

PRESS RELEASE

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Vertical mergers: Belgian Competition Authority approves acquisition of Pannoc Chemie by ACE Pharmaceuticals Belgium and Febelco, subject to conditions

The Belgian Competition Authority ("BCA") approved on 8 November 2023 the acquisition of Pannoc Chemie NV ("Pannoc") by ACE Pharmaceuticals Belgium BV ("ACE Belgium") and Febelco CV ("Febelco"), subject to conditions.

Pannoc is a Belgian pharmaceutical company dedicated to developing, producing, packaging and selling medical raw materials (mainly ointment bases) and cosmetics in the form of creams, ointments, gels, lotions and solutions, as well as a limited number of medicines. It also has a limited range of medical devices. Pannoc additionally produces these products for third parties, under private label or otherwise.

ACE Belgium is a joint venture between ACE Pharmaceuticals BV - part of ACE Pharma Group BV - and Pharmentum NV. ACE Pharma Group BV is active in the development, production, registration and sale of drugs for small patient groups or specific indications, as well as in the production and distribution of drugs for clinical trials. Pharmentum NV is a holding company with control over Pharma Chemicals, a pharmaceutical company active in the procurement, analysis and repackaging of medical raw materials, which it sells to pharmacists and hospitals that then further process these raw materials.

Febelco is a cooperative company, which on the one hand operates as a wholesaler-distributor of pharmaceutical and parapharmaceutical products, and on the other hand owns, as a holding company, Livlina NV (logistics, pre-wholesale activities) and Axone Pharma SA (commercial representation for (para)pharmaceutical products), among others. In addition, Febelco also has the private label Febelcare, consisting of a range of mainly (para)pharmaceutical products.

The investigation into this acquisition was referred to the BCA by the European Commission on 28 February 2023, at the request of the BCA, under the procedure in Article 9 of the EC Merger Regulation¹.

At the end of its preliminary ('Phase 1') analysis, the BCA concluded that the transaction gave rise to a vertical concentration that posed risks to competition with regard to the production and distribution of semi-solid medical raw materials in the Belgian market:

- Input foreclosure, whereby semi-solid medical raw materials produced by Pannoc would no longer be available, in limited quantities or on less favourable terms to competing seller-distributors, competing full-line wholesaler-distributors and pharmacists who do not purchase from Febelco.

¹ COUNCIL REGULATION (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation)

- Customer foreclosure, whereby Febelco would no longer, or only to a lesser extent, be available as a sales channel to competing seller-distributors and competing producers.
- Exchange of commercially sensitive information, whereby Pannoc would receive post-transaction commercially sensitive information about competitors through notifying parties or vice versa.

Having taken cognisance of these risks, the notifying parties offered the following behavioural commitments on 5 October 2023 pursuant to Article IV.63, §2 of the Code of Economic Law:

- Input foreclosure: notifying parties undertake to continue to supply "Pannoc" semi-solid medical raw materials in a fair, reasonable and non-discriminatory manner.
- Customer foreclosure: Febelco undertakes to continue to distribute semi-solid medical raw materials competing with "Pannoc" semi-solid raw materials in Belgium in a fair, reasonable and non-discriminatory manner.
- Exchange of commercially sensitive information: notifying parties undertake to implement a strict Chinese Wall Policy.

These commitments were made binding and on this basis the transaction was approved, subject to conditions. The commitments are valid for a period of five years and can be renewed once.

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The Belgian Competition Authority (BCA) is an independent administrative authority that contributes to the definition and implementation of competition policy in Belgium. Concretely, the BCA pursues anti-competitive practices, such as cartels and abuses of a dominant position, and reviews the main merger operations. The BCA cooperates with the other competition authorities of the member states of the European Union and the European Commission within the European Competition Network (ECN)

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