IN THE COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 125 /LM/Nov07

In the matter between:

SASOL CHEMICAL INDUSTRIES LIMITED Acquiring Firm

and

SASOL DIA ACRYLATES (PTY) LTD Target Firm

Panel	:	Y Carrim; D Lewis; and N Manoim
Heard on	:	23 January 2008
Decided on	:	23 January 2008
Reasons issued on	:	29 January 2008

REASONS FOR DECISION

INTRODUCTION

[1] On 23 January 2008, the Tribunal approved the merger between Sasol Chemical Industries Limited and Sasol Dia Acrylates (Pty) Ltd without conditions.

THE TRANSACTION

[2] The primary acquiring firm is Sasol Chemical Industries Limited ("**SCI**"). SCI is a wholly owned subsidiary of Sasol Limited ("**Sasol**"), a company listed on the JSE Limited and New York Stock Exchange. SCI controls in excess of thirty firms; including Sasol Dia Acrylates (Pty) Ltd ("**SDA**"), the primary target firm. Sasol is an integrated oil and gas company and has a substantial interest in the chemical industry.

[3] The primary target firm is SDA. SDA is jointly controlled by SCI, the primary acquiring firm, and Mitsubishi Chemical Corporation ("**Mitsubishi**"), each having 50% shareholding. Prior to this transaction, SCI together with SDA already had joint control of SDA's subsidiary, Sasol Dia Acrylates (South Africa) (Pty) Ltd ("**SDASA**").

[4] In terms of the Sale of Shares and Termination of Joint Venture Agreement, SCI is increasing its shareholding in SDA from 50% to 100% by acquiring additional 50% from Mitsubishi. As a result of the transaction, SCI will exercise sole control over SDA and SDASA.

RATIONALE FOR THE TRANSACTION

[5] The parties submitted that when the parties concluded the joint venture agreement, the price of propylene had been agreed upon. The price of propylene however is dependent on the price of oil, from which it is derived. Since the time of the conclusion of the joint venture oil price had risen to levels that rendered it uneconomical for SCI, as its input costs have increased significantly, to continue with the joint venture. As a consequence, the parties have decided to terminate their shareholding arrangement but have agreed to maintain their relationship through a license and off-take agreement.

THE PARTIES' ACTIVITIES

[6] SCI is Sasol's operating chemical industry company and its businesses are structured globally around focus areas of Polymers, Olefins, and surfactants, solvents and Waxes.[1] SCI sells raw materials to SDA such as propylene, an input in the production of acrylate products manufactured by SDASA. SDA markets and sells a wide range of products manufactured by SDASA.[2] SDA also markets and sells products manufactured by Mitsubishi in Japan. The parties also indicated that SDA is also engaged in swap arrangements for products with certain foreign producers.

COMPETITION ANALYSIS

[7] The relevant product markets are the international markets for the production and supply of acrylates. Acrylates are derivatives of acrylic acid whose properties have been sufficiently modified to enable acrylic acid to be used in different media such as

[1] It conducts these businesses through the following of its divisions: Sasol Olefins & Surfactants ("**O&S**"); Sasol Polymers; Sasol Solvents; Sasol Wax and Sasol Nitro.

[2] These products includes: Crude acrylic acid; Glacial acrylic acid; Butyl acrylic and Ethyl acrylate.

emulsion and solution polymers. While the transaction involves a change from joint control to sole control it does not affect the market share of SDA in the global market for the production and supply of acrylates. According to the merging parties' estimate SDA currently enjoys a global market share of approximately 2%, which is low compared to that enjoyed by other significant participant in the global market.[3] The merging parties also submitted, and we accept, that the transaction does not give rise to any horizontal concerns because neither SCI nor any of the companies within the Sasol group manufactures and sells any products or renders any services which are reasonably interchangeable or substitutable for the products manufactured by SDA.

[8] The transaction will also not give raise to any additional vertical concerns as the parties were already vertically integrated prior to the transaction.[4]

CONCLUSION

[9] We find that the transaction does not raise any significant public interest issues and accordingly approve the merger without conditions.

________________ **29 January 2008**

Y Carrim Date

D Lewis and N Manoim concurring.

Tribunal Researcher : P S Munyai

For the merging parties : Edward Nathan Sonnenbergs Inc

For the competition commission : M Mohlala and G Mutizwa

[3]. For example, Stohaas, Dow and BASF, all of which have facilities in America and Europe, has market shares of 17,8%; 12.84%; and 12.60%, respectively.

[4]. In view of the fact that SCI sells inputs raw materials to SDA and that the Sasol Group sells SDA products and that nothing will change post merger.