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*Case No IV/M.406 -  
PHILIPS / HOECHST*

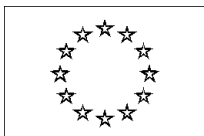
Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 11.03.1994

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 11.3.1994

MERGER PROCEDURE  
ARTICLE 6(1)b DECISION

PUBLIC VERSION

To the notifying parties

Dear Sirs,

Subject: Case No. 406 - Philips / Hoechst  
Notification of 10.2.1994 pursuant to Article 4 of Council Regulation No. 4064/89

**I. THE PARTIES**

1. Philips Electronics NV is the parent company of the Philips Group (Philips) which is one of the world's largest electronic groups. Its products include lighting, consumer electronics, communication systems, medical systems, industrial electronics and domestic appliances and personal care products.
2. Hoechst Aktiengesellschaft (Hoechst) is active in the manufacture and sale of chemical and pharmaceutical products. The business of Hoechst involved in the present transaction is organised in the business unit "Optical Storage Disks" of Hoechst's "Technical Specialities" division.

**II. THE OPERATION**

3. Philips and Hoechst intend to establish a joint venture for the manufacture and sale of rewritable plastic magneto optical storage media (plastic MO media). The joint venture will consist of two companies: PDO Media GmbH and Co. KG (Germany) and PDO Media BV/CV (Netherlands). The ownership interests in each of these two companies will be two-thirds Philips and one-third Hoechst.

4. Hoechst will contribute its present optical storage media activity to the joint venture. In 1993, the worldwide turnover related to this activity of Hoechst was [...]¹. Philips will contribute the whole of its activities related to the field of the joint venture's products to the joint venture. This includes its relevant development activities and its Mastering and Stamper Unit providing tools for the production of these products. In 1992, Philips sold its plastic MO media manufacturing operations to Mitsubishi Kasei Corporation. However, it retained its Mastering and Stamper Unit and related technology. It would not be commercially feasible for Philips to re-enter the Joint Venture's product market on its own. The relatively small size of this market (worldwide around 100 million ECU) would make it improbable that the necessary investment would pay off.

### **III. CONCENTRATION**

5. According to the Joint Venture Agreement, decisions on the essentials of the business policy, including business plan and annual operational and investment budgets, will have to be taken unanimously by the parent companies. The Joint Venture will, therefore, be jointly controlled by Philips and Hoechst.
6. The Joint Venture will be a full-function company, the creation of which constitutes a concentration within the meaning of Article 3 of the Merger Regulation. Hoechst will transfer its whole assets and business related to the Joint Venture's market to the Joint Venture. In 1992 Philips withdrew from this market. For the reasons outlined above in paragraph 4, none of the parent companies can be expected to re-enter the Joint Venture's market on its own.

### **IV. COMMUNITY DIMENSION**

7. The present concentration has a Community dimension. The aggregate worldwide turnover of Philips and Hoechst exceeds 5,000 million ECU. The aggregate Community-wide turnover of each of the parties exceeds 250 million ECU. They do not achieve more than two-thirds of their Community-wide turnover in one and the same Member State.

### **V. COMPATIBILITY WITH THE COMMON MARKET**

#### **(a) Relevant product market**

8. Rewritable plastic magneto optical storage media may be described as rewritable compact disks used for the storage of data. It would appear that rewritable MO media are in a different market from traditional magnetic devices; they permit considerably higher storage densities. In terms of storage capacity and high reliability, magneto optical media differ significantly from conventional floppy disks or magnetic hard disks. There are two product groups of rewritable plastic MO media: 5.25" MO disks and 3.5" MO disks. Whilst 3.5" disks are personal high storage media in the high end of the PC mass market, the 5.25" disks are

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<sup>1</sup> Less than 20 million ECU; precise figures are not published to protect business secrets.

professional high storage media for applications in a corporate environment. It can be left open whether or not these two product groups constitute separate relevant product markets

9. It is considered that rewritable glass magneto optical storage media (5.25") are not in the same product market as plastic MO media. Disks based on glass are substantially more expensive than disks based on plastic. The glass product satisfies specific needs for ultra-high performance and ultra-high reliability and is used, in particular, for military applications. Whilst the market for rewritable plastic MO is a fast-growing market with around 3 million disks sold on the world market in 1993, rewritable glass MO constitute a [...] niche market. The world market for glass MOs is estimated to amount to around 100,000 disks (around [...] <sup>2</sup> in Western Europe).

(b) Relevant geographic market

10. The relevant geographic market for rewritable plastic MO media is at least Western Europe (EC and EFTA States), if not a world market. The products are standardised by the International Standardization Organization (ISO). Price levels do not significantly differ within Western Europe. All major players are present on the market throughout Western Europe.

(c) Impact of the concentration

11. On the basis of the market as defined above, the proposed concentration does not lead to an increase in market shares for the new entity since Philips is not active on this market. The market share of Hoechst in Western Europe [...] <sup>3</sup> for 3.5" plastic MO media and [...] <sup>4</sup> for 5.25" plastic MO media.
12. The main competitors for plastic MO media in Western Europe are Japanese and US companies such as Mitsubishi Kasei, Sony and 3M. The market leader is Mitsubishi Kasei with a market share of [...] <sup>5</sup> for 3.5" disks and of [...] <sup>6</sup> for 5.25" disks.

## V. CONCLUSION

13. It follows from the above that the proposed concentration would not create or strengthen a dominant position as a result of which competition would be significantly impeded in the common market or in the territory covered by the Agreement on the European Economic Area (EEA) or in a substantial part of it.

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<sup>2</sup> Less than 25.000; see footnote 1.

<sup>3</sup> Less than 25%; see footnote 1.

<sup>4</sup> Less than 25%; see footnote 1.

<sup>5</sup> Between 30 and 50%; see footnote 1.

<sup>6</sup> Between 20 and 40%; see footnote 1.