

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no.: 37/LM/May05

In the large merger between:

South African Gas Development Company (Pty) Ltd and Companhia Mocambicana de Gasodudo S.A.R.L.

and

Republic of Mozambique Pipeline Investments Company (Pty) Ltd

Reasons

Introduction

On 13 June 2005 the Competition Tribunal approved the merger between Republic of Mozambique Pipeline Investments Company (Pty) Ltd and South African Gas Development Company (Pty) Ltd and Companhia Mocambicana de Gasodudo S.A.R.L. The reasons are set out below.

The transaction

The primary acquiring firms are the South African Gas Development Company (Pty) Ltd (“iGas”) and Companhia Mocambicana de Gasodudo S.A.R.L. (“CMG”). iGas and CMG do not have any subsidiaries. iGas is a wholly owned subsidiary of the Central Energy Fund (Pty) Ltd (“CEF”), which is owned by the Government of South Africa.

Empresa Nacional de Hidrocarbonetos de Mocambique E.P. (“ENH”) and the Government of the Republic of Mozambique hold 80% and 20% respectively of

the issued shares in CMG and Companhia Mocambicana de Hidrocarbonetas S.A.R.L. The Republic of Mozambique owns all the shares in ENH.

The primary target firm is the Republic of Mozambique Pipeline Investments Company (Pty) Ltd ("ROMPCO"). ROMPCO is a wholly owned subsidiary of Sasol Gas Holdings (Pty) Ltd ("Sasol Gas"). Sasol Ltd ("Sasol") in turn controls Sasol Gas. ROMPCO does not have any subsidiaries.

The merger involves the acquisition of joint control by iGas and CMG, being entities nominated by the Governments of South Africa and Mozambique respectively, in ROMPCO. Two classes of shares are involved, A class shares and B class shares.¹ The B class shares will be held by Sasol and the A class shares will be issued to iGas and CMG. In terms of the shareholders agreement the A class shareholders have a call option which entitles them to purchase from Sasol up to 50% jointly of the B class shares. A class shares have not yet been issued. These will only be issued when the transaction is approved. Immediately after approval iGas will exercise the A class call option, which will result in an acquisition of 25 % shareholding in ROMPCO. When it acquires the B class shares, it will acquire additional veto rights in respect of strategic matters. The Mozambican Government has a similar call option. After the call option has been exercised the A class shares will be cancelled.

The rationale for the two government's involvement in the project is found in the important strategic nature of the activities of ROMPCO. ROMPCO is the owner of a natural gas transmission pipeline from the gas fields of Mozambique to Secunda in South Africa. In the case of the South African Government the transaction has also been structured in such a way to permit the transfer of shares to BEE persons and firms.

Effect on Competition

Sasol Gas owns the natural gas pipeline from Temane and Pande gas fields in Mozambique to Secunda in South Africa. There is no other natural gas pipeline from Mozambique to Secunda besides the one owned by Sasol.

The transaction therefore does not raise any horizontal concerns and is thus unlikely to prevent or lessen competition.

¹ The A class shares have various rights attached to it. At the time that of being issued they will entitle the shareholders to veto certain decisions such as the change in the business of the target firm, amend material contracts and various other matters.

Public interest

The transaction does not raise any public interest concerns.

Y Carrim

July 2005
Date

Concurring: D Lewis, N Manoim