

NOTICE 239 OF 2012**COMPETITION COMMISSION****NOTIFICATION TO CONDITIONALLY APPROVE THE TRANSACTION INVOLVING:****LE GROUPE LACTALIS****AND****PARMALAT S.P.A****CASE NUMBER: 2011MAY0055**

The Competition Commission hereby gives notice, in terms of Rule 38 (3)(c) of the 'Rules for the Conduct of Proceedings in the Competition Commission, that it has approved the transaction involving the above mentioned firms subject to conditions as set out below:

This is a hostile takeover in terms of which Le Groupe Lactalis S.A. ("Lactalis") intends to acquire the entire issued share capital of Parmalat S.p.A. ("Parmalat"). The acquiring firm Lactalis, is a joint stock company duly incorporated in accordance with the laws of France. Lactalis controls various subsidiaries that fall within the Lactalis group worldwide but has no presence nor does it control any firm in South Africa.

The target firm, Parmalat, is a company duly incorporated in accordance with the laws of Italy. Parmalat is listed on the Italian Stock Exchange and is the parent company of the Parmalat group of companies.

The transaction was notified with the South African Competition Authorities because Parmalat has a subsidiary in South Africa, Parmalat SA (Pty) Ltd. The transaction was also notified with several competition authorities worldwide.

The merging parties are dairy processors supplying various dairy products. In South Africa, there is a horizontal overlap in the activities of the merging parties in the supply of fluid milk, butter, cheese, buttermilk powder, whole milk powder and skimmed milk powder.

For purposes of this transaction, the Commission has left the relevant market definition open as this does not affect the competition analysis. Further, Lactalis' exports into South Africa are currently very small, in all product categories.

In assessing the effects on competition, the Commission identified the cheese and milk powders as the relevant markets for further investigation of this transaction. This is because Parmalat SA is the leading processor of cheese in South Africa. The milk powders also make up the biggest portion of Lactalis' sales into South Africa currently.

In the cheese sub-market, the proposed merger does not raise competition concerns because there are many small cheese processors, who make cheese on a limited regional scale who are likely to pose some threat to any unilateral behaviour by the merged entity. In relation to milk powder, Lactalis' 2010 turnover generated from milk powder sales in South Africa was also fairly small.

The Commission also contacted the competitors of the merging parties, but none of them raised concerns about the merger. The retailers also did not raise any concerns regarding the merger and indicated that they are not bound by any supply agreements to the processors and so can switch when any of the suppliers are not competitive. The other customers of the merging parties are mostly non-retail customers and distributors that supply to the non-retail segment. These customers also indicated that there are suppliers locally and internationally that they can switch to in the event that the merged entity behaves unilaterally. A concern was however raised that if Parmalat SA buys direct from Lactalis this will affect distributors who currently supply to Parmalat SA. However the Commission's view is that this may in any event eliminate double marginalisation by distributors.

On public interest issues, even though the merging parties have indicated that no job losses are anticipated as a result of this proposed transaction, no supporting strategic documents were submitted for the Commission to verify what the likely impact on employment will be.

The Commission therefore approved the proposed merger on condition that the merged entity does not retrench employees as a result of this merger for a period of 12 months after approval.

Enquiries in this regard may be addressed to Manager: Mergers and Acquisitions Division at Private Bag X23, Lynnwood Ridge, 0040. Telephone: (012) 394 3298, or Facsimile: (012) 394 4298.