THE PROPOSED ACQUISITION OF A MAXIMUM OF 40% INTEREST WITH CERTAIN VETO RIGHTS BY CARLYLE GROUP THROUGH MATADOR BIDCO S.A.R.L IN COMPANIA ESPANOLA DE PETROLEOS S.A.U.FROM CEPSA HOLDING LLC

1. The Competition Authority of Kenya has approved the proposed acquisition of 40% interest, with certain veto rights, by Carlyle Group, through Matador Bidco S.A.R.L, in Compania Espanola De Petroleos S.A.U. from Cepsa Holding LLC.

2. Matador Bidco S.A.R.L (Matador) is a special purpose vehicle. Matador's parent company, Carlyle, is a global investment firm that invests in corporate private equity, real assets, global credit and offers investments solutions/advice.

3. Compania Espanola De Petroleos S.A.U (CEPSA) is incorporated in Spain and is an integrated oil and gas company dealing in exploration and production, refining, marketing and manufacture of petrochemical products.

4. The proposed transaction involves the acquisition of a maximum of 40% interest, with veto rights, by Carlyle Group, through Matador, in CEPSA Holding LLC. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010 since acquisition of the veto rights would confer indirect control over the target by the acquirer.

5. The parties' combined and relevant turnover for the preceding year was **over Sh1 billion.** The transaction met the threshold for full merger analysis as provided in the **Merger Threshold Guidelines**.

6. The acquiring undertaking is a newly incorporated special purpose vehicle whose controlling undertaking, Carlyle, is a global investment firm which manages investments across the globe, Kenya included.

7. The target is an oil and gas company dealing in exploration and production, refining, marketing and manufacture of petrochemical products such as acids, alcohols, solvents,

phenols and petrochemicals. In the Kenyan market, it only sells petrochemicals. The firm does not have an oil exploration and production, refining and marketing business. Therefore, the parties' activities do not overlap.

8. The relevant product market within which to analyze the proposed transaction is the market for petrochemicals. The target's products are distributed in Kenya and therefore the geographic market is national.

Market for Petrochemicals

9. Petrochemical products are obtained through refining of crude oil and natural gases. Petrochemicals and their derivatives include linear alkylbenzene (LAB) and linear alkylbenzene sulphonic acid (LABSA), alcohols, solvents, phenols, and basic petrochemicals. These products are used for various purposes such as manufacture of drugs, plastics and resigns. The target only sells LAB in Kenya.

10. According to data from the Kenya National Bureau of Statistics, LAB can be classified as a miscellaneous chemical product. The estimated market share of the target is approximately 6%.

11. Post-merger, there will be no change in the structure and concentration of the market for plastics since the parties' activities do not overlap.

12. In addition, the merged entity will face competition from other players in the market who have a combined market share of 94.4%.

13. Other suppliers of petrochemical products in Kenya include oil companies, Kenya Laboratory Supply Centre, Spectra Chemicals Kenya Limited, Highway Laboratory Chemicals, Medsan Laboratories, Desbro Kenya Limited, Orbit Chemicals and IMCD Kenya Limited, among others.

14. From the foregoing, the proposed transaction is unlikely to lead to substantial lessening or prevention of competition in the market for plastics.

15. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. The public interest concerns considerations include;

    i. extent to which a proposed merger would impact employment opportunities;
    ii. impact on competitiveness of small and medium enterprises (SMEs);

iii. impact on particular industries/sectors; and

iv. impact on the ability of national industries to compete in international markets.

16. The proposed transaction will not have any negative effect on public interest in Kenya since the target does not have any direct operations in Kenya. In particular, the proposed transaction will not affect employment negatively.

17. Premised on the above, the Competition Authority of Kenya approved the proposed acquisition of 40% interest, with certain veto rights, by Carlye Group through, Matador Bidco S.A.R.L, in Compania Espanola De Petroleos S.A.U. from Cepsa Holding LLC.