

PRESS RELEASE

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KANSAI's ACQUISITION OF FREEWORLD APPROVED WITH CONDITIONS

The Competition Commission yesterday approved the proposed acquisition of Freeworld Coating Limited ("Freeworld") by Kansai Paint Co. Limited ("Kansai") with conditions that address competition and public interest concerns that arise from the transaction. Both parties are active in the market for the supply of automotive coatings. Freeworld is also active in the market for decorative coatings through the Plascon brand.

The automotive coatings market is a concentrated market with high barriers to entry and linkages between the various market players through joint ventures. The Commission found that the merger would have re-enforced concentration in the South African market and would create a forum for collusion between Kansai and du Pont (another multinational automotive paint company) through the joint venture that currently exists between Freeworld and du Pont. In order to address these concerns, the Commission requires that Kansai divest the entire automotive coatings business of Freeworld, which includes its shareholding in the du Pont joint venture.

In addition, the merger approval was subject to the following public interest conditions that were raised during the Commission's investigation:

- There will be no retrenchments for a period of three years following the merger
- Kansai will continue to manufacture decorative coatings for a period of 10 years, and will establish an automotive coatings manufacturing facility in South Africa within 5 years
- Kansai will invest in South African research and development in decorative coatings
- Kansai will implement a BEE transaction within 2 years.

Commissioner Shan Ramburuth said that "collectively, these conditions address any anti-competitive harm that would have resulted from the merger and would ultimately increase South Africa's manufacturing capacity in the paint market."

END

Further Information:

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