

***Case No COMP/M.3804 -
CONTINENTAL / XTRA
PRINT***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 04/07/2005

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 04.07.2005

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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sir/Madam,

**Subject : Case No COMP/M.3804 – Continental/Xtra Print
Notification of 30/05/2005 pursuant to Article 4 of Council Regulation
No 139/2004¹**

I. INTRODUCTION

1. On 30/05/2005, the Commission received a notification of a proposed concentration pursuant to Article 4 and following a referral pursuant to Article 4(5) of Council Regulation (EC) No 139/2004 by which Continental AG ("Continental", Germany) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of Xtra Print Holding GmbH ("Xtra Print", Germany) by way of purchase of shares.

II. THE PARTIES AND THE OPERATION

2. Continental is a German listed company with diversified worldwide activities in the area of technical rubber products and in the automotive sector. Continental has also activities in the development, manufacture and sale of printing blankets carried out through its subsidiary, ContiTech AG.

¹ OJ L 24, 29.1.2004 p. 1.

3. Xtra Print is a German holding company controlling two companies which develop, manufacture and sell printing blankets for offset printing applications.

III. CONCENTRATION

4. The transaction involves the acquisition of all shares in Xtra Print by Continental from several individuals and undertakings. Xtra Print will be controlled by Continental and will be integrated into ContiTech AG, a subsidiary of Continental. The transaction therefore constitutes a concentration pursuant to Article 3(1)(b) of Council Regulation 139/2004.

IV. COMMUNITY DIMENSION

5. The operation does not have a Community dimension within the meaning of Article 1 of the EC Merger Regulation. However on 25 April 2005 Continental informed the Commission in a reasoned submission that the concentration was capable of being reviewed under the national competition laws of more than three Member States and requested the Commission to examine it. None of the Member States competent to examine the concentration indicated its disagreement with the request for referral within the period laid down by the EC Merger Regulation. The case is therefore deemed to have a Community dimension pursuant to Article 4(5) of the EC Merger Regulation.

V. COMPETITIVE ASSESSMENT

6. Printing blankets are used in offset printing machines. They consist of a rubber sheet in an offset press that receives the inked impression from the plate and transfers it to the surface being printed. It's the only business area where the parties have overlapping activities.

Relevant product and geographic markets

7. In the view of the parties, the relevant product market includes all types of printing blankets.
8. Printing blankets have a back layer made of either textile materials (fabric or flat-backed) or metal (metal-backed) requiring slightly different production techniques. The latter is an advanced development with higher reliability and quality at high speed. It is a rather new and not yet mass marketed product representing only 1.5% of the worldwide printing blanket market. Its price is on average 9 times higher than for textile-based blankets. In addition to flat and metal-backed printing blankets, there is a third type of blanket called cylindrical printing blanket which is a highly specialized product with patented technology, rarely used on certain printing machines only.
9. The Commission's market investigation has largely confirmed this product segmentation. Basically, all respondents regard flat-backed, metal-backed and cylindrical as the three main types of printing blankets. Some also indicated that a further emerging technology is the self-adhesive printing blanket, where there is a strong adhesive layer on the fabric in order to help it to stick perfectly on printing press cylinders.
10. Printing blankets, flat products cut to measure from a roll, are mounted on the printing machine's printing cylinder by various design types. All blankets can easily

be adapted to all mounting designs. The exception is the cylindrical or in other words the gapless blanket which does not require any associated lockup mechanism.

11. Printing blankets are standardized products, used on different offset machines. There are 4 main types of offset printing which can be distinguished according to the printing good: “heat set” is used for offset printing on rolled paper of high quality (magazine paper) and involves a heat treatment; “cold set” is used for offset printing on rolled paper for news paper; “sheet-fed” involves individual substrates (paper, carton board, foils) being printed by the offset machine; and “metal decoration” (or non-absorbing surfaces) printing uses the same offset process. All types of offset technology require printing blankets which are broadly similar for all applications and can be considered as substitutable from a demand-side perspective. If high printing speed or high quality printing is required, a treatment or a varying level of roughness can be applied but those adaptations are minor. Across the 4 applications, price ranges are comparable (€ [...] /sqm). From the supply-side perspective, most of the suppliers are active on these 4 technologies.
12. As regards substitutability between these three types of printing blankets, a majority of customers do not find these products interchangeable with each other. Nevertheless, all three types can be easily adapted and used in heat set and cold set offset printing technologies, and for all offset printing machines there are several suitable printing blanket products on the market.
13. The transaction has an effect exclusively on the flat-backed printing blanket segment of the market, as Xtra Print does not engage in the production of metal-backed product field of business and neither of the parties produce cylindrical printing blankets.
14. For the purposes of the current case therefore it is not necessary to conclude on the precise definition of the product market since irrespective of the market definition no competition concern arises even in case of an assessment of the parties’ position on the narrower possible market segment i.e. flat-backed (or non-metal backed) printing blankets market (see further below).
15. As far as the geographic market is concerned, the parties consider that the relevant market for printing blankets is worldwide, but at least EEA-wide. Orders of customers (manufacturers of offset printing machines, print shops, publishing houses, dealers) are often placed internationally. Trade flows are international. Transportation costs are about 2-3% of the sale price. All relevant suppliers are active worldwide: according to the parties’ market share estimates, more than 50% of the supplied printing blankets in Germany, the home country of both parties, are supplied by US and Asian manufacturers. And 31% of the turnover realised in EU in 2004 comes from imports from outside the EU. There is no regional or national difference or specification. The price levels are comparable around the world. This leads to export and import activities: Xtra Print sells around [70-80]% of its production outside of Germany.
16. The Commission’s market investigation indicates that a majority of customers purchase printing blankets from both EU and non-EU based suppliers. This supports the parties’ above mentioned argumentation that the market for printing blanket has a worldwide or at least EEA-wide scope.

17. As the parties are not active in cylindrical printing blankets, they have provided market shares only for the markets on which they are active, namely flat-backed and metal-backed. On this basis, on a worldwide level, the combined market share of the parties is [10-15]% (volume-based) or [10-15]% (value based); Continental holds a [5-10]% market share and Xtra Print [5-10]% (volume-based). Day International (US) remains the market leader with [20-25]%, followed by Reeves International [15-20]%. Mc Dermid has [10-15]%, Duco [5-10]%, Kinyosha [5-10]%, Meiji [5-10]% and Fujikura [5-10]%. Although these market shares are provided only for flat-backed and metal-backed, it can be assumed that the market shares of the parties in an overall market for all three types of blanket would be even lower.
18. On a EU-wide level, the parties combined market share is [20-25]% (volume-based) or [20-25]% value-based). Continental holds a [10-15]% market share and Xtra Print [5-10]% (volume-based). Although the parties will as a result of the transaction become the largest participant there remain other strong competitors in the market with equivalent presence such as Mc Dermid with [15-20]%, followed by Day International [15-20]%, Reeves International [15-20]%, Meiji [5-10]%, Kinyosha [5-10]%, Duco [5-10]% and Fujikura [0-5]%
19. If a separate market for flat-backed printing blankets was considered (without metal-backed²), the relevant market positions of the parties are not significantly different: their combined worldwide market share amounts to [10-15]% (value-based), whereas on an EU-wide scope their combined market share is [20-25]% (value-based).
20. The parties submit that the effect of the transaction is minor and will not put the merged entity in a position to raise price post-merger. Moreover, while substitutable from a demand and supply side perspective, minor technical specialities and differences in properties may result in certain products being more attractive than others to certain customers for their specific needs. Continental considers that the products of the parties are not perceived as close substitutes and that products of international competitors match the product portfolio of Continental more than the products of Xtra Print. For instance, Xtra Print produces only a limited number of its products for use in the cold set and heat set applications while Continental and its competitors offer a broader range of products in that category.
21. The market investigation has not revealed any serious competition concerns with regard to the above mentioned printing blanket markets. There has been no indication that competition may be significantly impeded as a result of the notified transaction.
22. From a vertical point of view, there is a toll-manufacturing relationship between one part of Continental group supplying Xtra Print with a raw material for printing blankets (rubber compounds). This supply relationship will be internalised by the transaction. As the production has always been supplied only to Xtra Print, this relationship therefore has no appreciable vertical effects on the printing blankets market.

VI. CONCLUSION

² There is no overlap in metal-backed printing blankets activity.

23. In view of all the elements of assessment described above, the Commission has concluded that the notified transaction does not give rise to competition concerns in the printing blankets market and that as a result it does not significantly impede effective competition in the common market or in a substantial part of it.
24. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EC) No 139/2004.

For the Commission
Signed
Neelie KROES
Member of the Commission