



DETERMINATION OF MERGER NOTIFICATION M/06/056 – FLEXTRONICS/EASTMAN KODAK

Section 21 of the Competition Act 2002

Proposed acquisition by Flextronics International Limited of Kodak Digital Product Centre (Japan) Limited

Dated 11/09/06

Introduction

1. On 18th August 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 Flextronics International Limited (“Flextronics”), through its wholly-owned subsidiary, Flextronics Sales and Marketing (A-P) Limited, of sole control over certain assets of Eastman Kodak Company (“Eastman Kodak”) located in China and all the shares of a Japanese subsidiary of Eastman Kodak.
2. As a result of the proposed transaction, Eastman Kodak will divest its entire in-house digital camera manufacturing to Flextronics. Also, Flextronics will manage the operations and logistics services for Eastman Kodak’s digital still cameras. Kodak will continue to develop high-level system design and conduct advanced research and development for its digital still cameras.

The Undertakings Involved

3. Flextronics, the acquirer, is a global provider of advanced design and electronics manufacturing services (“EMS”) to original equipment manufacturers (“OEMs”) in a wide range of businesses including, computing, mobile communications, consumer digital devices and industrial, semiconductor and white goods.
4. Eastman Kodak is a global provider of products and services to the photographic, graphic communications and healthcare markets. The target for purposes of this transaction are: (1) certain assets of Eastman Kodak Company located in China, which are used to manufacture digital still cameras; and (2) all the shares of a Japanese subsidiary of Eastman Kodak, which designs and develops digital still cameras. Eastman Kodak offers its full range of products in Ireland. In 2005, the turnover, in the State, attributable to the assets that Flextronics will acquire was [..] million.

Analysis

5. There appears to be limited horizontal and vertical overlaps in the Undertakings' activities in the State. The proposed transaction involves a supply agreement and the transfer of certain assets in Asia.
6. In the global context, there is overlap in the activities of the undertakings involved with respect to the manufacture of digital cameras, given that Flextronics provides EMS to OEMs. The Undertakings estimated that the assets that Flextronics will acquire will increase its share of the worldwide EMS market by [...]. The Undertakings also estimated that Flextronics' share of the global production of digital still cameras will increase from [...] to [...] as a result of the proposed transaction.
7. Authority considers that the proposed transaction does not raise competition concerns as: (a) there is limited overlap in the Undertakings' activities in the State; and (b) there are significant competitors to Flextronics in the supply of digital still cameras including Canon, Sony and Olympus, in the State.

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 Flextronics International Limited, through its wholly-owned subsidiary, Flextronics Sales and Marketing (A-P) Limited, of sole control over (1) certain assets of Eastman Kodak Company located in China and (2) all the shares of a Japanese subsidiary of Eastman Kodak Company, 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