**PROPOSED PURCHASE OF SPAR (CHANNEL ISLANDS) LIMITED
BY SANDPIPERCI RETAIL LIMITED**

Addendum to Merger Application Form dated 20 October 2016

9 November 2016

1. **BACKGROUND**

1.1 This document is an addendum to the Merger Application Form dated 20 October 2016 in connection with the sale of Spar (Channel Islands) Limited by Jmart Limited to SandpiperCI Retail Limited (the "**MAF**").

1.2 Capitalised terms used in this document and not defined herein have the same meanings as given to them in the MAF.

1.3 This document is provided by the Purchaser only.

2. **SIZE OF GROCERIES MARKET**

2.1 Due to an inadvertent misinterpretation of the relevant States of Jersey statistical data on the number of households in the island, paragraph 4.2 of the MAF materially over-estimated the overall size of the groceries etc market in Jersey when based on that statistical data.

2.2 The Purchaser confirms that, based on its revised estimations (the only change being to the number of households), the estimated total annual spend in Jersey on food and non-alcoholic drinks, alcohol and tobacco and other items one might expect to purchase in a Supermarket or Convenience Store <u>based on available statistical data</u> is £227.05m per annum.

2.3 Whilst the Purchaser is of the view that this is a material under-estimate of the total annual spend on those items (see below beginning "*Based on the Purchaser's estimates of consumer spending as a supply-side participant in the relevant market*" for further information), if it were correct it would have the following consequential effects to the import of the information set out in the MAF:

Paragraph of MAF	Sub-heading within MAF paragraph	Effect
4.2	Alternative market definitions within the General Stores economic market: The General Stores Market as a whole	The vast majority of total annual spend in Jersey on food and non-alcoholic drinks, alcohol and tobacco and other items one might expect to purchase in a Supermarket or Convenience Store is likely to be at a Supermarket or a Convenience Store operated by one of the main retail groups, and consequentially any competition or constraining effect on Supermarkets and Convenience Stores from Other General Stores is likely to be minimal. Please note however as follows: ▪ The foregoing does not affect the share of supply information set out in sub-paragraphs (b) to (d) of that paragraph (which are based on the main retail groups' respective shares of overall spend on relevant grocery products), ie: o the Sandpiper Group's share of supply of relevant grocery products following completion of the Transaction would be [40-50]% (up from [30% or more, but less than 40%]); o Waitrose's share of supply of relevant grocery products is and would remain at [25% - 30%]; and o Co-op's share of supply of relevant grocery products is and would remain at [30% or more, but less than 40%]. ▪ The Purchaser's submissions around the more fluid nature of consumer purchasing habits than those suggested by previous market segmentations still stand: o Even based on the reduced overall market size, a significant proportion of

		the purchase of relevant products must not be during a "weekly shop" at a Supermarket, meaning that Convenience Stores are, as a matter of fact, serving a function very similar to that of a Supermarket for many consumers. o Specifically, if one assumes that the only spend in Supermarkets (ie £187.1m per annum) was on a "weekly shop" and all "weekly shops" were done at Supermarkets, "weekly shops" would only account for [80-90]% of total spend on relevant grocery products. If (as the Purchaser submits to be reasonable) a significant amount of spend in Supermarkets does not relate to "weekly shops", the evidence that Convenience Stores are in many cases in direct competition with Supermarkets is increased. o Further, the Purchaser's submissions on the geographic market for the assessment of Convenience Stores in the context (see the following paragraph) still stand. ▪ Based on the Purchaser's estimates of consumer spending as a supply-side participant in the relevant market, the Purchaser is of the view that the States of Jersey household spending statistics under-state actual household spending on relevant products. This is based on the Purchaser's bottom-up store analysis and the fact that other food and general stores are not included in the main retail group turnover assessments (for example farm shops, St Helier market, independent stores, Boots). The Purchaser is of the view that this understatement is likely to be material and so, even if not possible to demonstrate from statistical data, Other General Stores are likely to participate in the relevant market to a material extent. Given the above, the Purchaser remains of the view that it is reasonable – in a transaction involving the purchase by one of the island's main retail groups of a significant number of Convenience Stores (or indeed any Supermarkets or of a significant number of Other General Stores) – to assess that transaction on the basis of the General Stores Market as a whole, on an island-wide basis. The Purchaser concedes (which is consistent with the MAF) that such a market definition may not be appropriate where the purchaser is not one of the island's then incumbent main retail groups, or is of one or a small number of Convenience Stores or Other General Stores (irrespective of the identity of the purchaser), where the island-wide market is likely to be of less importance.
4.3	Alternative market definitions in the General Stores Market: General Stores Market as a whole	If Other General Stores (including those operated by the Sandpiper Group) are taken out of the share of supply information included in the relevant table, the share of supply amongst the main retail groups in the General Stores market would be as follows (based on the Purchaser's estimate of turnover rather than based on the statistical data referred to above):

		Main Retail Group Turnover Sandpiper Supermarkets [REDACTED] Waitrose 70.5 COOP Supermarkets 36.4 Alliance 6 Total Supermarkets [REDACTED] Sandpiper Convenience [REDACTED] COOP Convenience 49.0 Cost Cutter Convenience [REDACTED] Total 49.0 Total [REDACTED] Market Share Sandpiper 30-40% Waitrose 25-30% COOP 30-40% Cost Cutter 5-10% Alliance 0-5% Total 0.0% Sandpiper + CC 40-50%
4.15	Alternative market definitions in the General Stores Market: General Stores Market as a whole	Sub-paragraph (a) of this paragraph should not be taken into account. The Purchaser's submissions in sub-paragraph (b) of this paragraph still stand.

3. **OTHER CLARIFICATIONS**

3.1 The Purchaser confirms that the Target Group is not active in Guernsey (ref the table headed "The Target Group" in paragraph 3.1 of the MAF).

3.2 The Benest / Food Hall store on Queen's Road is both within a 1 mile radius of Checkers at First Tower and within the 1 mile radius of the commercial centre of town, and has thus been included in both share of supply assessments for completeness.

3.3 In section 4.3 the MAF refers in error to the Target Group operating petrol stations at Augres Garage, Trinity and St Ouen's Motor Works, when in fact it operates petrol stations at Augres Garage, Trinity and Kensington Place, St Helier.

Declaration

I declare that:

- The information given herein and in any appendices and attachments hereto is, to the best of my knowledge and belief, accurate and complete, and any opinions expressed herein are sincere.
- All estimates are identified as such and are the best estimates of the underlying facts.
- Photocopies of any documents submitted with this Merger Application Form are exact duplicates of the original documents.
- I have read and am aware of the provisions of Sections 13, 16, 17 and 48 of The Competition (Guernsey) Ordinance, 2012 and/or Articles 20, 21, 22 and 25 of the Competition (Jersey) Law 2005 (as applicable).
- I have the authority to sign this declaration on behalf of all parties to the proposed merger or acquisition.
- The initial fee required for conducting a first detailed review of the merger has been paid or is submitted with this Merger Application Form.

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Carey Olsen
with authority
for and on behalf of
the Purchaser
(as defined in the MAF)

Dated: