

MEDIA RELEASE

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Commission approves Holcim / Lafarge merger with conditions

The Competition Commission has on 1 October 2014, approved an intermediate merger between Holcim Limited ("Holcim") and Lafarge SA ("Lafarge") with conditions aimed at preventing Holcim having joint shareholding in Lafarge and Afrisam.

This transaction is an international merger which was notified in various jurisdictions globally. Holcim and Lafarge are cement producers operating internationally, although Holcim exited the South African market a few years ago save for a stake it held in Afrisam (Pty) Ltd ("Afrisam"). Effectively, up until this transaction, it is only Lafarge that operated in South Africa. The Commission found that Holcim's shareholding interest in Afrisam, a cement producer in South Africa, would present anti-competitive effects post-merger. This is due to the fact that the shareholding creates an undesirable structural link between Holcim and Afrisam in that it provides Holcim with access to Afrisam's commercially sensitive information.

The Commission's investigation established that absent this shareholding, Holcim would not have access to this commercially sensitive information. The Commission also noted that up until recently, Holcim and Afrisam were party to an agreement in terms of which Holcim rendered certain technical assistance to Afrisam. This assistance also provided Holcim with information that it ordinarily would not have about a competitor's business.

The Commission found that the shareholding by Holcim in competitors, being Lafarge and Afrisam, would create a platform for information sharing and tacit collusion in the cement industry post-merger and thus substantially lessen competition. This is compounded by the history of collusion in the South African cement industry and globally involving the merging parties, the high concentration levels and barriers to entry in the cement industry

To address the competition concerns, the Commission approved this merger on condition that Holcim divests of the shareholding in Afrisam within a period of 3 years after approval of the merger.

"Cross shareholdings between competitors, particularly, in highly concentrated sectors are a recipe for collusion. The conditions imposed on this merger ameliorate the competition concerns the merger would have presented", says acting Deputy Commissioner, Hardin Ratshisusu.

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