



DETERMINATION OF MERGER NOTIFICATION M/06/025 – KKR/Flextronics

Section 21 of the Competition Act 2002

Proposed acquisition by Kohlberg Kravis Roberts & Co. of “The Software Development and Solutions Business” of Flextronics International Limited

Dated 24/05/06

Introduction

1. On 4th May 2006, the Competition Authority (“the Authority”), in accordance with Section 18(1) of the Competition Act, 2002 (“the Act”), was notified on a mandatory basis of the proposed acquisition by Kohlberg Kravis Roberts & Co. (“KKR”) through its wholly owned subsidiary, Software Development Group (“SDG”), of “The Software Development and Solutions Business” (“the Target”) of Flextronics International Limited. The Target consists of Saras Software Systems Limited, Avnisoft Corporation, Emuzed Inc., Flextronics Software Systems Limited, and Frog Design Inc.
2. The proposed transaction will occur through the following acquisitions by SDG: [...]% of the outstanding shares of each of Saras Software Systems Limited, Avnisoft Corporation, and Emuzed Inc., approximately [...]% of the outstanding shares of Flextronics Software Systems Limited, and approximately [...]% of the outstanding shares of Frog Design Inc.

The Undertakings Involved

3. KKR, the acquirer, a US based company, makes equity investments in management buy-outs on behalf of itself and its investors either through controlling ownership or strategic minority positions in companies operating in different sectors of the economy. SDG was created by KKR solely for the purpose of this acquisition.
4. The Target provides communications software services, globally. The Target offers a full spectrum of software services, software products, and strategic design consulting mainly to the world’s leading communications companies.

Analysis

5. There is no horizontal or vertical overlap in the parties’ activities. Neither KKR nor any of KKR’s controlled portfolio companies are engaged in activities that overlap with that of the Target. Therefore, the proposed transaction does not raise competition concerns.

Ancillary Restraints

6. The Authority considered ancillary restraints entered into by the undertakings involved.
7. The Authority does not deem it necessary to express a view on the appropriateness of the ancillary restraints to the proposed transaction as it considers that the proposed transaction does not raise competition concerns.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Kohlberg Kravis Roberts & Co. through its wholly owned subsidiary, Software Development Group, of "The Software Development and Solutions Business" of Flextronics International Limited, will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr Paul K. Gorecki

Member of the Competition Authority