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*Case No IV/M.196 -
VOLVO / PROCORDIA*

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

Article 6(1)(b) NON-OPPOSITION
Date: 11.10.1993

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PUBLIC VERSION

MERGER PROCEDURE -
Article 6(1)b decision

To the notifying party

Dear Sirs,

Subject: Case No. IV/M.196 - Volvo/Procordia
Notification of 09.09.1993 pursuant to Council
Regulation (EEC) No. 4064/89

1. The above mentioned notification concerns an agreement between AB Volvo (Volvo) and Förvaltningsaktiebolaget Stattum (Stattum) whereby Volvo will acquire the majority of the share capital and voting rights of a new group to be formed within Procordia AB (Procordia), comprising the "Branded Consumer Products" (BCP) as described below.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of application of Council Regulation No 4064/89 and does not raise serious doubts as to its compatibility with the common market.

I THE PARTIES

3. Volvo is a publicly held company mainly engaged in the transport vehicle field, with cars, trucks, buses and coaches as its largest operating sectors. Other sectors include marine and industrial engines and aerospace.
4. Procordia is mainly active in manufacturing and distribution of pharmaceuticals, biotechnology equipment, food, beer, soft drinks, matches, lighters and tobacco. Procordia is a publicly held company. The two dominating shareholders are Volvo (42.8 per cent of the votes and 39.5 per cent of capital) and Stattum (42.7 per cent of the votes and 34.2 per cent of the capital), which is in its turn wholly-owned by the Swedish state.
5. The businesses, of which BCP will be composed, are today part of the Procordia group. BCP will comprise Procordia's

consumer products operation, mainly consisting of: Procordia United Brands, Procordia Beverages, Procordia Food and Procordia Invest, together with Procordia Fastighter AB and the shareholdings in Cultor AB and US Tobacco Inc.

II. THE OPERATION

6. Volvo and Stattum will vote at a general meeting in Procordia for a distribution of the shares in BCP in the form of a dividend to the shareholders in proportion to their shareholding in Procordia. Volvo and Stattum will thereafter exchange shares in Procordia and BCP whereby Volvo will acquire all of Stattum's shares in BCP. Volvo will, as consequence of the exchange, acquire full control over BCP, which it previously controlled jointly with Stattum through its shareholding in Procordia. Volvo will thereafter launch a public bid to the other shareholders in BCP to acquire the remaining shares publicly held. This acquisition of sole as opposed to joint control represents a change in the quality of decisive influence exercised by Volvo and brings about a lasting change in the structure of both undertakings. The acquisition of sole control therefore constitutes a concentration within the meaning of Article 3(1) of the Regulation.

III COMMUNITY DIMENSION

7. The undertakings concerned have a combined aggregate worldwide turnover in excess of 5.000 million ECU. Both Volvo and BCP have a Community-wide turnover in excess of 250 million ECU but do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

IV COMPATIBILITY WITH THE COMMON MARKET

Conglomerate aspects

8. The parties to the proposed concentration are active in totally different fields of activities and the notifying party has not been able to identify any affected markets.
9. Volvo Truck Corporation, a subsidiary of AB Volvo, together with Renault Vehicules Industriels hold market shares above 25 per cent on the markets for heavy trucks and buses and coaches in some Member States. Volvo's subsidiary AB Volvo Penta, which is active in the fields of marine and industrial engines, has, according to own estimates, a market share within the Community for inboard and sterndrive marine engines of approximately 35-40 per cent.
10. BCP has a strong position on the Dutch and German cigars and cigarillos business with market shares exceeding 46 and 25 per cent respectively. Through the Abba group, BCP has a strong position in some processed food submarkets in Denmark.
11. Through Swedish Match BCP has a strong business position with market shares exceeding 25 per cent in five Member States (disposable cigarette lighters) and in nine Member States (matches).

Competition assessment

12. As stated in paragraph 8 above, the transaction does not lead to combination of market shares in any market. Volvo will be a stable and internationally established owner. According to the notifying party, Volvo's financial position will be strengthened by the positive cash flow in BCP. Volvo will thus gain a balanced structure that will facilitate higher return on its asset base. However, the effect of the possible strengthening of the financial position of the new conglomerate is not such as to give rise to concerns on competition grounds, given the financial strength of Volvo's competitors.
13. The proposed concentration will therefore not create or strengthen a dominant position as a result of which effective competition will be significantly impeded in the common market or in a substantial part of it.

V. CONCLUSION

14. For all the foregoing reasons, the proposed concentration does not raise serious doubts as to its compatibility with the common market.

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For the above reasons, the Commission has decided not to oppose the notified concentration and to declare it compatible with the common market. This decision is adopted in application of Article 6(1)(b) of Council Regulation No. 4064/89.

For the Commission