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COMP/M.4503 – PBDS / PHILIPS APM

SECTION 1.2

Description of the concentration

The proposed concentration is the sale of the Automotive Playback Module business (*APM*) of Koninklijke Philips Electronics N.V. (*Philips*) through an asset and share transaction to Philips & BenQ Digital Storage Corporation (*PBDS*). As a result of the transaction, PBDS will acquire the entire APM business, except for APM's production facilities and other production assets (the *APM Production Facilities*). Lite-On will also transfer the majority of its existing activities in the supply of PC ODDs, branded aftermarket PC ODDs and automotive playback modules (including customer contracts employees, and assets related to sales and marketing, IT infrastructure and office equipment) to PBDS. Lite-On will continue to manufacture the products required by PBDS to supply these customers.

Headquartered in Wetzlar, Germany, APM is a developer and manufacturer of advanced CD/DVD disc drive systems, which are known as automotive playback modules, for use in cars and other vehicles.

PBDS is a joint venture, currently owned by Philips and BenQ Corporation, which is primarily active in the development, design, marketing and sale of optical data-storage disk drives for personal computers. It has no activities in automotive playback modules.

Lite-On is part of the Taiwanese Lite-On Group, and is 51% owned by Lite-On Technology Corporation (Lite-On Tech). The Lite-On Group is active worldwide in digital convergence (namely in computer, communications, and consumer electronics sectors). Lite-On is the subsidiary of Lite-On Tech that manufactures and markets ODDs.

The sale of APM to PBDS is the second part of an inter-conditional transaction, which will also involve Lite-On IT Corporation (*Lite-On*) acquiring BenQ Corporation's 49% shareholding in PBDS and Lite-On acquiring the APM Production Facilities. These other parts of the overall transaction are being notified simultaneously to the European Commission in a parallel notification.

Following a strategic review of its business, Philips decided to sell APM in order to focus on its other activities. PBDS is purchasing APM because it already has experience managing sales and R&D activities in the optical storage drive sector and wishes to expand its activities into new product markets.