



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

FIRST PHASE REVIEW

**IN THE MATTER OF MERGER OF CLARIANT AG AND HUNTSMAN
CORPORATION.**

CASE: 907/Merger-CCP/17

Commission

Ms. Vadiyya Khalil
Chairperson



Mr. Ikram Ul Haque Qureshi
Member

I. BACKGROUND

1. The Competition Commission of Pakistan ("**Commission**") is in receipt of a pre-merger application ("**Application**") dated 30th June, 2017, sent jointly by M/s. Clariant AG ("**Clariant**") and M/s. Huntsman Corporation ("**Huntsman**") (collectively "**Merger Parties**" or "**Applicants**") regarding a business combination by way of merger of equals between the Applicants, pursuant to a Plan of Merger.

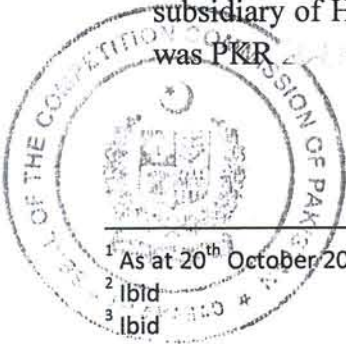
II. PARTIES

Clariant:

2. Clariant is a global specialty chemical company based in Muttensz near Basek, Switzerland. It operates four business areas worldwide; 1) Care Chemicals, 2) Catalysis, 3) Natural Resources, and 4) Plastic and Coating products. Its turnover for the financial year ended December 31st 2016 was CHF [redacted] (PKR [redacted])¹ whereas its assets stood at CHF 1.009 Billion (PKR 108.9 Billion) for the same period.
3. Clariant has a subsidiary in Pakistan by the name of Clariant Chemical Pakistan Pvt. Limited ("**Clariant Pakistan**"). Its turnover for the year ended 31st Dec, 2016 was PKR [redacted] whereas its assets stood at PKR [redacted] billion for the same period.

Huntsman:

4. Huntsman is a publically traded company incorporated in the state of Delaware. It is a global manufacturer and marketer of differentiated chemicals. It operates in five business segments worldwide: 1) Polyurethanes, 2) Performance Products, 3) Advanced materials, 4) Textile effects, and 5) Pigments and Additives. Huntsman's worldwide turnover for the year ended 31st December, was USD [redacted] (PKR [redacted]). whereas its assets stood at USD [redacted] (PKR [redacted]).
5. Huntsman Textile Effects Pakistan (Pvt.) Limited ("**Huntsman Pakistan**") is the only subsidiary of Huntsman operating in Pakistan. Its turnover for the year ended 31st Dec, 2016 was PKR [redacted] whereas it's assets stood at PKR [redacted] for the same period.



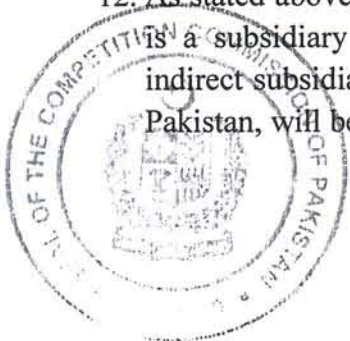
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III. THE RELEVANT MARKET

6. This is a horizontal merger with a vertical aspect. The relevant product markets are those in which the parties overlap in terms of production and sale, and consist of the markets for the manufacturing and sale of (1) Anionic Surfactants, (2) Non-ionic Surfactants (3) Amphoteric Surfactants and (4) Polyethylene Glycol ("PEG"), which are specialty chemicals, and (5) Titanium Dioxide ("TiO₂"), which is an inorganic pigment. The relevant geographic market is Pakistan as the conditions of competition are sufficiently homogenous across the country.
7. Horizontal overlaps between the merging parties in Pakistan have been identified in the following categories; Anionic Surfactants, Non-ionic Surfactants, Amphoteric Surfactants and PEG.
8. A vertical relationship has also been found in the category of inorganic pigments. Huntsman Pakistan supplies inorganic pigments to Clariant Pakistan to produce masterbatches. Huntsman Pakistan's main supply of inorganic pigments is TiO₂.

IV. TRANSACTION

9. For the purpose of this transaction, Clariant has incorporated two new companies in the United States of America. The first company is M/s. HurricaneCyclone Holdings LLC ("**Hurricane Holdings**"). The shares of Hurricane Holdings are directly and fully owned by Clariant. The Second company is M/s. HurricaneCyclone Corporation ("**Hurricane Corp**"), the shares of which are directly and fully owned by Hurricane Holdings.
10. As per the Application, and pursuant to the Plan of Merger, Huntsman will merge with Hurricane Corp, with Huntsman being the surviving entity. As a result, Huntsman will become a fully owned subsidiary of Clariant through Hurricane Holdings. The name of Clariant will be changed to HuntsmanClariant AG ("**Huntsman Clariant**").
11. Shareholders of Huntsman will receive newly issued shares in Huntsman Clariant as remuneration. As a result, current shareholders of Huntsman will own shares in Huntsman Clariant, whereas current shareholders of Clariant will own shares in Huntsman Clariant.
12. As stated above, there are two subsidiaries of the Merger Parties active in Pakistan. The first is a subsidiary of Clariant, i.e., Clariant Pakistan. Post-transaction, this will remain an indirect subsidiary of Huntsman Clariant. Huntsman's subsidiary in Pakistan, i.e., Huntsman Pakistan, will become an indirect subsidiary of Huntsman Clariant.

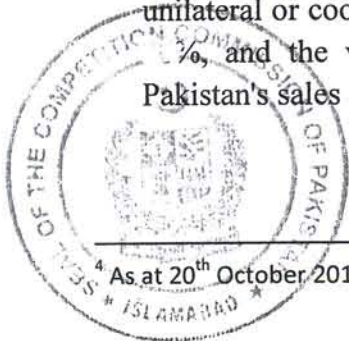


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13. The combined value of the business combination is CHF 2.5 billion (PKR 250 billion) which is the transaction value in this case.
14. The transaction meets the thresholds prescribed in Regulation 4 (2) (a), (b) and (c) of the Merger Regulations as the value of gross assets of the undertaking, excluding value of goodwill, is greater than three hundred Million Rupees and the combined value of the undertaking and the undertaking the shares of which are proposed to be acquired, is greater than one Billion Rupees.
15. Further, the annual turnover of the undertaking in the preceding year is greater than five hundred Million Rupees and the combined turnover of the undertakings is greater than one Billion Rupees. Lastly, the transaction value in this case is greater than 250 billion Rupees.

**V. FINDINGS OF THE PHASE I INVESTIGATION
ON COMPETITION ASSESSMENT**

16. The relevant product markets have been identified as those in which the parties overlap in terms of production and sale, and consist of the markets for the manufacturing and sale of (1) Anionic Surfactants, (2) Non-ionic Surfactants (3) Amphoteric Surfactants and (4) PEG, which are specialty chemicals, and (5) TiO₂, which is an inorganic pigment.
17. In light of the investigation on horizontal overlaps, it can be concluded that Huntsman Pakistan and Clariant Pakistan's activities overlap in relation to the supply of Anionic, Non-Ionic and Amphoteric Surfactants and PEG. Post-merger, the overall combined value market shares of Clariant Pakistan in the category of Surfactants are likely to increase from 15% to 20% and in the category of PEG from 10% to 15%. Huntsman's value based market share in Pakistan in the category of TiO₂ is 30%.
18. Huntsman is not the largest, nor only, supplier of TiO₂ in Pakistan, and thus does not pose a threat to the market by foreclosing the supply of TiO₂. For this reason, there is no apprehension of unilateral effects.
19. In light of the above, it can be established that the proposed transaction will not result in any unilateral or coordinated effects as the market shares in all horizontal categories are less than 25%, and the vertical supply side is not likely to be foreclosed as most of Huntsman Pakistan's sales are made to other companies.



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20. In view of the above, the transaction does not meet the presumption of dominance as determined under Section 2 (1) (e) read with Section 3 of the Competition Act, 2010 ("Act").

VI. CONCLUSION

21. In conclusion, there is no evidence to suggest a substantial lessening of competition by creating or strengthening a dominant position in the relevant market. The proposed transaction is hereby authorized under Section 31 (1) (d) (i) of the Act.

Vadiyya S. Khalil

(Vadiyya S. Khalil)
Chairperson

Ikram Ul Haque Qureshi

(Ikram Ul Haque Qureshi)
Member



Islamabad the 10th November 2017