

***Case No COMP/M.1792 -  
AHLSTROM / CAPMAN  
/ FOLDING CARTON  
PARTNERS***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 17/01/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 17.01.2000  
SG(2000) D/100573

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PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying parties

Dear Sirs,

**Subject: Case No COMP/M.1792 – AHLSTROM / CAPMAN / FOLDING CARTON PARTNERS**

Notification of 3.12.1999 pursuant to Article 4 of Council Regulation No 4064/89

1. On 3 December 1999, two Finnish companies, A. Ahlström Corporation (“Ahlström”) and CapMan Capital Management Oy (“CapMan”), notified their intention to acquire joint control of the undertaking Folding Carton Partners (“FCP”) and of all the folding carton activities performed by the undertaking Åkerlund & Rausing Group.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 (“the Merger Regulation”) and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

**I. THE PARTIES**

3. Ahlström is an international paper, packaging and industrial equipment company. Its four core business groups are the Ahlström Paper Group, the Åkerlund & Rausing Group (“Åkerlund & Rausing”), the Ahlström Machinery Group and Ahlström Pumps. Åkerlund & Rausing, which is part of the notified transaction, is active primarily in the European packaging sector. The company focuses on the production of flexible and

carton packaging for selected market segments such as coffee, confectionery, foods and tobacco.

4. CapMan is a Finnish private equity company engaged in investing in companies mainly in Finland and other Nordic countries.
5. Headquartered in France, FCP is an international group of companies active in the European packaging sector. The group is a combination of a number of French, German, Dutch and British folding carton companies. FCP is focused on the converting of folding carton for customers mainly present in the food, beverage, healthcare, household and tobacco industries.

## **II. THE OPERATION**

6. The notified operation is an acquisition of joint control between Ahlström and CapMan of a joint venture company which will control FCP and the folding carton activities currently performed by Åkerlund & Rausing.
7. The operation will be carried out in several steps. However, these steps will take place within a short period of time and they are conditional upon each other. Therefore, the operation is considered to constitute a single transaction.

## **III. CONCENTRATION**

8. Both Ahlström and CapMan have the power to determine the company's strategic commercial behaviour and have jointly the possibility to exercise decisive influence over the company. The operation is therefore an acquisition of joint control within the meaning of Article 3(1)(b) of the Merger Regulation. Furthermore, the joint venture will perform on a lasting basis all the functions of an autonomous economic entity.

## **IV. COMMUNITY DIMENSION**

9. The parties do not meet the thresholds set out in Article 1.2. of the Merger Regulation. However, the thresholds set out in Article 1.3. are met. The parties have a combined aggregate world-wide turnover in excess of EUR<sup>1</sup> 2 500 million (Ahlström: EUR [...] million; CapMan: EUR [...] million). Ahlström's Community-wide turnover is EUR [...] million and that of CapMan EUR [...] million. The turnovers of the parties exceed EUR 25 million in Denmark, Finland, France, Germany, Sweden and the UK. In these Member States the combined turnover of Ahlström and CapMan also exceeds EUR 100 million. Only CapMan achieves more than two-thirds of its Community-wide turnover in Finland. The notified operation therefore has a Community dimension.

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<sup>1</sup> Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p. 25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

## **V. COMPETITIVE ASSESSMENT**

### **A. Relevant product market**

10. The parties submit that there are no affected markets within the meaning of the Merger Regulation in the notified operation. The parties submit that the market which should be considered in this case is the market for converting of folding carton packaging.
11. The parties argue that, from the demand-side, requirements concerning for instance barrier, shelf life, display properties and size are similar within each specified end-use area. From the supply-side, the parties argue that, apart from tobacco and medical/pharmaceutical packaging, the machines used for converting have the capacity to produce folding carton packaging irrespective of the end-use of the packaging products. Therefore, the parties submit that principally all European converters can rapidly switch their production to most types of folding carton without incurring significant additional costs.
12. With regard to tobacco and medical/pharmaceutical packaging, the parties contend that switching production to those end-use segments is more restricted. By way of example, the tobacco industry imposes certain strict specifications on the choice of material, printing method and printing inks in order to minimise the risk of pirate copying. The production of packaging for medical/pharmaceutical products is characterised by rigorous demands on hygiene and other quality and safety standards. Therefore, the parties submit that the specific conditions imposed on these end-use segments restrict the number of potential suppliers in Europe.
13. However, it is not necessary to exactly define the relevant product market because, in all alternative market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

### **B. Relevant geographic market**

14. The parties submit that the relevant geographic market is European-wide. The parties argue that this is evidenced by the absence of barriers to trade, the multinational activities of the main customers, the geographic coverage of the main converters and homogenous conditions of competition in Member States. However, the parties have explained that there is a radius for deliveries from a plant which does not exceed 500 km. Moreover, the parties' own contention that local service is essential would also suggest that the relevant geographic market could be narrower.
15. It is not, however, necessary to further delineate the relevant geographic markets because, in all alternative geographic market definitions considered, effective competition would not be significantly impeded in the EEA or any substantial part of that area.

### **C. Assessment**

16. The parties have estimated the combined market share of the new entity in folding carton board at [ $< 10$ ] % at the European level. Ahlström's and FCP's activities overlap in the UK, France, Germany, the Netherlands, Belgium, Austria, Denmark and Sweden. However, with the exception of Sweden, the combined market share does not exceed 10% in any of these Member States. In Sweden, the combined market share is some

[15-25]% but the increment of market share is only [ $<5$ ]. In general terms, the increment of the market share is below 1%, demonstrating that the parties' activities are largely complementary in geographic terms.

17. The parties have provided market shares also for narrower sub-markets depending on the end-use of the packaged product at the European level. Based on this information, the parties would account for less than [5-10]% for the packaging of food, detergents and confectionery and up to some [10-20]% for the packaging of beverages, frozen food and tobacco at the European level.
18. The parties have also provided information of their overlapping activities in narrower sub-markets at the national level. Based on the parties' submission, the highest market share they would attain would be some [10-20]% in frozen food packaging in Germany, with a increment of less than [ $<5$ ]. There are however a number of competitors in Germany and the market share is not indicative of a dominant position being created there. In other Member States, the parties are active in different sub-segments.
19. In view of the above given market shares, it is unlikely that the transaction would lead to the creation or strengthening of a dominant position even if assessing the operation at the narrowest possible market definition. Given further the fragmented nature of the industry and the fact that there are currently some 500 converters operating in Europe, it is unlikely that the notified operation would lead to any adverse competition effects. The Commission has not received information suggesting otherwise.
20. Ahlström, through its control of the remaining parts of Åkerlund & Rausing, will remain active in some markets which could be considered as neighbouring to the market in which the joint venture is active. However, these packaging activities address highly specialised end-use segments such as ice cream packaging or snacks, where the product portfolio and manufacturing techniques are different from folding carton packaging. Therefore, it can be concluded that neither of the parents will remain active in the same market as the new entity.
21. Ahlström will also remain active in the up-stream market for deliveries of so called one-side coated paper to the folding carton industry. No competition problems are, however, likely to arise as Ahlström's market share is well below 25% and there are several other producers on the market. Moreover, a number of competitors such as Meyr-Melnhof are also vertically integrated into the production of carton board.
22. In view of the market position of the parties to the concentration, it appears that the notified operation will have no adverse impact on competition in the EEA. Consequently, the proposed concentration does not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

## **VI. CONCLUSION**

23. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA

Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,