

NOTICE 880 OF 2012**COMPETITION COMMISSION****NOTIFICATION TO APPROVE WITH CONDITIONS THE TRANSACTION INVOLVING:****REUTECH LIMITED****AND****THE TACTICAL COMMUNICATIONS BUSINESS OF SAAB GRINTEK DEFENCE (PTY)
LTD****2012MAY0258**

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:

The primary acquiring firm is Reutech Limited ("Reutech"), a firm incorporated in terms of the laws of the Republic of South Africa. Reutech is controlled by Reunert Limited ("Reunert"), which is listed on the JSE. Reunert is a public company and is not controlled by any company.

The primary target firm is the tactical communications business of SAAB Grintek Defence (Pty) Ltd ("SAAB"), a firm incorporated in terms of the laws of the republic of South Africa. SAAB is controlled by SAAB South Africa (Pty) Ltd which is ultimately controlled by SAAB AB ("SAAB AB"), a company registered in terms of the laws of Sweden.

The Commission is of the view that the products and services provided by the merging parties do not overlap because Reutech focus on *short range tactical military communication solutions*

while SAAB Grintek Defence focus on *long range tactical military communications solutions*. These products and services are not substitutable for each other.

The barriers to entry in these markets are high. The military tactical communications business requires high technological and research development costs. It might take about 3 to 10 years to enter the market and up to 10 more years to develop the market.

Customers of the merging parties however have some degree of countervailing power. In addition, most projects are on an international tender basis which increases the ability of these customers to negotiate prices and access more suppliers.

None of the merging parties contacted had concerns with the proposed transaction.

From public interest point of view, there are likely to be retrenchments involved. Reutech cannot provide any certainty as to the number and identity of the employees who are potentially facing retrenchments when the integration between Reutech and the SAAB is implemented. In particular, Reutech has made no decisions in relation to retrenchments, however, estimated that about 50 employees will be retrenched assuming the "worst case scenario".

The Commission is of the view that the proposed transaction does not lead to significant prevention or lessening of competition. However, there are public interest concerns regarding these 50 employees who are likely to be retrenched as a result of this transaction. In order to address this concern, the Commission has imposed the following conditions:

For a period of 2 years, Reutech will:

1. ensure that there are no more than 50 dismissals, based on the merged entity's operational requirements, in South Africa, resulting from the merger. For the sake of clarity, dismissals do not include (i) voluntary separation arrangements (ii) voluntary early retirement packages; and (iii) unreasonable refusals to be redeployed in accordance with the provisions of the Labour Relations Act, 1995, as amended.
2. use all reasonable efforts to redeploy any affected employees, where possible, into Reutech's other Johannesburg based production operations (i.e those Johannesburg

based operations outside of Reutech Communications, being the division into which the Tactical Communications Business of SAAB will be incorporated);

3. make available various support measures to assist the affected employees, such support measures to include:

- a) making available pre and post-termination counselling to all affected employees;
- b) hosting workshops and/or providing one-on-one individual assistance and support in dealing with administrative issues (e.g. pension, tax and UIF contributions and payments) that may arise as a result of the employee's termination of employment;
- c) offering outplacement support, such as providing assistance in preparing a curriculum vitae, disseminating useful tips and skills to be used at future job interviews, as well as introducing affected employees to an appropriate placement agency; and
- d) for a period of 12 (twelve) months after any affected employee's employment with the merged entity terminates, the merged entity shall retain the curriculum vitae of any such affected employee and consider that affected employee for any suitable vacancy that may arise in the merged entity's business provided the affected employee has, inter alia, the requisite skills, experience and qualifications.

4. set up a R1,000,000 (one million Rand) training fund (the "designated fund") to be used for the training of affected employees. The designated fund shall be applied in accordance with the principles and conditions set out above.

All correspondence in relation to Conditions should be forwarded to mergerconditions@compcom.co.za

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.