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EN

Case
No COMP/M.3431. -
Sonoco/Ahlstrom.

Only the English text is authentic.

REGULATION (EEC) No 4064/89
MERGER PROCEDURE

Article 8 (2)
Date: 6/10/2004



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 6.10.2004
SG-Greffe(2004) D/204377/78

PUBLIC VERSION

COMMISSION DECISION

Of 6.10. 2004

**declaring a concentration to be compatible with the common market
and the functioning of the EEA Agreement**

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(Text with EEA relevance)

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(Text with EEA relevance)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to the Agreement on the European Economic Area, and in particular Article 57 thereof,

Having regard to Council Regulation (EEC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings¹, and in particular Article 26(2) thereof,

Having regard to Council Regulation (EEC) No 4064/89 of 21 December 1989 on the control of concentrations between undertakings², and in particular Article 8(2) thereof,

Having regard to the Commission's decision of 5 July 2004 to initiate proceedings in this case,

Having regard to the opinion of the Advisory Committee on Concentrations³,

Having regard to the final report of the Hearing Officer in this case⁴,

WHEREAS:

- (1) On 18 May 2004, the Commission received a notification of a proposed concentration pursuant to Article 4 of Regulation (EEC) No 4064/89 (“the Merger Regulation”) whereby the undertakings Sonoco Luxembourg S.à.r.l. (“Sonoco Luxembourg”, Luxembourg), belonging to Sonoco Products Company (“Sonoco”, US), and Ahlstrom Holding GmbH (“Ahlstrom Holding”, Germany), belonging to Ahlstrom

¹ OJ L 24, 29.01.2004, p. 1

² OJ L 395, 30.12.1989, p. 1; corrected version OJ L 257, 21.9.1990, p. 13. Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9.7.1997, p. 1).

³ OJ C

⁴ OJ C

Corporation (“Ahlstrom”, Finland), acquire joint control of the undertaking Sonoco – JV S.à.r.l. (“the JV”, Luxembourg), a newly created company constituting a joint venture.

- (2) Regulation (EC) No 4064/89 was repealed by Regulation (EC) No 139/2004 with effect from 1 May 2004. However, pursuant to Article 26(2) of Regulation (EC) No 139/2004, Regulation (EEC) No 4064/89 continues to apply to any concentration which was the subject of an agreement or announcement or where control was acquired within the meaning of Article 4(1) of that Regulation before 1 May 2004. In this case, the notified concentration was the subject of an agreement signed on 19 April 2004. Regulation (EC) No 4064/89 therefore applies to this case.
- (3) On 5 July 2004, having examined the notification, the Commission concluded that the notified operation fell within the scope of the Merger Regulation and that it raised serious doubts as to its compatibility with the common market and with the EEA Agreement. The Commission therefore initiated proceedings in accordance with Article 6(1) (c) of the Merger Regulation.
- (4) The Advisory Committee discussed the draft of this Decision on 23 September 2004.

I. THE PARTIES

- (5) **The Sonoco group** is a company active worldwide in the production of industrial and consumer packaging products and in packaging services, including cores and coreboard.
- (6) **The Ahlstrom Corporation** is active in more than 20 countries in the production of high performance fiber-based materials used in different sectors such as healthcare, transport, packaging and home and office. Its business activities include the development, manufacturing, and marketing of cores and coreboard.
- (7) **The JV** will combine the European coreboard and paper core activities of the parent companies.

II. THE OPERATION

- (8) The transaction consists of the creation by Sonoco, prior to the closing of the transaction which brings about the concentration, of the JV vehicle. At the closing, Sonoco and Ahlstrom will contribute their respective coreboard and paper core businesses to the JV in exchange for shares. After the transaction Sonoco will hold 64,5% of the JV and Ahlstrom will hold the remaining 35,5%.

III. CONCENTRATION

Joint-control

- (9) The decision-making structure of the JV consists of seven non-executive directors. Sonoco will have the right to nominate four non-executive directors and Ahlstrom will have the right to nominate three non-executive directors.
- (10) Ahlstrom exercises certain veto rights over the following activities: [...]*. These veto rights confer joint control on Sonoco and Ahlstrom over the JV, as referred to in the Commission Notice on the concept of concentration under Council Regulation (EEC) No 4064/89 on the control of concentrations between undertakings⁵ (“the Notice on the concept of concentration”) [...]*.

Full-functionality

- (11) The parent companies will transfer all their European core and coreboard activities to the JV, which has been agreed on for an unlimited term. The JV will have all the necessary financial and technical resources and personnel, independent of the notifying parties, to provide core and coreboard in the European market. The JV will be able to perform all the functions of an autonomous economic entity in the core and coreboard production on a lasting basis. Therefore the JV fulfils the criteria to be considered as a full function joint venture.
- (12) Following from the above, it can be concluded that the operation constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

- (13) The combined aggregate worldwide turnover of Sonoco and Ahlstrom in 2003 was above EUR 2 500 million? (EUR 2.438 million for Sonoco and EUR 1.556 million for Ahlstrom), and the aggregate Community-wide turnover was above EUR 100 million for each of Sonoco (EUR [...]*) million) and Ahlstrom (EUR [...]*) million). The combined aggregate turnover was above EUR 100 million in each of at least three Member States, in which the turnover of each Sonoco and Ahlstrom was above EUR 25 million (France, Germany and United Kingdom). They do not both 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 within the meaning of Article 1(3) of the Merger Regulation.

* Parts of this text have been edited to ensure that confidential information is not disclosed; those parts are enclosed in square brackets and marked with an asterisk

⁵ OJ C66, 2.3.1998, p. 5.

V. PERSONAL AND FINANCIAL LINKS

Sonoco

- (14) Sonoco has a [40-50%]* shareholding stake in Papeteries du Rhin SA (“PDR”), a French producer of coreboard. All of the remaining PDR shareholding is controlled by the Kunert family, which owns the core manufacturer Paul & Co. All of the PDR’s shares confer equal voting rights. Moreover, PDR’s management board has five members, one of whom is nominated by Sonoco. The company’s President is independent and the other three board members are members of the Kunert family or otherwise linked to the Kunert family’s business. Since Sonoco does not have any special voting or other rights in PDR, it does not exercise joint or sole control over PDR.
- (15) Sonoco has a 30% stake in Conitex Sonoco, a JV it formed in 1999 with Texpack USA, which holds the remaining 70%. [...] * The notifying parties have acknowledged that, although a minority shareholder, Sonoco exercises joint control over Conitex Sonoco.
- (16) Sonoco has a 25% participation in Demolli Industria Cartaria S.p.A (“Demolli”). [...] *
- (17) 75% of Demolli’s shareholders may require, through a put option arrangement, that Sonoco buy the remaining shares in Demolli that it does not currently own at any time until the end of December 2006. The agreement also gives Sonoco the right, at its discretion, to purchase the remaining shares in Demolli through a call option arrangement at any time after December 2006 until the end of December 2009.
- (18) The 25% participation in Demolli, as well as the rights and obligations under the put and call options, will be contributed to the JV in the context of the notified transaction.
- (19) The parties argue that Sonoco holds a joint controlling interest in Demolli, or at least will hold one after December 2006 when its call option becomes valid. The Commission is of the opinion that the veto rights held by Sonoco give it joint control over Demolli now.

Ahlstrom

- (20) Ahlstrom has a 49% shareholding stake in AT-Spiral OY. The remaining 51% are held by Messrs. Aimo Anttila and Jarmo Anttila. Ahlstrom nominates one of the three members of the board of AT-Spiral. Since Ahlstrom does not have any special voting or other rights in AT-Spiral OY, it does not exercise joint or sole control over AT-Spiral OY.

Implications on the assessment

- (21) The Commission considers that Sonoco has control over Conitex Sonoco and Demolli. Their sales are therefore included in Sonoco’s.
- (22) Sonoco has no control over PDR (which is actually controlled by one of Sonoco’s main competitors) nor does Ahlstrom have control over AT-Spiral. Given the absence of control, the market shares of those companies would not in principle be considered as

part of the market shares of Sonoco and Ahlstrom respectively. However, the competitive assessment would not be materially affected even if PDR's or AT-Spiral's activities were aggregated with those of the parties.

VI. COMPETITIVE ASSESSMENT

A. Coreboard

Relevant Product Market

- (23) Coreboard is a paper/board material used primarily for manufacturing paper cores. It is produced mainly from recycled material such as cardboard and different kinds of paper. Its production process is similar to that for other kinds of paper: a mixture of recycled paper, pulp, starch and water is fed into a board production machine, which filters and presses the mixture to remove most of the water. After pressing the remaining water is evaporated by means of drying cylinders and finally the finished board is cut into rolls or coils of the desired widths. Liner board is also produced by recycled waste (mainly corrugated boxes) but is only used as an outer wrap for cores rather than raw material for paper cores.
- (24) The parties state that the key characteristic of coreboard is its ability to resist delamination (peeling apart or separation from within), which is measured in Joules per square meter (J/m^2). According to the parties four segments with regard to this delamination resistance can be distinguished: i) below $230 J/m^2$, ii) between 230 and $375 J/m^2$, iii) between 375 and $500 J/m^2$, and iv) above $500 J/m^2$. Apart from delamination resistance coreboard has other distinguishing characteristics such as tensile strength, burst resistance, runability and roughness.
- (25) The parties state that there are strong arguments in favour of a single relevant product market for coreboard. Firstly, there is high supply side substitutability due to the nature of the production process by which many of the coreboard grades can be manufactured in the same facilities, where changing from one grade to another can be achieved very quickly and without incurring in significant costs. In addition, according to the parties, producers can relatively easily switch between liner board and coreboard production. Secondly, although not unlimited, there is a certain degree of demand-side substitutability, since paper cores with similar characteristics can be produced from different grades of coreboard. However, the parties recognise that the high end segment could possibly constitute a separate market since not all producers are active there.
- (26) The market investigation indicated that not all the competitors produce the whole range of grades and although the high-grade (delamination resistance $> 375 J/m^2$) producers could easily switch production to low-grade (delamination resistance $< 375 J/m^2$) (even more than once a day), low-grade producers would need to make important investments to produce high-grade coreboard. In addition, producers of liner board could easily switch to low-grade coreboard only. Furthermore, as the results of the market investigation show, although from the demand-side point of view different grades of coreboards can be used to produce similar cores, price differences between grades are important and make this substitution quite unlikely.

(27) In light of the above, based on delamination resistance as a distinguishing parameter, high-grade and low-grade coreboard can be considered to constitute the relevant product markets for coreboard. However, for the purpose of this decision the relevant product market can be left open since the final assessment does not change whether two relevant markets are established, one for high-grade coreboard and one for low-grade coreboard, or whether the relevant market is defined as coreboard in general.

Relevant Geographic Market

(28) The parties state that the relevant geographic market for coreboard is at least the EEA on the grounds of: i) low transport costs, ii) substantial international trade flows, and iii) no special national or local requirements preferences.

(29) Coreboard, they say, is a commodity product normally shipped in reels or jumbo rolls, resulting in low transport costs compared with its sales prices. As a result of these low transport costs, competition takes place at international level leading to high trade flows between countries. In addition, there are no Member States or regions with particular technical requirements or preferences that separate them from other geographic regions, and there are no regulatory or other barriers preventing intra-EEA or broader international trade of coreboard.

(30) Even though the market investigation indicated some focus of the respective suppliers on broad regions, the markets for coreboard nevertheless have an EEA-wide dimension. As opposed to the supply structure in the markets for cores, the production of coreboard is usually limited to a few plants per company. With respect to cores, Ahlstrom, for example, operates 15 core plants in Europe, Sonoco 22, Corenso 11 and Paul 11. Producers for coreboard however mostly have between one and three plants from which they supply coreboard across Europe. Corenso supplies at European-wide level from three plants (two in Finland and one in France); Ahlstrom does the same from two plants (Finland and France) one of which is intended to be closed soon. Sonoco supplies all countries in Eastern and Western Europe from two plants (United Kingdom and Germany). Peterson Ranheim has its plant in Norway from where it supplies 85% of its production to Southern European countries, the United Kingdom and overseas.

(31) There are strong indications for significant international trade within the EEA which does not allow for any reasonable narrower geographic delineation. The market investigation broadly confirmed this view.

Assessment

(32) The EEA-wide market for low-grade coreboard is not affected by the transaction, with the parties having a total merchant market share after the transaction of around [0-10%]*. Moreover, there are other competitors such as Corenso (7 %), Macher (11 %), ICP (9%), St Regis (9%) or Krönig (6%) which ensure that the market remains competitive.

(33) Regarding high-grade coreboard, the parties' market share at the EEA level after the transaction would be [20-30%]* (Ahlstrom [10-20%]* and Sonoco⁶ [0-10%]*), not

⁶ Through Demolli and Conitex (with its subsidiary Papertech).

giving rise to competition concerns: first, there are other fairly large competitors such as Corenso (18.5%), Peterson Ranheim (22.5%), Krönig (9%) and Macher (5%). Second, the investigation has confirmed that the market is not capacity constrained, with an estimated capacity utilisation rate of around 80-90%, and the competitors could probably increase their supply easily on short notice.

- (34) If low-grade and high-grade coreboard are considered as being part of a single relevant product market, the combined market share of the parties would be less than 10 % and the market would therefore not be affected.
- (35) In the light of the above, the operation does not give rise to competition concerns with respect to coreboard.

B. Cores

Relevant product market

- (36) Paper cores are tubes produced from coreboard by spiral or parallel winding processes, normally used as the base around which various products (for example, paper, film, adhesive tape, fabric, and yarn) are wound. Cores may vary in terms of length, diameter, wall thickness, ability to resist breakage as well as in the finishing process. They are used for a broad variety of applications that range from very low-end usages, such as household applications (for example, cores for food wrap films or toilet paper) to high-end applications such as for magazine paper, where the core has to carry several tonnes of paper and at the same time show minimal distortion when spun at high speed. There are thus clear limitations to demand-side substitutability, although some cores may be suitable for several applications.
- (37) Cores are produced by winding together layers of coreboard which have been previously glued into a tube that meets specified performance criteria. All paper cores are in principle produced by the same process. One key difference between different types of cores lies in the number of coreboard layers that are bound together. Thin-wall cores may use as few as two coreboard layers, whereas heavy-wall cores may bind together more than 30 coreboard layers. According to the parties core producers can switch production between various types of cores easily. They therefore suggest a market definition comprising all different types of cores on the grounds of far-reaching supply-side substitutability.
- (38) The market investigation has not confirmed this view. Even though the basic equipment for the production of each type of core is very similar, significant differences exist with respect to the ability to produce all different types of cores. A machine that lacks reel capacity to hold sufficient layers of coreboard will not be able to wind the heaviest paper mill cores (“PMC”). Moreover, most finishing / coating processes require additional finishing equipment. Coated film cores require an additional coating line. While a machine for the production of large PMC is also capable of producing smaller cores, supply-side substitutability does not exist to a comparable extent the other way around. A significant number of companies in the market are equipped only with machines which do not allow for a variable production of any type of core. Supply-side substitutability is therefore not certain for the whole range of cores.

- (39) The parties indicate that the industry itself divides the market into segments defined by application according to end-use. Under such an approach, the following main segments can be identified: (i) high-end PMC, (ii) other PMC, (iii) high-end textile cores (mainly yarn carriers), (iv) other textile cores, (v) coated film cores, (vi) uncoated film cores, and (vii) other cores. High-end PMC supports the high rotation speed of magazine printing machines and fulfils very specific and high quality requirements. Other PMC, around which various types of papers from toilet paper to newsprint are wound and which fulfil lower technical quality standards than high-end PMC, can be distinguished from them. Among the group of textile cores, yarn carriers, which spin faster and meet strict technical requirements, are distinguished from other textile cores. Film cores can be divided between coated (high-end) and uncoated (low-end) film cores because of differences in finishing and applications, which require specific equipment and know-how. The residual category “other cores” includes cores for a wide variety of specialized, often “tailor-made” uses.
- (40) The market investigation confirmed that demand-side substitutability generally exists only within each of the groups of products as defined according to application, but not between them. A large number of customers of cores indicated that they could substitute their currently used core only by other cores of very similar technical specification especially due to the quality requirements and technological characteristics of the cores in question. With respect to demand-side substitutability, the majority of respondents to the questionnaire agreed with the product market definition for cores by application.
- (41) Moreover, a large proportion of the competitors questioned during the market investigation indicated that production switches are easy within the groups of cores mentioned in paragraph 39 above. While there were indications that supply-side substitutability exists to a sufficient degree at least between other PMC, other textile cores, uncoated film cores and other cores (altogether “low-value cores”), the market investigation confirmed that especially for the production of high-value products, such as high-end PMC and yarn carriers, specific know-how and machinery are needed. As a result, three different product markets can be distinguished: one for high-end PMC, one for yarn carriers, and one for low-value cores leaving open whether coated film cores are included or constitute a separate product market, as this makes no difference to the competitive assessment.

High-end PMC / Yarn carriers

- (42) In the light of the above, high-end PMC and yarn carriers are defined as separate markets due to a lack of demand- and supply-side substitutability. While yarn carriers can be defined to a sufficient degree by their application, the distinction between high-end PMC and low-end PMC requires further clarification since the criterion “use for magazine paper” is not sufficiently specific.
- (43) In order to delineate the market for high-end PMC as opposed to other PMC / low-value cores, the parties suggested defining high-end PMC by assembling the so-called V5 cores and higher grades under this segment using Ahlstrom’s categorisation of cores.⁷

⁷ Core producers categorise their cores in different grades, basically in accordance with the quality, technical requirements and application of the cores (e.g., Ahlstrom’s cores are categorised V2, V3, V4, V5 etc; Sonoco’s HQ3, HQ4, HQ5 etc; Paul’s S1, S2 etc and Abzac A500, A600, A700 etc). In the following

The parties have submitted that a large majority of V5 cores and V5 equivalents of other suppliers are used for magazine paper whereas V4 cores or lower grades are not as suitable for this use since they do not to the same extent support the high rotation speed of magazine printing machines. V5 cores and up are the only cores used for application in rotogravure printing meeting the high roll weight capacity and critical frequency requirements. Due to these higher requirements customers select high-end PMC based on a number of factors including reliability, quality and price. According to the parties, the first two factors play a less significant role for V4, since it is a less technically demanding product.

- (44) The different quality of V5 (and higher) as opposed to V4 (and lower) is also reflected in the conditions of production and supply. For V5 and higher grades gluing and machine adjustments are more critical than for V4. Production speed is normally lower. Also the drying time for the high-end grades is 50-100% longer than for the same core dimension and end-moisture of a V4 grade. Low-value cores are less often sold under supply contracts than high-end PMC (defined as V5 and higher).
- (45) The market investigation largely supported the definition of high-end PMC as V5 and higher. It became, moreover, obvious that the group of suppliers differs significantly when the line is drawn between V4 and V5. Whereas the producers of V5 and V6 (who are all also active in V4) are identical, V4 is supplied by several other smaller companies who do not offer V5 or V6.
- (46) High-end PMC therefore includes V5 and the higher grades V6 and V7. Ahlstrom intends to launch its additional high-end product “M-core” in autumn 2004. It responds to the trend towards higher unwinding speeds and heavier wider reels for use in rotogravure presses moving up to 4,32 metres compared to 3,68 metres at present. According to the parties Sonoco and other suppliers are working on the development of such a “Jumbo core”. The question whether this product constitutes a separate market can be left open since no sales of Jumbo cores have yet been made.

Ahlstrom’s categorisation will be used to describe the product groups. The competitors’ equivalent categorisations apply equally.

Low-value cores

- (47) The market investigation indicated that especially between low-end PMC, other textile cores, uncoated film cores and other cores comparably high flexibility in production exists. This justifies the assumption of a single market for “low-value cores” as opposed to separate markets for every type of core. These cores do not require highly specific equipment or know-how and usually do not include cores of special formats or sizes. The main pieces of equipment for their production are a core winder and a recutter, which are to a large extent suitable for the production of all of the above mentioned low-value cores.
- (48) Among the cores belonging to the market for low-value cores the category “other cores” is the only type of core which is not sufficiently circumscribed by its application. It includes cores for a wide variety of specialized, often “tailor-made” uses. It was indicated by the parties that 80% of this residual category are cores for metal foil, flooring and roofing cores, construction cores, converting cores, cores for adhesive tape or labels and mailing tubes. Each of these applications uses, according to the parties, a low-technology resulting in a relatively low-value product, which does not require conditions for production significantly different from those for other low-value cores and can therefore be counted to the market of low-value cores.
- (49) Apart from high-end PMC and yarn carriers, there is another category whose assignment to the group of low-value cores offhand could be debated, coated film cores. Coated film cores require an additional coating line which requires investments between EUR 300 000 and EUR 500 000, which militates against easy supply-side substitutability and in favour of defining coated film cores as a separate product market. This question can, however, be left open in this case since, regardless of the exact market definition applied, the market analysis does not change. Since Ahlstrom does not sell any coated film cores, no overlap of activities occurs. If coated film cores were attributed to the low-value cores market, the assessment would not change with respect to this market because market shares would only vary marginally.

Relevant geographic market

Introduction

- (50) According to the parties, the distance over which most cores in general can be shipped in a cost efficient manner is approximately 500 km. 90% of all cores produced by the parties are sold within this distance. The main players on this market operate together around 80 plants in the EEA, which results in numerous overlaps between these 500 km radius circles. Against this background, and on the basis of elements such as the absence of national barriers and the importance of trade flows, the parties propose that the most appropriate geographic market is EEA-wide for all cores.
- (51) However, the parties also recognise that certain regions in the EEA have particularly intense trade flows of cores in general, which could possibly lead to distinguishing regional relevant geographic markets. These regions are (i) Continental Europe⁸, (ii)

⁸ Continental Europe comprising: Austria, Benelux, France, Germany, Greece Italy, Portugal and Spain.

the Scandinavian countries⁹, (iii) Finland and (iv) the United Kingdom and Ireland. Any further segmentation of the relevant geographic market would be inappropriate in their view.

- (52) With respect to the overlapping circles' influence on the geographic market, the Commission's precedent in the Pilkington-Techint/SIV case¹⁰, referred to by the parties in the notification, stated with respect to the float glass market the following (paragraph (16)):

“Although the float glass producers tend to have their highest market shares in the Member States where their float glass production is located, the market share data submitted by the parties demonstrates that there is a substantial degree of interpenetration at the national level.

Therefore the Commission considers that the conditions of competition are sufficiently homogeneous that the geographical reference market can be taken as the Community as a whole”

- (53) As explained in paragraphs 55 to 77 on the geographic markets, for some relevant product markets there are some countries/regions within the EEA in which the degree of interpenetration of market shares is fairly limited. It is in that case not evident that the chain effect of the overlapping circles can give rise to an EEA-wide relevant geographic market.
- (54) Paragraphs 55 to 77 below deal with the geographic market definition for high-end cores (both for high-end PMC and yarn carriers), and for low-value cores.

High-end PMC

- (55) The parties submit that due to their higher average prices, high-end PMC can usually be transported over longer distances than the lower-valued cores. They also argue that customers are highly concentrated and conduct European-wide tenders for the procurement of high-end PMC. The parties therefore submit that the relevant geographic market is at least EEA-wide.
- (56) The market investigation has confirmed that there are a limited number of customers: around 15 in the whole EEA and that European wide procurement contracts are also developing. However, the Commission's market investigation does not fully support the EEA-wide geographic market definition proposed by the parties but rather points towards regional markets. A large number of market participants indicated that transports through the whole of Europe would - even though possible in some cases - generally not be feasible,
- (57) At the Commission's request, the parties submitted detailed data listing all customers and the corresponding plants from which these customers are supplied with high-end PMC.

⁹ Denmark, Sweden and Norway.

¹⁰ Commission Decision in Case IV/M.358 - Pilkington-Techint/SIV, OJ L 158 , 25/06/1994 p. 24.

- (58) Ahlstrom sells [80-90%]* of its total sales volume to customers who are at maximum 500 km away from their supplying plant and [90-100%]* of its volume is sold within a radius of 600 km. Three deliveries in 2003 reached distances of approximately 900 km. The corresponding sales volume was, however, negligible. Ahlstrom indicated a number of exports from Germany to neighbouring countries, but none from Continental Europe to Scandinavia or Finland.
- (59) Sonoco's situation is similar. It supplies all its customers, with one exception, at a distance from the relevant plants of between 70 and 650 km. The one exception is significantly further away, but in terms of volume not crucial for the market definition (one delivery from Germany to Norway). [80-90%]* of Sonoco's sales are made at a maximum distance of 450 km from the supplying plants. [90-100%]* of the total sales volume is delivered to customers within 500 km from the respective plant. With the exception of the one customer, Sonoco exports to customers in countries neighbouring those of its supplying plants. These exports are all made in Continental Europe and are directed from Germany to Austria, Belgium, The Netherlands and Switzerland.
- (60) As mentioned above in paragraph 51, the parties themselves – even though arguing for an EEA-wide market - nevertheless acknowledge the existence of the four regions within which trade-flows are more intense and which are isolated from each other. The findings presented in paragraphs (59) and (60) largely correspond to the competitors' supply and export structures as indicated in the market investigation.
- (61) The Commission's market investigation has confirmed a low level of interpenetration between Continental Europe and Scandinavia: largest competitors at the Continental Europe level such as Paul and Abzac have very limited presence in the Scandinavian region: Abzac's exports are inexistent, and Paul's sales represent around 5,5% market share. The same happens for Corenso's sales from its Continental European plants to this region, in particular towards Norway and Sweden where these sales are insignificant. Smaller competitors, such as Scandicore, which has plants located in Sweden only, do not export out of Scandinavia. The investigation has confirmed that the Finnish and British/Irish markets are even more isolated. In the four regions of Continental Europe, Scandinavia, Finland and the United Kingdom/Ireland, competition appears to occur mainly between the plants located within the same region, this being explained by transportation costs, but also by transportation times, which prevent most of Continental Europe suppliers from being able to meet short deadline requirements of customers based in the outlying regions.
- (62) The distances of supply derived from the market investigation and the parties' data support this regional approach. Even though there are cases where high-end PMC is supplied over longer distances, for example from Continental Europe into Norway and Sweden, these exports cover only small volumes. The large majority of sales do not exceed the suggested regional "boundaries".
- (63) Last, such a regional approach is largely supported by the customers' view, which is that prices differ between each region, higher prices being observed in Scandinavia, Finland and the United Kingdom/Ireland.
- (64) The following regions can, therefore, be defined as geographic markets:

- United Kingdom/Ireland
- Finland
- Continental Europe
- the Scandinavian region

- (65) As regards the United Kingdom/Ireland market, the market investigation has shown that trade-flows between that market and other European regions practically do not exist which confirms the definition of a separate regional market “United Kingdom/Ireland”.
- (66) Finland has been defined as a separate geographic market because Finnish customers are almost exclusively supplied by production plants in Finland; there are virtually no exports from Finland to the other regions.
- (67) A higher intensity of trade exists between the countries of Continental Europe. Competitors of high-end PMC who have replied to the market investigation considered that this region should be split in smaller regions suggesting one or more Southern parts (Spain/Portugal, Italy and Greece as one region or as national markets) and one Northern part (Austria, Benelux, France and Germany). This question can be left open since regardless of the exact delineation of the Continental market the concentration would not give rise to competition concerns in this respect.
- (68) The Scandinavian region (Denmark, Norway and Sweden) has to be regarded as separate from Continental Europe and the Finnish market, as shown by the trade-flows described above in paragraph 51 as indicated by the parties. Denmark could, due to its geographical proximity, be part of the Continental European market instead of the Scandinavian market. However, it is not necessary to determine this since there are no sales of high-end PMC in Denmark.

Yarn carriers

- (69) As for high-end PMC, the value of yarn carriers is sufficiently high to allow for transportation over longer distances. According to the parties, the share of transportation costs represents less than [0-10%]* of the net sales price of yarn carriers. The parties therefore argue in favour of an EEA-wide market, however, recognizing generally more intense trade-flows in the regions identified in paragraph 51 above.
- (70) The assumption of an EEA-wide market found more support than in case of the high-end PMC market, but was not completely confirmed by the market investigation either. Some respondents rather pointed towards the suggested regions. Regarding the countries of sales, usually producers are especially active in their neighbouring countries.
- (71) Due to the similar characteristics with regard to the value of the product and its transportation patterns, a similar approach as for high-end PMC with respect to the geographic market definition appears to be appropriate. However, some suppliers explicitly indicated the possibility of an EEA-wide market and stressed their capability to supply yarn carriers all over Europe even from one plant. For the purpose of this case, however, the question whether the market has to be defined

according to regions identified in paragraph 51 above or EEA-wide can be left open since the final assessment does not change under either definition.

Low-value cores

- (72) The parties submit that the geographic market for low-value cores is EEA-wide or at least that it cannot be narrower than the four regions identified in paragraph 51 in the introduction. The parties base this definition on the grounds of the absence of barriers to trade in terms of regulatory provisions, customers' national preferences or technical specifications. In addition, the limitation in shipping distances to around 500 km from the production facilities due to transport costs is made up for the creation of a series of overlapping circles of competitive influence which enlarge the geographic market (the parties refer to the Pilkington-Techint/SIV case).
- (73) The market investigation has not confirmed an EEA-wide market definition. Most customers who replied to the market investigation agreed, rather, with the regional approach and even indicated that they purchase low-value cores locally or on a national level.
- (74) This view is supported by the shipping distances, which are shorter than for high-end PMC due to the higher transport costs in relation to the sale's price. The large majority of competitors have confirmed during the market investigation that 80% of their production is supplied within a radius of up to 250 km, which supports a market definition based on regional or even national markets. This shorter shipping distance for low-value cores with respect to high-end cores is also confirmed by the data submitted by the parties. When the delivery distances for the five main customers of each of the four groups of cores considered as low-value cores are taken into account, the conclusion is that the average shipping distance is around 210 km, and all the distances but one are within a range of around 5 km to 600 km.
- (75) With respect to the overlapping circles' influence on the geographic market, since the degree of market shares interpenetration is far from substantial for some regions within the EEA, an EEA-wide geographic market definition is not plausible. As for high-end PMC, customers indicated that prices differ between regions, with higher prices being observed in Scandinavia, Finland and the United Kingdom/Ireland.
- (76) The findings of the Commission militate in favour of a regional approach similar to the one suggested by the parties:
- United Kingdom/Ireland
 - Finland
 - Continental Europe
 - Sweden/Norway (as separate markets or as one geographic market)
- (77) With respect to the United Kingdom/Ireland, imports represent only a minor share of 1,4% of the total market volume. Moreover, there are no significant exports from the United Kingdom/Ireland to other European countries, since the major suppliers (Sonoco and Corenso) sell the production of their domestic plants exclusively within the national borders.

- (78) A similar situation applies to Finland where national producers sell most of their production at national level and imports are not significant (estimated 6%).
- (79) As in the case for high-end PMC, Continental Europe could be split into Southern Europe and Northern Europe. In Northern Europe comprising Denmark, Germany, Benelux, France and Austria) the main players are present in almost all the countries regardless whether or not they have national facilities (the only exception is for Ahlstrom and VPK in Austria), and trade flows are relatively high. For example, the parties' plants in Germany and the Netherlands sell around [20-30%]* of their production volumes in neighbouring countries. This does not apply for the Southern European countries (Greece, Spain/Portugal and Italy) where the sales are made to a very large extent by the nationally located producers and trade flows seem to be marginal.
- (80) For Sweden and Norway the evidence gathered by the Commission indicates that a national market definition could be appropriate due to low trade-flows. The parties only sell at national level whereas Corenso's sales to Norway from its plant in Sweden are negligible (less than 2%). As stated in paragraph 61, current trade flows with and from Continental Europe are very limited and even lower than for high-end PMC: smaller core manufactures such as Greif and Scandicore in Sweden or Bocksan and Topcore in Finland, which are active on the low-value cores markets, sell mostly in their domestic country and have very limited sales in neighbouring countries. On the other hand, competitive pressure between competitors located in both countries can not be totally disregarded, given the geographical proximity of the countries.
- (81) In the light of the above, the relevant geographic markets for low-value cores are: (i) the United Kingdom/Ireland, (ii) Finland, (iii) Continental Europe, leaving open the question whether it should be split into a Northern and one or several Southern parts (one regional Southern market or national markets), and (iv) Norway and Sweden, leaving open the question whether they constitute national markets or a combined regional one.

Assessment

High-end PMC

- (82) The proposed operation would lead to further concentration in high-end PMC in all regions except in Finland and a possible Southern Continental Europe market where no overlap occurs. Only on the Scandinavian market do the combined market shares give rise to serious doubts. The market participants have, moreover, focused their concerns on the Scandinavian region. Therefore, the other geographical markets will not be further assessed in this decision.

Table 1

	Ahlstrom	Sonoco	Demolli	Combined	Corenso	Paul	Abzac	Others
Continental Europe	[0-10%]*	[10-20%]*	[0-10%]*	[30-40%]*	1,7%	37,5%	7,1%	[20-30%]*
- Northern	[0-10%]*	[20-30%]*	0%	[20-30%]*	1,9%	42,6%	8,3%	[10-20%]*
- Southern	0%	0%	[40-50%]*	[40-50%]*	0,3%	8,2%	0,0%	[40-50%]*

UK/Ireland	0%	[10-20%]*	0%	[10-20%]*	9,1%	0,0%	0,0%	[70-80%]*
Scandinavia	[70-80%]*	[0-10%]*	0%	[80-90%]*	4,4%	5,5%	0,0%	[10-20%]*
Finland	[90-100%]*	0%	0%	[90-100%]*	8,8%	0,0%	0,0%	[0-10%]*

- (83) In Scandinavia Ahlstrom is by far the leading supplier with a market share of [70-80%]*. Sonoco, however, is only a small supplier comparable to Corenso and Paul.
- (84) It should be noted that the market shares indicated in Table 1 (and all following market shares) are calculated by excluding Corenso's captive sales to its parent company Stora Enso, which constitute around 80% of Corenso's total sales. The picture depicted with sales limited to the merchant market is not completely consistent with the view that was expressed by the majority of the market participants, who nevertheless perceive Corenso as a major force in the market. Its market position and power, therefore, are higher than the market shares based on external sales would suggest. Taking into account the company's total sales as an indication of at least its potential market force, Corenso's competitive position would account for around 18,7% in Scandinavia (Ahlstrom: [60-70%]*, Sonoco: [0-10%]*, Paul: 4,7%).
- (85) The merger gives rise to serious doubts with respect to the Scandinavian market for high-end PMC. As a result of the merger, one of the four existing supply possibilities in high-end PMC will be eliminated in this region. Customers regularly multi-source for reasons of reliability and security of supply as well as to improve their negotiating position. With the reduction in the number of suppliers the flexibility in choosing several companies will decrease significantly.
- (86) In the market investigation the view was expressed that Sonoco was expected to extend its activities in the Scandinavian market and supply not only customers in Norway (as it does at present), but also in Finland and Sweden. As data provided by the parties shows, Sonoco had also been invited to bid in tenders in Sweden. Customers and competitors have confirmed that Sonoco is generally perceived as a constraint to Ahlstrom despite its low market share. They have also expressed concerns with respect to the Scandinavian region and as regards the possibility of higher prices due to the merger.
- (87) Because of high quality requirements in this product market, new entries cannot be expected in the short-term. Even manufacturers of low-value cores which at present already produce ordinary PMC indicate that entering the high-end segment is difficult. Investment requirements with respect to the establishment of a new production of high-end PMC were perceived differently among the companies. A substantial proportion of the market participants, however, consider investment and time requirements for a switch to be high. The investment requirements were estimated between EUR 500 000 and EUR 2 million which is high, in particular for the large group of smaller companies which have low turnover (up to EUR 15 million) and low margins. Moreover, new suppliers have to run through a specific qualification process and are accepted by the customers only after trial runs and satisfactory performance.

- (88) This entry barrier becomes even more significant against the background of the technological development which is currently taking place in the core industry. Increasing unwinding speeds in the paper-industry and a trend towards heavier, wider reels put growing demands on cores and chucks in paper reels and unwinding stability (the maximum reel width used in rotogravure presses is moving up to 4,32 metres in the future as compared to 3,68 metres at present.) In order to respond to this demand Ahlstrom has, in co-operation with a big customer, developed a new core (M-core) which has not yet been marketed yet. It is however expected to be launched in autumn 2004. According to the parties, Sonoco, Paul and Corenso are also working on the development of such a “jumbo core”. It is evident that the development of such a new core requires specific know-how and R&D. As confirmed by the market investigation, a general trend towards higher speeds and sizes of equipment is observed in the market, which is expected to also increase the quality requirements on the already existing types of cores.
- (89) An additional aspect mentioned by several market participants is the difficult access to high-grade coreboard necessary for the production of high-end PMC. Most producers of high-end PMC produce the necessary coreboard themselves and therefore put only limited volumes on the merchant market. This would act as a potential entry barrier for non-vertically integrated core producers.
- (90) Concerns were also expressed with respect to the total size of the merged entity. Due to high purchasing volumes of the big buyers, smaller suppliers are often only able to supply parts of a specific buyer’s demand. It was feared that with its increased strength Sonoco/Ahlstrom will be more indispensable for the larger customers and will therefore have power to squeeze smaller suppliers out of a contract. However, although buyer power on the part of the major customers, like UPM Kymmene, Myllykoski and M-Real, may be considered significant, the level of concentration of market power is much lower than on supplier side.
- (91) The effects of the merger will probably be mitigated to some extent by the shift of sales. The market share of the merged entity will probably be lower than the sum of the individual market shares of Sonoco and Ahlstrom. It can be expected that some customers will shift a portion of their sales away from the merging companies in order to strengthen other major suppliers and to avoid over-dependence on any one supplier. This would lead to a more balanced market structure between Sonoco/Ahlstrom, Corenso and Paul. Competitors of Sonoco and Ahlstrom have indicated their expectation to gain market shares due to the merger and customers confirmed their intention to reallocate their requirements. The competitors can be considered as capable of serving these additional customers. Due to the existing overcapacity in the market, the vast majority of competitors in high-end PMC indicated that they are able to increase production by 25 – 30% on short notice. These mitigating effects are unlikely, however, to fully compensate the market power of the merged entity.
- (92) As a consequence, for high-end PMC, the concentration risks creating or strengthening a dominant position as a result of which effective competition would be significantly impeded in the common market. Therefore, it raises serious doubts as to its compatibility with the common market in the Scandinavian region.

Yarn carriers

(93) The market for yarn carriers exhibits the following market shares:

Table 2

	Ahlstrom	Sonoco	Combined	VPK	Favretto	Others
Finland	[60-70%]*	[20-30%]*	[80-90%]*	0,0%	20%	[0-10%]*
Scandinavia	0%	[30-40%]*	[30-40%]*	16,7%	0,0%	[50-60%]*
UK/Ireland	0%	[70-80%]*	[70-80%]*	0,0%	0,0%	[20-30%]*
Continent	[0-10%]*	[20-30%]*	[30-40%]*	1,0%	19,5%	[40-50%]*
EEA	[0-10%]*	[20-30%]*	[30-40%]*	1,0%	18,2%	[40-50%]*

(94) The only region where major doubts might arise is Finland, since there are no overlaps in Scandinavia and the United Kingdom/Ireland. In the Continental market as well as in the EEA, combined market shares of Ahlstrom and Sonoco are slightly above 30%.

(95) The putative Finnish market is limited by size to 500 tonnes a year (less than 0,5 % of the European market). On that narrow market, Ahlstrom achieved a [60-70%]* market share while Sonoco and Favretto, which have no production facility located in Finland, achieved [20-30%]* market shares¹¹. It should be noted that Favretto has large overcapacities that allow it to serve any new demand in Finland. In addition, Carl Gross and Herbster Hulsen (located in Germany) are better placed than Favretto (Italy) to serve Finland and also enjoy overcapacity, so they could easily supply any Finnish customer wishing to turn to a new supplier. Therefore, no competitive concerns would arise from this concentration for yarn carriers in Finland despite the high market shares.

(96) In the Continental European market, or alternatively in the EEA market, other companies, like Herbster Hulsen & Co and Carl Gross from Germany as well as Tubitex and Bono from Italy each achieved sales which represented between 5 and 10% of the Continental European market. Favretto and these four competitors sell across all the Continental Europe area and most of them (four out of five) can increase their production level by at least 30% without incurring significant expenses and within a short time frame. Therefore, any customer within Continental Europe can immediately turn to five suppliers other than Sonoco/Ahlstrom, these suppliers being able to serve them on a competitive basis and for any conceivable quantity.

(97) The market investigation did not raise significant doubts with regard to this product market. It was unanimously acknowledged that the continuous decline of the market will increase competition for orders. Therefore, the concentration does not risk creating or strengthening a dominant position as a result of which effective competition would be significantly impeded in the common market. Therefore, it will

¹¹ Corenso is not active in the yarn carriers market, so there are no captive sales which could affect markets shares if taken into account.

not raise serious doubts as to its compatibility with the common market, with respect to yarn carriers in Continental Europe.

Low-value cores

(98) In the market for low-value cores comprising other PMC, other textile cores, uncoated film cores and other cores, the geographical dimension could be regional or national depending on the countries considered. The concentration, as shown in Table 3 below, gives rise to serious doubts as to its compatibility with the common market in particular in the Norway-Sweden region, where the assessment is focussed¹².

Table 3

	Ahlstrom	Sonoco	Demolli	Combined	Corenso	Paul	Abzac	VPK
Norway	[30-40%]*	[40-50%]*	0%	[70-80%]*	1,9%	4,3%	4,3%	0,0%
Sweden	[40-50%]*	[0-10%]*	0%	[40-50%]*	9,1%	0,7%	0,0%	0,0%
Norway+Sweden	[40-50%]*	[10-20%]*	0%	[50-60%]*	7,6%	1,5%	0,9%	0%
Finland	[30-40%]*	0%	0%	[30-40%]*	20,8%	5,6%	0,0%	0,0%
N. Europe (1)	[0-10%]*	[20-30%]*	[0-10%]*	[20-30%]*	1,6%	28,7%	8,7%	13,2%
S. Europe (2)	[0-10%]*	[0-10%]*	[10-20%]*	[20-30%]*	1,2%	3,6%	6,1%	0%
Continental Europe	[0-10%]*	[10-20%]*	[0-10%]*	[20-30%]*	1,4%	18,6%	7,7%	7,9%
UK/Ireland	[0-10%]*	[40-50%]*	0%	[40-50%]*	8,9%	1,1%	0,0%	7,3%

(1) Austria, Benelux, Denmark, France, Germany.

(2) Greece, Italy, Spain/Portugal, with the only overlap occurring in Italy: Ahlstrom ([0-10%]*), Demolli ([30-40%]*)

(99) The market shares do not give rise to competition concerns in Finland (no overlap), Sweden and the United Kingdom/Ireland (only marginal overlaps) and Continental Europe (combined market share of [20-30%]*). This is also the case if Continental Europe is further sub-segmented into Northern and Southern Europe. The assessment will therefore focus on the Norway-Sweden region and on the possible national market of Norway.

(100) During the market investigation similar concerns as in the high-end PMC market were expressed by customers and competitors. On a Scandinavian level the gap between the smaller players, such as Paul and Abzac (who at present do not own production facilities in those countries) and the larger ones, is already significant and will increase significantly due to the merger, especially in Norway.

¹² Market shares if Corenso internal sales are taken into account.

	Ahlstrom	Sonoco+Demolli	Combined	Corenso	Paul	Abzac	VPK
Norway	[30-40%]*	[40-50%]*	[70-80%]*	8,7%	4,0%	4,0%	0
Norway+Sweden	[30-40%]*	[0-10%]*	[40-50%]*	29,0%	1,1%	0,7%	0

- (101) Some customers have expressed concerns that prices might go up after the merger. At national level, the merger of the two main players in Norway would lead to a combined market share of around [70-80%]*, which might give rise to price increases, by conferring on the new entity an indispensable role in the supply of low-grade cores in Norway. These price increases could be limited by the overcapacity of the market (capacity utilisation rate between 80-90%), which has been stated by the parties and confirmed by the market investigation mostly due to the market recession.
- (102) However certain aspects indicate that, even with the competitors having free capacity, counteracting price increases is not so straightforward in the case of Norway. Two smaller Norwegian competitors are Helle Papp ANS and Holt Emballasje, with a market share of around 15% in a market of 11 700 tonne per year. Even if they were to increase their production from the market's average capacity utilisation rate (85%) to 100%, the impact of their production increase in the market would be minimal (less than 310 tonnes. In addition to increases in prices, the strong market position of the parties could then facilitate anticompetitive behaviour such as refusal to deal with customers who do not purchase their entire cores' needs from them, forcing competitors out of the market.
- (103) As a consequence, for low-value cores, the concentration risks creating or strengthening a dominant position as a result of which effective competition would be significantly impeded in the common market. Therefore, it raises serious doubts as to its compatibility with the common market in the Norwegian market.
- (104) At regional level, although the serious doubts are not as evident as for Norway on a national level, the parties' market share is near [50-60%]*. In Sweden there are other competitors, such as Corenso or Scandicore or smaller ones such as Greif Sweden AB. Scandicore has a market share of between 10 and 15% and Greif has a market share below 5%. However, it is not clear whether competition would be still guaranteed. Corenso, although owning a large production capacity which should not be disregarded (its market share, if internal sales are considered, is around 29% in the Norway-Sweden region), is mainly focused on captive production to its parent company Stora Enso, with a market share in the merchant market of 6,8%. Another important player could be Scandicore, which is currently mainly present in Sweden (more than 90% of its sales are achieved in Sweden). However, the remaining competitors might be too small, compared to the parties, to play a major role in a market with overcapacity where greenfield entries or investments in new capacity are very unlikely.
- (105) As a consequence, for low-value cores, the concentration risks creating or strengthening a dominant position as a result of which effective competition would be significantly impeded in the common market. Therefore, it raises serious doubts as to its compatibility with the common market in the Norway-Sweden region defined above.

VII. COMMITMENTS

Summary of the commitments offered by the notifying parties

- (106) In order to address the serious doubts identified by the Commission, the notifying parties have proposed a divestment of Ahlstrom's core production facility located at

Sveberg, Norway, including all tangible and intangible assets to an up-front buyer¹³, who will have to be a viable purchaser, independent of and unconnected with the parties and an effective competitor to Sonoco/Ahlstrom JV.

(107) The Sveberg production facility offered by the parties produces both high-end and low-end PMC. The plant was built in 1995 and has an annual capacity of [...] tonnes with a possible increase to [...] tonnes subject to minor investment. In 2003, it produced around [...] tonnes of cores of which about [30-40%]* was high-end PMC (about [...] tonnes).

(108) During the first phase investigation, on 14 June 2004, the parties offered to divest Sveberg. After the market testing these commitments was not considered as suitable in order to remove the serious doubts raised by the operation and a second set of commitments, was submitted on 29 June 2004. The market testing shows that these were also insufficient to remove the serious doubts raised by the operation.

(109) The main issues which lead the Commission to disregard the divestment of Sveberg the first time it was submitted by the parties were:

- the concerns raised during the market testing regarding its isolated geographic situation, which would make it difficult for a potential buyer to effectively compete in the relevant markets,
- the uncertainty with respect to the financial viability of the business.

(110) The parties have provided the Commission with credible evidence showing that the geographic location of the plant does not constitute a major impediment to its ability to compete effectively. In particular, Sveberg benefits from the phenomenon whereby, in Scandinavia, north-south freight rates are significantly lower than south-north rates. The concentration of industries in the south of Norway and Sweden often results in empty trucks moving southward following deliveries to the north, placing strong pressure on north-south freight rates. Moreover, the Commission's investigation has shown that delivery time is not normally an issue since deliveries take place within one or two weeks at the most, and only in very specific circumstances are urgent deliveries within one or two days required. However, even then it is not necessary for the plant to be located very close, since most customers hold stock of the purchased cores to be able to react in these cases of urgency.

(111) With respect to the viability of the business, the fact that Sveberg will be divested to a suitable and independent up-front buyer who is not connected with the parties ensures the viability of the business. The buyer will have to be approved by the Commission.

(112) Many concerns expressed by market participants in the first market test of Sveberg were focused on a possible situation that Sveberg would have to be operated as a stand-alone business. Without a fix-it-first solution under the condition of a suitable buyer to be approved by the Commission, a management-buy-out could not be excluded at the time of the first market test. In the market investigation such a stand-alone solution was clearly rejected. However, many of the critical respondents indicated a

¹³ A binding purchase agreement for the sale of Sveberg has to be concluded with a suitable buyer before the JV can be created.

more favourable assessment of the divestment of Sveberg as a remedy, under the condition that an appropriate buyer (mostly described as a big company already active in the core business) would be found.

High-end PMC

(113) The divestment of the Sveberg facility would result in the following market shares for high-end PMC:

Table 4

High-end PMC	Ahlstrom	Sonoco	Combined	Combined after remedy	Difference in market share	remaining increment
Scandinavia	[70-80%]*	[0-10%]*	[80-90%]*	[50-60%]*	[-20-30%]*	0

(114) The commitments will result in a reduction of the combined market shares (see table 4 above) from [80-90%]* to [50-60%]* in Scandinavia offsetting the overall increase in market share which would result from the merger.

(115) In addition, the remedy will allow the entrance of a new player which will have the possibility of benefiting from the customers' multi-sourcing strategy and from the necessary qualifications from various customers to enter the market. Some customers already indicated their intention to shift purchases away from the merged entity and to support a more balanced market structure in order to ensure a sufficient variety of choice.

(116) Sveberg profits from the close by access to coreboard from Peterson Ranheim, who is at the same time a major customer of Sveberg. Peterson Ranheim has already indicated its willingness to further supply Sveberg. This access to high-grade coreboard will allow the owner of Sveberg to effectively compete in the high-end PMC market.

Low-value cores

(117) The divestiture would result in the following market shares for low-value cores:

Table 5

Low-value cores	Ahlstrom	Sonoco	Combined	Combined after remedy	Difference in market share	remaining increment
Norway	[30-40%]*	[40-50%]*	[70-80%]*	[40-50%]*	[-30-40%]*	0
Norway+Sweden	[40-50%]*	[10-20%]*	[50-60%]*	[40-50%]*	[-0-10%]*	[0-10%]*

(118) The main serious doubts resulting from the merger are raised in the Norwegian market, where a significant increase in market shares would occur. This Norwegian market share addition is the main source of serious doubts for the whole of the possible

Norway/Sweden market. A removal of the serious doubts concerning Norway also removes those concerning a joint market for Norway and Sweden, since the commitments would significantly reduce the overlap to [0-10%]*.

(119) The divestment of the Sveberg facility to a suitable purchaser would result in a reduction of the parties' combined Norwegian market share for low-values cores to approximately [40-50%]* and to about [40-50%]* in the Norway-Sweden region. On a regional level the divestment would reduce the remaining increase from [10-20%]* to [0-10%]* shifting combined market shares to a level of [40-50%]*. Even if the increase is not totally eliminated, the proposed commitments would allow a new player to enter into the Norway-Sweden market. The reduction of players in this market would then be offset completely. In the event that one of the smaller competitors already active in the market buys the Sveberg facility, a more balanced market structure - even strengthened by the expected shift of purchases from customers away from the merged entity - would create adequate competitive restraints on Sonoco/Ahlstrom.

Conclusion

(120) The market investigation of the proposed commitments has confirmed that the divestment of Sveberg will largely restore the market structure to that prevailing before the merger. The possibility for a new market player to enter the Scandinavian region will give this new competitor a role similar to that played by Sonoco prior to the concentration.

(121) In accordance with the results of the first market investigation, which emphasised the importance of a prospective purchaser for making this divestment successful, the Commission requested an up-front buyer for the Sveberg facility. It follows that the parties will not be able to implement the present transaction unless and until they have entered into a final binding sale and purchase agreement for the sale of the Sveberg facility, and the Commission has given its approval of the purchaser.

(122) Consequently, the Commission concludes that provided the commitments offered by the notifying parties are met, the concentration would not risk creating or strengthening a dominant position as a result of which effective competition would be significantly impeded in the common market. Therefore, it will not raise serious doubts as to its compatibility with the common market.

VIII. CONDITIONS AND OBLIGATIONS

(123) Under the first sentence of the second subparagraph of Article 8(2) of the Merger Regulation, the Commission may attach to its decision conditions and obligations intended to ensure that the undertakings concerned comply with the commitments they have entered into vis-à-vis the Commission with a view to rendering the concentration compatible with the common market.

- (124) Where a condition is not fulfilled, the Commission decision declaring the merger to be compatible with the common market no longer stands. Where the undertakings concerned commit a breach of an obligation, the Commission may revoke the clearance decision in accordance with Article 8(5)(b) of the Merger Regulation. The undertakings concerned may also be subject to fines and periodic penalty payments under Articles 14(2)(a) and 15(2)(a) of the Merger Regulation.
- (125) In accordance with the basic distinction described above, the decision in this case is conditioned on the full compliance with the following conditions:
- (126) The condition to not implement and close the concentration until the parties have signed a binding sale and purchase agreement with a Purchaser approved by the Commission, as set out in paragraph 1 of the Annex:
- (a) the condition relating to the conclusion of a final sale and purchase agreement within the suspension period as set out in paragraph 2 of the Annex,
 - (b) the condition relating to the divestment of Ahlstrom's core production facility at Sveberg, Norway, as set out in paragraph 4 of the Annex;
 - (c) the condition relating to the preservation of viability, marketability and competitiveness and to the hold-separate and ring-fencing obligations, as set out in paragraphs 5 to 9 of the Annex;
 - (d) the condition relating to the non-solicitation clause, as set out in paragraph 10 of the Annex;
 - (e) the condition relating to a suitable Purchaser as set out in paragraphs 14 and 15 of the Annex;
 - (f) the condition to comply with any measure imposed by the Trustee to make the parties comply with their commitments as indicated in paragraphs 22 and 23 of the Annex.
- (127) Only by fulfilling the conditions listed in paragraph 125 can the structural change on the relevant market be achieved. Those conditions may be amended in pursuant to paragraph 31 of the Annex.
- (128) The remaining requirements constitute obligations (subject to any change pursuant to the review clause in paragraph 31 of the Annex), as they concern the implementation steps which are necessary to achieve the structural change that is sought. In particular, this relates to the provisions concerning the "Monitoring Trustee" with the exception of any measures imposed by the trustee to make the parties comply with their commitment as indicated in paragraphs 22 and 23 of the Annex.

IX. CONCLUSION

(129) The commitments submitted by the notifying party are sufficient to address the serious doubts raised by the concentration. Accordingly, subject to the full compliance with the commitments submitted by the notifying party on 25 August, 2004, as set out in the Annex, the Commission has decided not to oppose the notified operation. It should therefore be declared compatible with the common market and the functioning of the EEA Agreement.:

HAS ADOPTED THIS DECISION:

Article 1

The notified operation whereby Sonoco and Ahlstrom acquire joint control of the undertaking Sonoco – JV S.à.r.l., a newly created company constituting a joint venture within the meaning of Article 3(1)(b) of Regulation (EEC) No 4064/89 is hereby declared compatible with the common market and the functioning of the EEA Agreement.

Article 2

Article 1 is subject to full compliance with the following conditions:

- (a) the commitment to not implement and close the proposed concentration until the parties have signed a binding sale and purchase agreement with a Purchaser approved by the Commission, as set out in paragraph 1 of the Annex;
- (b) the commitment relating to the divestment of Ahlstrom's core production facility at Sveberg, Norway, as set out in paragraph 4 of the Annex;
- (c) the commitment relating to the Preservation of viability, marketability and competitiveness, to the hold-separate and ring-fencing obligations, as set out in paragraphs 5 to 9 of the Annex;
- (d) the commitment relating to the non-solicitation clause, as set out in paragraph 10 of the Annex;
- (e) the commitment relating to entering into a final sale and purchase agreement within the suspension period as set out in paragraph 2 of the Annex;
- (f) the commitment relating to a suitable Purchaser as set out in paragraphs 14 and 15 of the Annex;
- (g) the commitment to comply with any measure imposed by the Trustee to make the parties comply with their commitments as indicated in paragraphs 22 and 23 of the Annex.

Article 3

This decision is subject to an obligation on Sonoco and Ahlstrom to comply in full with the other commitments set out in the Annex.

Article 4

This Decision is addressed to:

Sonoco Products Company
One North Second Street
Post Office Box 160
Hartsville
South Carolina 29550-3305
USA

Ahlstrom Corporation
Eteläesplandi 14
00130 Helsinki
Finland

Done at Brussels, 06.10.2004

For the Commission

signed
Mario MONTI
Member of the Commission

By hand and by fax: 00 32 2 296 4301
European Commission - Merger Task Force
DG Competition
Rue Joseph II, 70
B-1000 BRUSSELS

August 25, 2004

Case M. 3431 – SONOCO/AHLSTROM/JV

COMMITMENTS TO THE EUROPEAN COMMISSION

Pursuant to Articles 8(2) and 10(2) of Council Regulation (EEC) No. 4064/89 as amended (the “**Merger Regulation**”), Sonoco Products Company and Ahlstrom Corporation (collectively, the “**Parties**”) hereby provide the following Commitments (the “**Commitments**”) in order to enable the European Commission (the “**Commission**”) to declare the creation of a full-function joint venture pursuant to which the Parties will combine and operate their existing European coreboard and paper core businesses (the “**JV**”) compatible with the common market and the EEA Agreement by its decision pursuant to Article 8(2) of the Merger Regulation (the “**Decision**”).

The Commitments shall take effect upon the date of adoption of the Decision.

This text shall be interpreted in the light of the Decision to the extent that the Commitments are attached as conditions and obligations, in the general framework of Community law, in particular in the light of the Merger Regulation, and by reference to the Commission Notice on remedies acceptable under Council Regulation (EEC) No 4064/89 and under Commission Regulation (EC) No 447/98.

Section A. Definitions

For the purpose of the Commitments, the following terms shall have the following meaning:

Affiliated Undertakings: undertakings controlled by the Parties and/or by the ultimate parents of the Parties, including the JV, whereby the notion of control shall be interpreted pursuant to Article 3 Merger Regulation and in the light of the Commission Notice on the concept of concentration under Council Regulation (EEC) No 4064/89.

Ahlstrom: Ahlstrom Corporation and any of its Affiliated Undertakings.

Closing: the transfer of the legal title of the Divestment Business to the Purchaser.

Divestment Business: the business or businesses as defined in Section B and the Schedule that the Parties commit to divest.

Effective Date: the date of adoption of the Decision.

Hold Separate Manager: the person appointed by the Parties for the Divestment Business to manage the day-to-day business under the supervision of the Monitoring Trustee.

Key Personnel: all personnel necessary to maintain the viability and competitiveness of the Divestment Business, as listed in the Schedule.

Monitoring Trustee: one or more natural or legal person(s), independent from the Parties, who is/are approved by the Commission and appointed by the Parties, and who has/have the duty to monitor the Parties' compliance with the conditions and obligations attached to the Decision.

Personnel: all personnel currently employed by the Divestment Business, including Key Personnel, staff seconded to the Divestment Business, shared personnel and the additional personnel listed in the Schedule.

Purchaser: the entity approved by the Commission as acquirer of the Divestment Business in accordance with the criteria set out in Section D.

Section B. The Divestment Business

Commitment to divest

1. In order to restore effective competition, the Parties commit to divest, or procure the divestiture of the Divestment Business as a going concern to a Purchaser and on terms of sale approved by the Commission in accordance with the procedure described in paragraph 15. To carry out the divestiture, the Parties commit to find a Purchaser and to enter into a final binding sale and purchase agreement for the sale of the Divestment Business. The proposed concentration shall not be implemented unless and until Ahlstrom has entered into a final binding sale and purchase agreement for the sale of the Divestment Business and the Commission has approved the Purchaser and the terms of sale in accordance with paragraph 15.
2. The Parties shall be deemed to have complied with this commitment if Ahlstrom has entered into a final binding sale and purchase agreement, if the Commission approves the Purchaser and the terms in accordance with the procedure described in paragraph 15, and if the closing of the sale of the Divestment Business takes place as soon as practicable after the signing of sale and purchase agreement, the approval of the terms of sale by the Commission, and the implementation of the proposed concentration and, in any event, within a period not exceeding [CONFIDENTIAL] after the approval of the Purchaser and the terms of sale by the Commission.
3. In order to maintain the structural effect of the Commitments, the Parties shall, for a period of 10 years after the Effective Date, not acquire direct or indirect influence over the whole or part of the Divestment Business, unless the Commission has previously found that the structure of the market has changed to such an extent that the absence of influence over the Divestment Business is no longer necessary to render the proposed concentration compatible with the common market.

Structure and Definition of the Divestment Business

4. The Divestment Business consists of the core converting facility owned and operated by Ahlstrom Cores AS and located at Sveberg, Norway. Ahlstrom Cores AS does not

own or operate any significant assets apart from the Sveberg plant. The divestiture will take either the form of a sale of substantially all of the assets, liabilities, agreements and employees of Ahlstrom Cores AS, or of a sale of all shares in Ahlstrom Cores AS. The shares in Ahlstrom Cores AS are owned by Ahlstrom Cores Oy, which will be contributed to the JV. The present legal and functional structure of the Divestment Business as operated to date is described in the Schedule. The Divestment Business, described in more detail in the Schedule, includes

- (a) all tangible and intangible assets (including intellectual property rights), which contribute to the current operation or are necessary to ensure the viability and competitiveness of the Divestment Business. Such assets do not include any rights with respect to the names and trademarks Sonoco, Ahlstrom, Alcore or any derivatives thereof;
- (b) all licenses, permits and authorisations issued by any governmental organisation for the benefit of the Divestment Business;
- (c) all contracts, leases, commitments and customer orders of the Divestment Business (except as provided in the Schedule); all customer, credit and other records of the Divestment Business (items referred to under (a)-(c) hereinafter collectively referred to as “**Assets**”); and
- (d) the Personnel.

Section C. Related commitments

Preservation of Viability, Marketability and Competitiveness

- 5. From the Effective Date until Closing, Ahlstrom and, if applicable, the JV shall preserve the economic viability, marketability and competitiveness of the Divestment Business, in accordance with good business practice, and shall minimise as far as possible any risk of loss of competitive potential of the Divestment Business. In particular, Ahlstrom undertakes and the Parties undertake to cause the JV:
 - (a) not to carry out any act upon its own authority that might have a significant adverse impact on the value, management or competitiveness of the Divestment Business or that might alter the nature and scope of activity, or the industrial or commercial strategy or the investment policy of the Divestment Business;
 - (b) to make available sufficient resources for the development of the Divestment Business, on the basis and continuation of the existing business plans; and
 - (c) to take all reasonable steps, including appropriate incentive schemes (based on industry practice), to encourage all Key Personnel to remain with the Divestment Business.

Hold-Separate Obligations of Parties

- 6. Ahlstrom and, if applicable, the JV commit, from the Effective Date until Closing, to keep the Divestment Business separate from the businesses it is retaining and to ensure that Key Personnel of the Divestment Business – including the Hold Separate

Manager - have no involvement in any business retained by Ahlstrom, Sonoco or their Affiliated Undertakings, and vice versa. Ahlstrom and, if applicable, the JV shall also ensure that the Personnel does not report to any individual outside the Divestment Business.

7. Until Closing, Ahlstrom and, if applicable, the JV shall assist the Monitoring Trustee in ensuring that the Divestment Business is managed as a distinct and saleable entity separate from the businesses retained by the Parties. The Parties shall appoint a Hold Separate Manager who shall be responsible for the management of the Divestment Business, under the supervision of the Monitoring Trustee. The Hold Separate Manager shall manage the Divestment Business independently and in the best interest of the business with a view to ensuring its continued economic viability, marketability and competitiveness and its independence from the businesses retained by the Parties. The obligation to maintain the Divestment Business as an independently managed, distinct and saleable entity in accordance with the present Commitments shall not prevent the Hold Separate Manager, with the approval of the Monitoring Trustee, to continue cooperating with Ahlstrom or the JV, where this is to the benefit of the Divestment Business and does not impair the salability of the Divestment Business; in particular, the Divestment Business and Ahlstrom may continue rendering the following services to each other: [CONFIDENTIAL]
8. To ensure that the Divestment Business is held and managed as a separate entity the Monitoring Trustee shall exercise Ahlstrom's and, if applicable, the JV's rights as shareholder in the Divestment Business (except for its rights for dividends that are due before Closing), with the aim of acting in the best interest of the business, determined on a stand-alone basis, as an independent financial investor, and with a view to fulfilling the Parties' obligations under the Commitments. Furthermore, the Monitoring Trustee shall have the power to replace members of the supervisory board or non-executive directors of the board of directors, who have been appointed on behalf of Ahlstrom or the JV.

Ring-fencing

9. The Parties and their Affiliated Undertakings shall implement all necessary measures to ensure that they do not after the Effective Date obtain any business secrets, know-how, commercial information, or any other information of a confidential or proprietary nature relating to the Divestment Business. In particular, the participation of the Divestment Business in a central information technology network shall be severed to the extent possible, without compromising the viability of the Divestment Business. Ahlstrom and, if applicable, the JV shall obtain information relating to the Divestment Business which is reasonably necessary for the divestiture of the Divestment Business or whose disclosure to Ahlstrom and, if applicable, the JV is required by law.

Non-solicitation clause

10. The Parties undertake, subject to customary limitations, not to solicit, and to procure that Affiliated Undertakings do not solicit, the Key Personnel transferred with the Divestment Business for a period of [CONFIDENTIAL] after Closing.

Due Diligence

11. In order to enable potential purchasers to carry out a reasonable due diligence of the Divestment Business, Ahlstrom shall, subject to customary confidentiality assurances and dependent on the stage of the divestiture process:
 - (a) provide to potential purchasers sufficient information as regards the Divestment Business;
 - (b) provide to potential purchasers sufficient information relating to the Personnel and allow them reasonable access to the Personnel.
12. Reporting

Ahlstrom or the Parties jointly shall submit written reports in English on potential purchasers of the Divestment Business and developments in the negotiations with such potential purchasers to the Commission and the Monitoring Trustee no later than 10 days after the end of every month following the Effective Date (or otherwise at the Commission's request).
13. Insofar as any due diligence on the Divestment Business takes place after the Effective Date, Ahlstrom shall inform the Commission and the Monitoring Trustee on the preparation of the data room documentation and the due diligence procedure and shall submit a copy of an information memorandum to the Commission and the Monitoring Trustee before sending the memorandum out to potential purchasers.

Section D. The Purchaser

14. In order to ensure the immediate restoration of effective competition, the Purchaser, in order to be approved by the Commission, must:
 - (a) be independent of and unconnected to the Parties;
 - (b) have the financial resources, proven expertise and incentive to maintain and develop the Divestment Business as a viable and active competitive force in competition with the Parties and other competitors; and
 - (c) neither be likely to create, in the light of the information available to the Commission, *prima facie* competition concerns nor give rise to a risk that the implementation of the Commitments will be delayed, and must, in particular, reasonably be expected to obtain all necessary approvals from the relevant regulatory authorities for the acquisition of the Divestment Business (the before-mentioned criteria for the purchaser hereafter the "**Purchaser Requirements**").
15. The final binding sale and purchase agreement shall be conditional on the Commission's approval. When Ahlstrom has reached an agreement with a purchaser, it shall submit a fully documented and reasoned proposal, including a copy of the final agreement(s), to the Commission and the Monitoring Trustee. The Parties must be able to demonstrate to the Commission that the purchaser meets the Purchaser Requirements and that the Divestment Business is being sold in a manner consistent with the Commitments. For the approval, the Commission shall verify that the purchaser fulfills the Purchaser Requirements and that the Divestment Business is being sold in a manner consistent with the Commitments. The Commission may

approve the sale of the Divestment Business without one or more Assets or parts of the Personnel, if this does not affect the viability and competitiveness of the Divestment Business after the sale, taking account of the proposed purchaser.

Section E. The Monitoring Trustee

I. Appointment Procedure

16. The Parties shall appoint a Monitoring Trustee to carry out the functions specified in the Commitments for a Monitoring Trustee.
17. The Monitoring Trustee shall be independent of the Parties, possess the necessary qualifications to carry out its mandate, for example as an investment bank or consultant or auditor, and shall neither have nor become exposed to a conflict of interest. The Monitoring Trustee shall be remunerated by the Parties in a way that does not impede the independent and effective fulfillment of its mandate.

Proposal by the Parties

18. No later than one week after the Effective Date, the Parties shall submit a list of one or more persons whom the Parties propose to appoint as the Monitoring Trustee to the Commission for approval. The proposal shall contain sufficient information for the Commission to verify that the proposed Monitoring Trustee fulfils the requirements set out in paragraph 17 and shall include:
 - (a) the full terms of the proposed mandate, which shall include all provisions necessary to enable the Monitoring Trustee to fulfill its duties under these Commitments; and
 - (b) the outline of a work plan which describes how the Monitoring Trustee intends to carry out its assigned tasks.

Approval or rejection by the Commission

19. The Commission shall have the discretion to approve or reject the proposed Monitoring Trustee(s) and to approve the proposed mandate subject to any modifications it deems necessary for the Monitoring Trustee to fulfill its obligations. If only one name is approved, the Parties shall appoint or cause to be appointed, the individual or institution concerned as Monitoring Trustee, in accordance with the mandate approved by the Commission. If more than one name is approved, the Parties shall be free to choose the Monitoring Trustee to be appointed from among the names approved. The Monitoring Trustee shall be appointed within one week of the Commission's approval, in accordance with the mandate approved by the Commission.

New proposal by the Parties

20. If all the proposed Monitoring Trustees are rejected, the Parties shall submit the names of at least two more individuals or institutions within one week of being informed of the rejection, in accordance with the requirements and the procedure set out in paragraphs 16 to 19.

Monitoring Trustee nominated by the Commission

21. If all further proposed Monitoring Trustees are rejected by the Commission, the Commission shall nominate a Monitoring Trustee, whom the Parties shall appoint, or cause to be appointed, in accordance with a trustee mandate approved by the Commission.

II. Functions of the Monitoring Trustee

22. The Monitoring Trustee shall assume its specified duties in order to ensure compliance with the Commitments. The Commission may, on its own initiative or at the request of the Monitoring Trustee or the Parties, give any orders or instructions to the Monitoring Trustee in order to ensure compliance with the conditions and obligations attached to the Decision.

Duties and obligations of the Monitoring Trustee

23. The Monitoring Trustee shall:
- (i) propose in its first report to the Commission a detailed work plan describing how it intends to monitor compliance with the obligations and conditions attached to the Decision.
 - (ii) oversee the on-going management of the Divestment Business with a view to ensuring its continued economic viability, marketability and competitiveness and monitor compliance by the Parties with the conditions and obligations attached to the Decision. To that end the Monitoring Trustee shall:
 - (a) monitor the preservation of the economic viability, marketability and competitiveness of the Divestment Business, and the keeping separate of the Divestment Business from the business retained by the Parties, in accordance with paragraphs 5 and 6 of the Commitments;
 - (b) supervise the management of the Divestment Business as a distinct and saleable entity, in accordance with paragraph 7 of the Commitments;
 - (c) (i) in consultation with the Parties, determine all necessary measures to ensure that the Parties do not after the Effective Date obtain any business secrets, know-how, commercial information, or any other information of a confidential or proprietary nature relating to the Divestment Business, in particular strive for the severing of the Divestment Business' participation in a central information technology network to the extent possible, without compromising the viability of the Divestment Business, and (ii) decide whether such information may be disclosed to the Parties as the disclosure is reasonably necessary to allow the Parties to carry out the divestiture or as the disclosure is required by law;
 - (d) monitor the splitting of assets and the allocation of Personnel between the Divestment Business and Ahlstrom or the JV;

- (iii) assume the other functions assigned to the Monitoring Trustee under the conditions and obligations attached to the Decision;
- (iv) propose to Ahlstrom, Sonoco and/or the JV, as may be appropriate, such measures as the Monitoring Trustee considers necessary to ensure the Parties' compliance with the conditions and obligations attached to the Decision, in particular the maintenance of the full economic viability, marketability or competitiveness of the Divestment Business, the holding separate of the Divestment Business and the non-disclosure of competitively sensitive information;
- (v) review and assess potential purchasers as well as the progress of the divestiture process and verify that, dependent on the stage of the divestiture process, (a) potential purchasers receive sufficient information relating to the Divestment Business and the Personnel in particular by reviewing, if available, the data room documentation, the information memorandum and the due diligence process, and (b) potential purchasers are granted reasonable access to the Personnel;
- (vi) provide to the Commission, sending Ahlstrom or, if applicable, the JV, a non-confidential copy at the same time, a written report within 15 days after the end of every month. The report shall cover the operation and management of the Divestment Business so that the Commission can assess whether the business is held in a manner consistent with the Commitments and the progress of the divestiture process as well as potential purchasers. In addition to these reports, the Monitoring Trustee shall promptly report in writing to the Commission, sending to both Ahlstrom and Sonoco a non-confidential copy at the same time, if it concludes on reasonable grounds that one or both Parties are failing to comply with these Commitments;
- (vii) within one week after receipt of the documented proposal referred to in paragraph 15, submit to the Commission a reasoned opinion as to the suitability and independence of the proposed purchaser and the viability of the Divestment Business after the sale and as to whether the Divestment Business is sold in a manner consistent with the conditions and obligations attached to the Decision, in particular, if relevant, whether the sale of the Divestment Business without one or more Assets or not all of the Personnel affects the viability of the Divestment Business after the sale, taking account of the proposed purchaser.

III. Duties and obligations of the Parties

24. Ahlstrom and, if applicable, the JV shall provide and shall cause its advisors to provide the Monitoring Trustee with all such co-operation, assistance and information as the Monitoring Trustee may reasonably require to perform its tasks. The Monitoring Trustee shall have full and complete access to any of the JV's or the Divestment Business' books, records, documents, management or other personnel, facilities, sites and technical information necessary for fulfilling its duties under the Commitments and Ahlstrom, the JV (if applicable) and the Divestment Business shall provide the Monitoring Trustee upon request with copies of any document. Ahlstrom, the JV (if applicable) and the Divestment Business shall make available to the

Monitoring Trustee one or more offices on their premises and shall be available for meetings in order to provide the Monitoring Trustee with all information necessary for the performance of its tasks.

25. Ahlstrom and, if applicable, the JV shall provide the Monitoring Trustee with all managerial and administrative support that it may reasonably request on behalf of the management of the Divestment Business. This shall include all administrative support functions relating to the Divestment Business which are currently carried out at headquarters level. Ahlstrom and, if applicable, the JV shall provide and shall cause its advisors to provide the Monitoring Trustee, on request, with the information submitted to potential purchasers, in particular give the Monitoring Trustee access to the data room documentation and all other information granted to potential purchasers in the due diligence procedure. Ahlstrom and, if applicable, the JV shall inform the Monitoring Trustee on possible purchasers, submit a list of potential purchasers, and keep the Monitoring Trustee informed of all developments in the divestiture process.
26. Ahlstrom or, if applicable, the JV shall indemnify the Monitoring Trustee and its employees and agents (each an “**Indemnified Party**”) and hold each Indemnified Party harmless against, and hereby agrees that an Indemnified Party shall have no liability to Ahlstrom or the JV for any liabilities arising out of the performance of the Monitoring Trustee’s duties under the Commitments, except to the extent that such liabilities result from the willful default, recklessness, gross negligence or bad faith of the Monitoring Trustee, its employees, agents or advisors.
27. At the expense of Ahlstrom or, if applicable, the JV, the Monitoring Trustee may appoint advisors (in particular for corporate finance or legal advice), subject to the Parties’ approval (this approval not to be unreasonably withheld or delayed) if the Monitoring Trustee considers the appointment of such advisors necessary or appropriate for the performance of its duties and obligations under the Mandate, provided that any fees and other expenses incurred by the Monitoring Trustee are reasonable, in particular taking into account the limited economic size of the Divestment Business. Should the Parties refuse to approve the advisors proposed by the Monitoring Trustee the Commission may approve the appointment of such advisors instead, after having heard the Parties. Only the Monitoring Trustee shall be entitled to issue instructions to the advisors. Paragraph 26 shall apply mutatis mutandis.

IV. Replacement, discharge and reappointment of the Monitoring Trustee

28. If the Monitoring Trustee ceases to perform its functions under the Commitments or for any other good cause, including the exposure of the Monitoring Trustee to a conflict of interest:
 - (a) the Commission may, after hearing the Monitoring Trustee, require the Parties to replace the Monitoring Trustee; or
 - (b) the Parties, with the prior approval of the Commission, may replace the Monitoring Trustee.
29. If the Monitoring Trustee is removed according to paragraph 28, the Monitoring Trustee may be required to continue in its function until a new Monitoring Trustee is

in place to whom the Monitoring Trustee has effected a full hand over of all relevant information. The new Trustee shall be appointed in accordance with the procedure referred to in paragraphs 16-21.

30. Beside the removal according to paragraph 28, the Monitoring Trustee shall cease to act as Monitoring Trustee only after the Commission has discharged it from its duties after all the Commitments with which the Monitoring Trustee has been entrusted have been implemented. However, the Commission may at any time require the reappointment of the Monitoring Trustee if it subsequently appears that the relevant remedies might not have been fully and properly implemented.

Section F. The Review Clause

31. The Commission may, where appropriate, in response to a request from both Parties showing good cause:
- (i) Grant an extension of the time periods foreseen in the Commitments, or
 - (ii) Waive, modify or substitute, in exceptional circumstances, one or more of the undertakings in these Commitments.

Where the Parties seek an extension of a time period, they shall submit a request to the Commission no later than one month before the expiry of that period, showing good cause. Only in exceptional circumstances shall the Parties be entitled to request an extension within the last month of any period.

duly authorised for and on behalf of

SONOCO PRODUCTS COMPANY

By: _____

Title:

AHLSTROM CORPORATION

By: _____

Title:

SCHEDULE

[CONFIDENTIAL]



EUROPEAN COMMISSION

Competition DG

Policy and Strategic Support

Brussels, 23 September 2004

**OPINION OF THE
ADVISORY COMMITTEE ON
CONCENTRATIONS
GIVEN AT ITS 128TH MEETING ON 23 SEPTEMBER 2004
CONCERNING A PRELIMINARY DRAFT DECISION
IN CASE COMP/M.3431-SONOCO/AHLSTROM**

1. The Advisory Committee agrees with the Commission that the notified operation constitutes a concentration with a Community dimension within the meaning of Article 1(3) and Article 3(1)(b) of the EC Merger Regulation, and that also it constitutes a case of cooperation under the EEA Agreement.
2. The Advisory Committee agrees with the Commission's definitions of the relevant product markets as stated in the draft decision.
3. The Advisory Committee agrees with the Commission's definitions of the relevant geographic markets as stated in the draft decision.
4. The Advisory Committee agrees with the Commission that the concentration as notified raises serious doubts as to its compatibility with the Common Market with regard to the market for high-end PMC in Scandinavia and for low-value cores in Norway and Sweden.
5. The Advisory Committee agrees with the Commission that the undertakings offered by the parties are adequate to solve the problems identified by the Commission.
6. The Advisory Committee agrees with the Commission that subject to full compliance with the undertakings offered by the parties, the notified concentration should be declared compatible with the Common Market and with the functioning of the EEA Agreement in accordance with Articles 2(2) and 8 (2) of the Merger Regulation and Article 57 of the EEA Agreement.
7. The Advisory Committee agrees with the publication of its opinion in the Official Journal of the European Union.

8. The Advisory Committee asks the Commission to take into account all the other points raised during the discussion.

<u>BELGIË/BELGIQUE</u>	<u>ČESKÁ REPUBLIKA</u>	<u>DANMARK</u>	<u>DEUTSCHLAND</u>	<u>EESTI</u>
---	---	---	I. MECKE	---
<u>ELLADA</u>	<u>ESPAÑA</u>	<u>FRANCE</u>	<u>IRELAND</u>	<u>ITALIA</u>
J. KATRAKAZIS	---	R. DE SERESIN	---	E. CIARALLI
<u>KYPROS/KIBRIS</u>	<u>LATVIJA</u>	<u>LIETUVA</u>	<u>LUXEMBOURG</u>	<u>MAGYARORSZÁG</u>
---	---	----	---	----
<u>MALTA</u>	<u>NEDERLAND</u>	<u>ÖSTERREICH</u>	<u>POLSKA</u>	<u>PORTUGAL</u>
---	W. MEESTER	S. FISCHER	---	R. BAIÃO HORTA
<u>SLOVENIJA</u>	<u>SLOVENSKO</u>	<u>SUOMI-FINLAND</u>	<u>SVERIGE</u>	<u>UNITED KINGDOM</u>
---	---	L. PASSI	M. PETERSSON	F. PENA



EUROPEAN COMMISSION

The Hearing Officer



FINAL REPORT OF THE HEARING OFFICER
IN CASE COMP/M.3431 – SONOCO/AHLSTROM

**(pursuant to Article 15 of Commission Decision (2001/462/EC, ECSC)
of 23 May 2001 on the terms of reference of Hearing Officers
in certain competition proceedings – OJ L162, 19.06.2001, p.21)**

On 18 May 2004, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which the undertakings Sonoco Luxembourg S.à.r.l. (Luxembourg), belonging to Sonoco Products Company (“Sonoco”, US), and Ahlstrom Holding GmbH (Germany), belonging to Ahlstrom Corporation (“Ahlstrom”, Finland), acquire joint control of the undertaking Sonoco – JV S.à.r.l. (“the JV”, Luxembourg), a newly created company constituting a joint venture.

Upon examination of the evidence submitted by the parties to the proposed concentration and after conducting a market investigation, the Commission concluded that the concentration raised serious doubts as to its compatibility with the common market and with the EEA Agreement. Commitments submitted by the parties that modified the original concentration plan were considered not sufficient to prevent serious doubts at that stage, following an initial market test. The Commission therefore initiated proceedings in accordance with Article 6(1)c of the Merger Regulation.

On 6 August 2004 the parties offered alternative commitments that modified the original concentration plan, which were also market tested. On 25 August 2004 another set of commitments were offered, which were closer to the initial commitments presented in Phase I. Having by this stage undertaken a detailed market analysis and following comments from market participants, the relevant Commission service considered that the serious doubts had been removed. Accordingly, no statement of objections was sent to the parties. No queries were raised before the Hearing Officer by the parties or other companies as to the market test. The case does not call for any particular comments as regards the right to be heard.

Brussels, 27 September 2004.

(signed)
Karen WILLIAMS