

***Case No COMP/M.4043 -
PLASTAL / DYNAMIT
NOBEL KUNSTSTOFF***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 22/12/2005

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 22.12.2005

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 parties:

Dear Sir/Madam,

**Subject: Case COMP/M.4043 – Plastal group / Dynamit Nobel Kunststoff GmbH
Notification of 18/11/2005 pursuant to Article 4 of Council Regulation No 139/2004¹**

1. On 18/11/2005, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which the undertaking RM 2528 Vermögensverwaltungs GmbH (“Plastal”, Germany), ultimately controlled by Nordic Capital Fund V (Jersey), acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertaking Dynamit Nobel Kunststoff GmbH and its subsidiary Menzolit-Fibron GmbH (“DNK”, Germany) by way of purchase of shares.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation No 139/2004 and does not raise serious doubts as to its compatibility with the common market and the EEA Agreement.

I. THE PARTIES AND THE OPERATION

3. Plastal and DNK manufacture thermoplastic components (such as bumpers and interior components) for the automotive industry. DNK also manufactures thermoset components for

¹ OJ L 24, 29.1.2004 p. 1.

the automotive, electrical and general industry, and produces intermediary materials such as thermoset compounds.

4. The proposed operation relates to the acquisition by Plastal of sole control over DNK, including its Menzolit-Fibron GmbH subsidiary. To that effect, Plastal will acquire the 27,7% of the shares in Menzolit-Fibron that are currently not held by DNK from the company JC INSITU Beteiligungsgesellschaft mbH. Both transactions can be treated as a single concentration. Indeed, neither of the two transactions will occur separately as completion of both simultaneously is a condition [...].

II. COMMUNITY DIMENSION

5. The combined aggregate world wide turnover of the undertakings concerned exceeds € 5000 million (Plastal: € [...] million, DNK € [...] million in 2004). The aggregate Community wide turnover of two of the parties exceeds € 250 million (Plastal: € [...] million, DNK € [...] million). These parties do not achieve more than two-thirds of their aggregate Community wide turnover in one and the same Member State. The notified operation, therefore, has a Community dimension according to Article 1(2) of the Merger Regulation.

III. RELEVANT MARKETS

The relevant product market

6. Plastal and DNK have overlapping thermoplastic product offerings for the automotive industry. There are no overlaps between DNK and the portfolio companies (other than Plastal) controlled by Nordic Capital.
7. Also, the parties have no overlaps for products other than automotive components. Only DNK produces thermoset based products for the electrical industry (lamp housings, switch cabinets) and other applications.
8. The parties consider that there exist different markets for thermoplastic components on the one hand and thermoset components on the other hand. Both manufacturing processes are used for the production of components in the automotive industry. The parties have submitted that significant distinction between both processes can be made from both a demand-side and supply-side perspective. Thermoplastic (injection-moulded) is used for the production of relatively soft exterior and interior vehicle trim parts in high volumes. For the thermoplastic production process, mould and machine investments are high whilst material costs are relatively low. Thermoset is used for the production of components that need to be more solid and sturdy than thermoplastic production process can provide, and where output is in more limited quantities (such as for custom-made vehicles or large commercial trucks). For thermoset, tool investments are lower but material costs are higher.
9. The market investigation has confirmed this distinction in terms of both pricing and physical characteristics. Also from the point of view of supply side, a distinction can be made between the thermoplastic and thermoset production processes. Different input raw materials are used, moulds and machines are not interchangeable and the technological skills required are different. In any case, the question whether separate markets ought to be defined for automotive components produced with either the thermoplastic or the thermoset production processes can be left open for the purpose of this assessment as even in an overall market comprising both production processes the proposed concentration would not significantly impede effective competition in the common market (see below).

10. The market investigation has also verified whether output should be segmented into different markets according to product families for the components (i.e. body panels, bumpers, interior trim ...). Customers have replied that, apart from a lack of demand-side substitutability, supply-side substitutability is limited to the extent that the different components may require different machine sizes although the technology required is similar for all components produced with a given production process. In any case, the question whether separate markets ought to be defined for each of the automotive component families that can be produced with the thermoplastic production process can be left open for the purpose of this assessment as even in the narrowest market definition the proposed concentration would not significantly impede effective competition in the common market (see below).
11. Thermoset compounds are semi-finished products used as an input for the thermoset production process. These compounds cannot be used for thermoplastic manufacturing. As no affected market arises with regard to the compound market there is no need to further define the market.

The relevant geographic market

12. The parties submit that the market(s) for the thermoset / thermoplastic production of automotive components is, in line with the Commission's previous decisions², at least EEA-wide in scope. The customers are the vehicle manufacturers that procure the manufacturing of the products that they specify by pan-European bidding procedures. As the customer procures production know-how and capacity within a certain production technology, logistics are not a limiting factor. Often, the supplier will set up a production facility or sequence centre in a location near the customer's car assembly facility. Whilst the market investigation has not excluded the possibility of a wider market than the EEA, the parties' activities are mainly within the EEA. For the present case, the relevant geographic scope of the thermoset / thermoplastic production of automotive components can therefore be considered as the EEA.

IV. COMPETITIVE ASSESSMENT

Horizontal overlaps

13. Plastal and DNK only have overlapping activities for thermoplastic components for the automotive industry, as only DNK uses both the thermoplastic and the thermoset production processes. The following conclusions regarding competition in respect of thermoplastic components therefore apply a fortiori if the product market is defined as covering both thermoplastic and thermoset automotive components, or sub-segments of such a market based on product families. The parties' combined market share for thermoplastic produced automotive components is [5% - 10%] in the EEA³. Only if distinct markets for the main

² Case COMP/M. 2939 : JCI/Bosch/VB JV. The Commission has found in a number of previous decisions that the geographic market for automotive components in the OEM/OES market is at least EU or EEA-wide, and in many cases is probably global: Case IV/M.872 *TRW/Magna*, Case IV/M.937 *Lear/Keiper*, Case IV/M.1196 *Johnson Controls/Becker*, IV/M.1189 *Teksid/Norsk Hydro*, Case IV/M.1207 *Dana/Ecklin*, Case IV/M.1481 *Denso/Magnetic Marelli*, Case IV/M.1587 *Dana/GKN* and Case IV/M.1789 *INA/LuK*; Case COMP/M.2901 *Magna/Donnelly*.

³ The parties' combined EEA market share on a product market defined as covering both thermoplastic and thermoset automotive components is [$< 10\%$].

thermoplastic automotive component families were to be considered, would the transaction lead to an affected market, that for bumpers. On such a market, the parties would have a combined market share (not taking into account captive production by the car manufacturers) of around [10% - 20%] (Plastal [5% - 10%] and DNK around [10%- 15%]). Peguform Germany ([10% - 20%]), Plastic Omnium ([10% - 20%]) and Faurecia ([10% - 20%]) all have comparable market shares. In all other alternatively defined thermoplastic automotive component markets, the parties combined share is below 15%. Considering the presence of viable alternatives and the level of purchasing power of the car manufacturers downstream, such a market share level will not raise competition concerns. The market investigation has confirmed that the competitive structure will not be significantly altered by this transaction.

Vertical relations

14. DNK has a [30% - 40%] EEA market share for thermoset compounds. A vertically affected market would only be established when an overall market for thermoplastic and thermoset production would be defined. However even on that hypothesis the concentration would not lead to vertical foreclosure as Plastal does not use the thermoset production process.

VI. CONCLUSION

15. It can therefore be concluded that the concentration will not significantly impede effective competition in the common market or in a significant part of it, in particular as a result of the creation or strengthening of a dominant position.
16. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and 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