



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 020024

In the matter between:

SIEMENS AG

Primary Acquiring Firm

And

DRESSER-RAND GROUP INC.

Primary Target Firm

Panel : Mr A Wessels (Presiding Member)
: Ms M Mazwai (Tribunal Member)
: Ms M Mokuena (Tribunal Member)
Heard on : 25 February 2015
Order Issued on : 25 February 2015
Reasons Issued on : 13 March 2015

Reasons for Decision

Approval

- [1] On 25 February 2015, the Competition Tribunal ("Tribunal") unconditionally approved the acquisition by Siemens AG ("Siemens") through its subsidiary Dynamo Acquisition Corporation ("Dynamo") of Dresser-Rand Group Inc ("Dresser-Rand").
- [2] The reasons for approving the proposed transaction follow.

Parties to proposed transaction

- [3] The primary acquiring firm is Siemens. No one firm controls Siemens for competition law purposes. Siemens' shares are quoted on all stock exchanges in Germany, as well as on the Swiss Stock Exchange. Siemens has a number of subsidiaries in South Africa.¹
- [4] Siemens is a global electronics and electrical engineering group which operates through the following divisions: power and gas; wind power and renewables; power generation services; energy management; building technologies; mobility; digital factory; process industries and drives; healthcare; and financial services.
- [5] The primary target firm is Dresser-Rand. The shares of Dresser-Rand are listed on the New York Stock Exchange. Dresser-Rand has a number of subsidiaries in South Africa.²
- [6] Dresser-Rand is a global supplier of custom-engineered rotating equipment solutions for applications in the oil, gas, chemical, petrochemical, process, power, military and other industries worldwide. Dresser-Rand supplies new units and aftermarket parts and services. Its product portfolio includes compressors, small gas turbines, industrial steam turbines, gas expanders, gas and diesel engines and associated control panels.

Proposed transaction and rationale

- [7] Siemens intends to acquire all of the issued and outstanding common shares of Dresser-Rand through Dynamo.
- [8] Siemens submitted that it wishes to compete head-on with competitors across all parts of the energy industry including the global oil and gas sector. The proposed transaction will broaden its product portfolio and technology base.
- [9] Dresser-Rand submitted that the acquisition will facilitate its continued growth.

¹ See merger record, page 15.

² See merger record, page 29.

Relevant markets and impact on competition

- [10] The worldwide activities of the merging parties overlap in relation to the manufacture and supply of turbo-compressors³ and industrial steam turbines⁴. The merging parties submitted that the demand for these products is lumpy⁵ and therefore submitted global market shares over a period of five years.
- [11] The Competition Commission ("Commission") concluded that the relevant markets affected by the proposed transaction are the international markets for the manufacture and supply of (i) turbo compressors; and (ii) industrial steam turbines with an output of up to 100MW.
- [12] With respect to the international market for the supply of turbo compressors, the Commission found that the merged entity will have a post-merger market share of less than 25%. The merged entity's ability to increase prices post-merger will likely be sufficiently constrained by other competitors such as General Electric, Solar Turbines, MAN Diesel & Turbo and Mitsubishi Heavy Industries (MHI) among others.
- [13] Similarly, with respect to the international market for the supply of industrial steam turbines with an output of up to 100MW, the Commission found that the merged entity will have a post-merger market share of less than 25%. The merged entity's ability to increase prices post-merger will likely be sufficiently constrained by other competitors such as Shin Nippon, BHEL, General Electric and TMG-Kanis/Turbinas among others.
- [14] Furthermore, to assess the closeness of competition between the merging parties' products the Commission obtained relevant bidding information for the period 2009 to 2014 and also obtained the views of customers in South Africa. Based on its assessment of these tender data for South Africa, the Commission concluded that the merging parties cannot be regarded as close

³ Compressors are designed to compress or squeeze air and other gases into a more pressurized state than that in which they exist under normal atmospheric conditions.

⁴ A steam turbine is a device that extracts thermal energy from pressurized steam and converts it into mechanical energy.

⁵ Merger record, page 53.

competitors in South Africa since they do not generally bid for the same projects. Furthermore, customers confirmed that they do not consider the merging parties' products to be similar.

[15] The Commission therefore concluded that the proposed merger is unlikely to substantially prevent or lessen competition in the above-mentioned relevant markets.

[16] We concur with the Commission's conclusion.

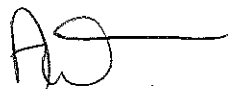
Public interest

[17] The merging parties confirmed that the proposed transaction will not have any negative effect on employment in South Africa and that no retrenchments will result from the proposed transaction.⁶

[18] The proposed merger further raises no other public interest concerns.

Conclusion

[19] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, no public interest issues arise from the proposed transaction. Accordingly we approve the proposed transaction unconditionally.



Mr A Wessels

13 March 2015

DATE

Ms M Mazwai and Ms M Mokuena concurring

Tribunal Researcher:

Moleboheng Moleko

For the merging parties:

Rosalind Lake of Norton Rose Fulbright

For the Commission:

Gilberto Biacuana

⁶ Merger record, pages 9, 46 and 62.