

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no.: 108/LM/Nov05

In the large merger between:

The Public Investment Corporation Limited

and

ADR International Airports South Africa (Pty) Ltd

Order

Introduction

On 15 December 2005 the Competition Tribunal approved the merger between the Public Investment Corporation Limited and ADR International Airports South Africa (Pty) Ltd. The reasons are set out below.

The transaction

The primary acquiring firm is the Public Investment Corporation Ltd ("PIC"). The Minister of Finance of the Republic of South Africa controls the PIC. PIC invests funds on behalf of public sector entities including the Government Employees Pension Fund ("GEPF"). The PIC will be the registered owner of the shares of ADRIASA and will control ADRIASA by virtue of its mandate from the Government Employees Pension Fund ("GEPF") on whose behalf PIC will acquire the shares in ADRIASA.

The primary target firm is ADR International Airports South Africa (Pty) Ltd ("ADRIASA"). Airport Invest B.V ("Airport Invest"), a subsidiary of Aeroporti di Roma S.P.A ("ADR"), controls ADRIASA. ADRIASA and the Minister of Transport jointly control the Airports Company South Africa ("ACSA").¹

¹ ACSA was created in 1993 by an Act of Parliament and effectively commenced operation in 1995. ACSA was one of the first State Owned Enterprises to be partially privatised and in March 1998 Aeroporti

In terms of the sale agreement Airport Invest B.V. is selling the following shares and claims to the Public Investment Corporation Ltd ("PIC"):

- All the shares in the issued share capital of ADRIASA; and
- All the claims of Airport Invest, at the effective date, against ADRIASA and ACSA.

What this in effect means is that ADR is selling its 20% indirect equity interest in ACSA to PIC. PIC will thus acquire indirect joint control with the Minister of Transport of ACSA. PIC will continue to enjoy the same rights that ADR had in terms of the latter's shareholders agreement with the government and hence the joint control situation is perpetuated. Although a public sector body the PIC has autonomy in respect of its investment decisions.

Rationale for the transaction

From PIC's perspective the transaction will expose it to the aeronautical and aviation industry and from the target's side, the disposal by ADR of its indirect 20% equity interest in ACSA is in line with its core strategy of deploying capital in its home market of Italy.

Competitive assessment

PIC invests funds on behalf of the public sector entities including the GEPP. PIC also manages a number of properties, which provide office, retail, industrial and other rental space.

ADRIASA is a holding company that provides no products and services. ACSA develops, provides, maintains, manages and operates airports, parts of airports or any facilities or services that are normally performed at an airport such as letting of retail and office space as well as the installation and integration of computer systems and hotel operations.

Although the merging parties are both active in the broad property market, in the leasing of office grade AB and C property, the Commission found that the geographic markets do not overlap.

di Roma acquired 20% of ACSA's shares, with the option to acquire a further 10% of the shareholding in 2005, to become the South African Government's strategic equity partner in ACSA through a competitive bid. The Minister of Transport holds 74.6% of the shares in ACSA and various empowerment groups the remaining 4.21%.

We therefore agree with the Commission that the proposed transaction is unlikely to substantially prevent or lessen competition.

Public interest issues

No significant public interest issues were found.

N Manoim

22 December 2005
Date

Concurring: Y Carrim, M Mokuena