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Common Market for Eastern and Southern Africa

Case File No. CCC/MER/09/37/2019

Decision[1] of the Sixty-Eighth (68th) Committee Responsible for Initial Determination Regarding the Proposed Merger Involving Outotec Oyj and the Minerals Business of Metso Oyj

ECONOMIC SECTOR: mining

23rd December 2019

[1] In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible, the information omitted has been replaced by ranges of figures or a general description.

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Information and Relevant Background

1. On 10th October, 2019 the COMESA Competition Commission (hereinafter referred to as the "**Commission**") received a notification for approval of a merger involving Outotec Oyj ("**Outotec**") and the Minerals Business of Metso Oyj ("**Metso Minerals**").

2. The transaction was notified with the Commission under Article 24(1) of the COMESA Competition Regulations, 2004 (the "**Regulations**"). Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the transaction between the parties would, or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.

3. The Committee Responsible for Initial Determination (the "**CID**") established that the parties operate in more than one COMESA Member State and they meet the required prescribed merger notification thresholds. This therefore means that the regional dimension requirement under Article 23(3) of the Regulations is satisfied and asserts jurisdiction on the Commission to assess the transaction.

The Parties

Outotec (the Acquirer)

4. It was submitted that Outotec, is a public limited liability company incorporated and registered under the laws of Finland. Its shares are listed on the Nasdaq Helsinki (OMXH) with the trading symbol of OTE1V. Outotec and its subsidiaries (the "Outotec Group") are active in the production and sale of machinery for mining, metal, energy, and chemical industries globally. The Outotec Group has operations in Democratic Republic of Congo, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Seychelles, Tunisia, Uganda, Zambia and Zimbabwe.

Metso Minerals (the Target Undertaking)

5. It was submitted that Metso Minerals, is part of Metso Oyj (Metso), a public limited liability company incorporated and registered under the laws of Finland. Metso's shares are listed on the Nasdaq Helsinki (OMXH) with the trading symbol METSO. Metso is an industrial company which supplies equipment and services for the sustainable processing and flow of natural resources in the mining, aggregates, recycling and process industries. Metso comprises several mineral business areas namely: mining; aggregates; flow control; mineral services; mineral consumables; pumps and recycling. It was submitted that Metso Minerals comprises the mining and aggregates business units of Metso. The target undertaking has operations in Comoros, Democratic Republic of Congo, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Seychelles, Tunisia, Uganda, Zambia and Zimbabwe.

Nature of the Transaction

6. The parties submitted that Outotec and Metso have entered into an agreement and a demerger plan (the Demerger Plan) dated 4th July, 2019 to combine Metso Minerals with Outotec's business operations. The combination will be achieved by way of a

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partial demerger of Metso such that all such assets, rights, debts and liabilities of Metso that relate to, or primarily service, its minerals business (comprising the mining aggregates and recycling businesses) will be acquired by Outotec.

Competition Analysis

7. The CID defined the relevant markets as follows:

   a) The global market for the supply of grinding equipment for minerals processing;

   b) The global market for provision of aftermarket services, spare parts and wear parts for mineral processing equipment; and

   c) The global market for the supply of flotation equipment for minerals processing.

8. The CID observed that the transaction leads to market share accretion at a global level in the identified relevant markets. However, the CID observed that despite the market share accretion, the merged entity will still face competition from both large and small players. At the Common Market level, the parties are not competitors and they face competition from other players who bid for mining projects through international bidding processes. The CID also observed that the relevant markets are characterised by countervailing buyer power from mining companies.

Determination

9. The CID determined that the merger is not likely to substantially lessen or prevent competition in the Common Market or any substantial part of it. The CID further determined that the transaction is unlikely to negatively affect trade between Member States. The CID approved the transaction unconditionally.

10. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 23rd December, 2019

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Commissioner Brian M. Lingela (Chairperson)

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Commissioner Islam Tagelsir Ahmed Alhasan