	Market Share
1.	BI		
2.	MERIAL		
3.	CEVA		
4.	MERCK		
5.	ZOETIS		
6.	OTHERS		





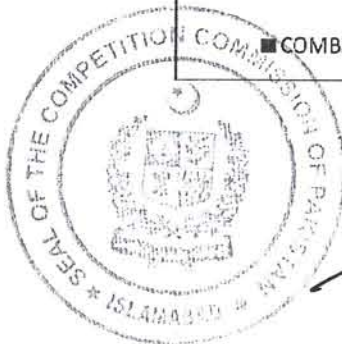
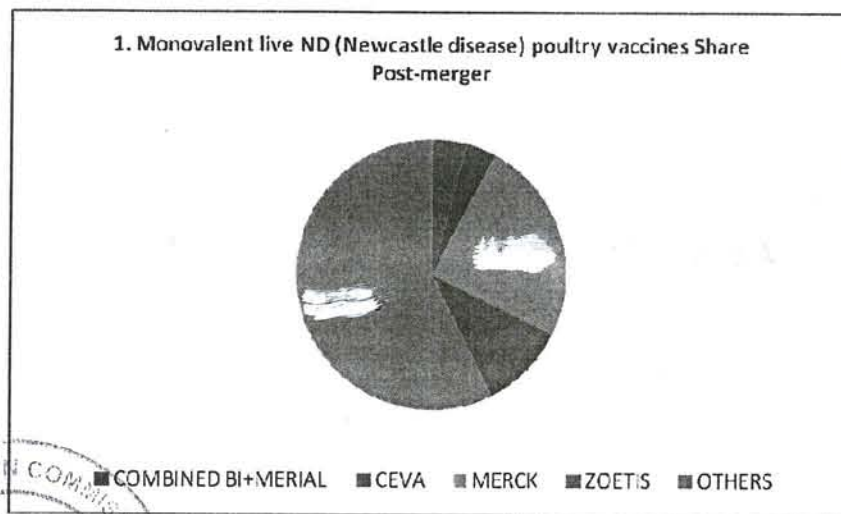

7.	TOTAL		
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12. There are no overlaps in the cattle vaccine market.

V. **FINDINGS OF THE PHASE 1 INVESTIGATION ON COMPETITION ASSESSMENT**

13. In the proposed transaction BI will acquire the AH business of Sanofi through an asset swap, whereby BI's CHC business would be transferred to Sanofi in exchange for Sanofi's AH business. The Commission has approved the transfer of BI's CHC business to Sanofi via order dated 13th June 2016. This Application is with regard to the second part of the transaction, the transfer of Sanofi's AH business, Merial, to BI.

14. Post-merger, the combined market shares of the Merger Parties and their competitors in overlapping products will be as follows:



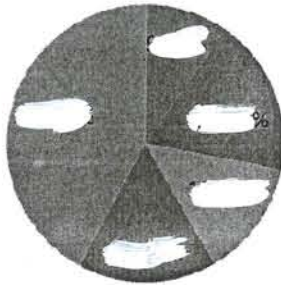
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2. Monovalent killed ND (Newcastle disease) poultry vaccines Share Post-merger

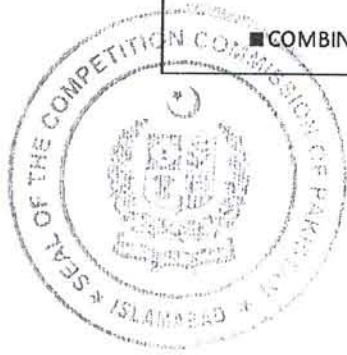


■ COMBINED BI+MERIAL ■ CEVA ■ MERCK ■ OTHERS

3. Monovalent live IBD (Gumboro) poultry vaccines Share Post-merger

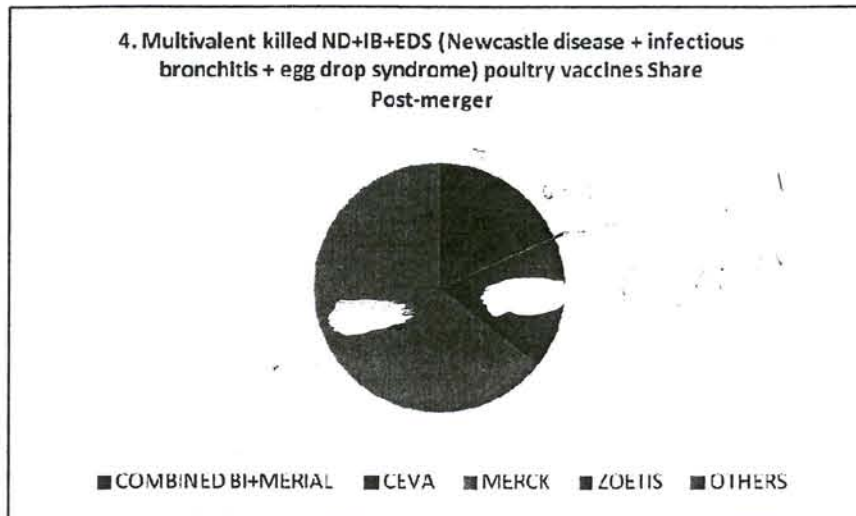


■ COMBINED BI+MERIAL ■ CEVA ■ MERCK ■ ZOETIS ■ OTHERS



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15. As shown above, insofar as the relevant geographic market is concerned, post-merger market shares in the relevant product market are below forty percent, and are as follows: in Monovalent live ND (Newcastle disease) poultry vaccines, In Monovalent killed ND (Newcastle disease) poultry vaccines, In Monovalent live IBD (Gumboro) poultry vaccines, In Multivalent killed ND, IB and EDS poultry vaccines, As stated above, there are no overlaps in the cattle vaccine market.
16. Post-merger market shares show that the transaction is not likely to result in creation or strengthening of dominant position. The intended merger does not meet the presumption of dominance as determined under Section (2) (1) (e) read with Section 3 of the Competition Act 2010.

VI. ANCILLARY RESTRICTIONS

17. The Merger Parties have agreed on a and a clause in the Share and Asset Purchase Agreement entered into by them on the ("SAPA"):



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20. An application has yet to be made to the Exemptions Department for review of the aforementioned matter. The Merger Parties are hereby directed to apply for exemption.

VII. CONCLUSION

21. In conclusion, there is no evidence that suggests a substantial lessening of competition by creating or strengthening of dominant position in the relevant market. The proposed transaction is hereby authorized under Section 31 (1) (d) (i) of the Competition Act, 2010.

22. It is so ordered.

Vaddiya Khalil

(Vaddiya Khalil)
Chairperson

Shahzad Ansar

(Shahzad Ansar)
Member



Islamabad ~~the~~ 16th Nov, 2016