

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no.: 03/LM/Jan03

In the large merger between:

Friedshelf 243 (Pty) Ltd

and

Gillette South Africa (Pty) Ltd

Reasons for Decision

Approval

The Competition Tribunal issued a Merger Clearance Certificate on 20 February 2003 approving the merger without conditions. The reasons are set out below.

The merger

The transaction

Gillette South Africa (Pty) Ltd is selling the manufacturing business of its Eveready Division to Friedshelf 243 (Pty) Ltd as a going concern.

The parties to the transaction

The acquiring firm is Friedshelf 243 (Pty) Ltd (“Friedshelf”) a special purpose vehicle that currently does not trade in any products or services. The shareholders of Friedshelf, The Rooibos Trust, BoE Bank Ltd through BoE Investment Partners and Fenchurch Investment (Pty) Ltd do not currently have a shareholding in any company involved in a similar business to the Eveready business, nor do they supply any goods or services to the Eveready business. Apart from BOE the other shareholders are investment vehicles owned by current Eveready management.

The target firm is the Eveready division of Gillette South Africa (Pty) Ltd (“Gillette”). Gillette is a wholly owned subsidiary of The Gillette Company Inc, registered in the

United States of America.

Rationale for the transaction

According to Gillette it decided to shift its strategic global focus to the alkaline batteries segment with the result that its zinc battery business, the business that Eveready is involved in, does not fit this strategy anymore. Gillette believes that a management led company with a primary focus on zinc products is more likely to succeed in developing and realising the profit potential of the zinc battery business in Southern Africa than Gillette with its global focus.

Effect on competition

The Eveready division is involved in the manufacture, distribution, marketing and sale of Zinc Chloride and Zinc Carbon batteries for South and Southern Africa. Since the acquiring firm is a special purpose vehicle that has never traded there is no product overlap in either the horizontal or vertical product markets.

The transaction will result in a new player entering the market. Gillette's market share of 86% in the total battery market will be eroded after the merger, leaving Gillette with the more expensive Duracell brand.¹ The Eveready brand, which mainly focuses on the middle to lower end of the market, enjoys a market share of 71% and the Duracell brand a market share of 15%.

Public interest

The transaction will not result in any retrenchments and does not raise any other public interest grounds.

N. Manoim

27 February 2003

Date

Concurring: D. Lewis and U. Bhoola

¹ Duracell is an alkaline battery. Although both alkaline and zinc batteries are functionally similar, price differences and product features may determine whether they can be considered substitutes in the competition law sense, but this is not an issue we have to decide.