

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case no.: 70/LM/Aug05

In the large merger between:

Adcock Ingram Critical Care (Pty) Ltd

And

The Scientific Group (Pty) Ltd, and
Scientific Group Investments (Pty) Ltd

Reasons

Introduction

On 29 September 2005 the Tribunal approved the merger between Adcock Ingram Critical Care (Pty) Ltd and the Scientific Group (Pty) Ltd & Scientific Group Investments (Pty) Ltd without conditions. The reasons are set out below.

The transaction

The transaction comprises the acquisition by Adcock Ingram Critical Care (Pty) Ltd ("AICC") of the entire issued share capital of Scientific Group Investments (Pty) Ltd ("SGI") and 46.8% of the issued share capital of Scientific Group (Pty) Ltd ("Scientific Group").

AICC is controlled by Adcock Ingram Holdings (Pty) Ltd ("Adcock Ingram"), which in turn is controlled by Tiger Brands Ltd.

Scientific Group is a private company with the following shareholders:

- | | |
|------------------------------------|-------|
| ▪ Coronation Capital Ltd | 46.8% |
| ▪ SGI | 27.1% |
| ▪ Brimstone Investment Corporation | 26.1% |

Since SGI holds 27.2% of the issued share capital of the Scientific Group, AICC will directly and indirectly hold 74% of the issued share capital of the Scientific Group. The remainder of the shares in the Scientific Group will continue to be held by Brimstone Investment Corporation Ltd (“Brimstone”).

Thereafter, by way of an internal restructuring, the Scientific Group will acquire the Adcock Ingram Scientific Division from AICC.

Rationale for the transaction

The transaction would enable AICC to achieve economies of scale and offer a more diverse product range that would facilitate its entry into the medical, hospital, academic and industrial segments of the pathology market where it currently doesn't compete. According to Scientific Group the Adcock Ingram brand name will enhance customer confidence in its products.

Effect on competition

Adcock Ingram is a South African pharmaceutical firm, which is involved in the manufacturing, marketing and distribution of pharmaceutical, critical care and consumer care products across a wide range of therapeutic categories that include patented and generic products.

AICC, the acquiring firm, markets and sells the following products:

- Hospital products
- Blood systems and accessories
- Products used for renal dialysis
- Transplant medication

The Scientific Group conducts business in the pathology and the hospital equipment markets. The products sold to the pathology market comprise diagnostic reagents, consumables and bench-top equipment used in diagnosing diseases. In the hospital equipment market it assembles and imports life support equipment specialising in the fields of anaesthesia, intensive care, patient monitoring, operating tables, theatre lights and emergency care which are sold to hospitals.

The Competition Commission identified the Pathology and Hospital product markets as the only markets within which the parties' activities overlapped.

Within the pathology market Adcock Ingram and the Scientific Group compete to a limited extent and in the hospital product market they sell different types of hospital equipment, which are not substitutable. Since the parties do not compete within a narrow definition of the hospital product market the Commission only analysed competition within the pathology market.

In their analysis of the pathology product market the parties indicated that although it was possible to delineate the market on a product-by-product basis it would not be feasible because of the vast number of products involved as well as technical differences within each of these sub markets. They therefore identified sub-markets within the broad pathology product market according to the various customer segments that they supply, namely:

- Biotechnology/Academic segment
- Analytical/Industry Segment
- Medical and Critical segment
- Servicing segment
- Distributors/Exporters segment

The merging party will compete with various multinational firms such as Roche, Beckman Coulter, Beyer Diagnostics and Abbot in the broad pathology market. Its market share post the transaction will be less than 15% with Beckman Coulter being its largest competitor with a market share of 25%. Even within a narrow delineation of the pathology market, i.e. according to customers targeted, the merged entity's market share would be 12% in the Private pathology/Clinic customer segment, 7% in the Academia/Biosciences/research customer segment and 4.5% in the Industrial, pharmaceutical and food industries customer segment.

In light of the low market shares and the fact that strong rivals compete in the pathology market we agree with the Competition Commission that it is unlikely that the merger will substantially prevent or lessen competition in any market in which it operates.

Public interest

Although the parties had indicated in the record that a maximum of 20 employees could be retrenched they informed the Tribunal at the hearing that no jobs will be lost as a result of the merger.

D Lewis

3 November 2005
Date

Concurring: N Manoim, Y Carrim