

***Case No COMP/M.4319 -
MONDI / SCHLEIPEN &
ERKENS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 24/10/2006

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 24.10.2006

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.4319 - Mondi/ Schleipen & Erkens
Notification of 19/09/2006 pursuant to Article 4 of Council Regulation
No 139/2004¹ (“the Merger Regulation”)**

1. On 19/09/2006, the Commission received a notification of a proposed concentration following a referral pursuant to Article 4(5) of the Merger Regulation by which the undertakings Mondi Packaging Coating BV and Mondi German Investment SA, belonging to the group Mondi Packaging (“Mondi Packaging”, the Netherlands), itself part of the group Anglo American (“Anglo American”, United Kingdom) acquire control of the whole of the undertaking Schleipen & Erkens (“S & E”, Germany) by way of purchase of shares.
2. After examination of the notification, the Commission has concluded that the operation falls within the scope of the Merger Regulation and does not raise serious doubts as to its compatibility with the common market and the EEA agreement.

I. THE PARTIES

3. The **Mondi group** is active in the paper and packaging sector in Europe and South Africa. It is ultimately controlled by the Anglo American group, which is a diversified

¹ OJ L 24, 29.1.2004 p. 1.

mining company active in the production of ferrous and non-ferrous metals and industrial minerals.

4. **S & E** is a German undertaking active in the production of release liners.

II. THE OPERATION AND THE CONCENTRATION

5. Under the proposed transaction, the Mondi group will acquire, through two of its subsidiaries (Mondi Packaging Coating BV and Mondi German Investment SA), all of the outstanding shares of Schleipen & Erkens and will thus acquire sole control over Schleipen & Erkens. The operation therefore qualifies as a concentration under the terms of Article 3 (1) (b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

6. This operation does not have Community dimension in the meaning of Article 1 of the Merger Regulation. However, since the operation was reviewable under the national merger control laws of 6 Member States (Austria, Germany, Greece, Italy, Slovakia and Slovenia), the parties asked for a referral of the concentration to the Commission pursuant to Article 4(5) of the Merger Regulation. As none of the above mentioned Member States opposed the referral, the concentration was referred to the Commission on 17/8/2006.

V. COMPETITIVE ASSESSMENT

A. Relevant product market

7. The proposed concentration concerns the manufacture and sale of release liners. Release liners are papers, films, or non-wovens, which are silicone-coated and are typically used as carriers for pressure-sensitive labels. They can be used for both self-adhesive and non-self adhesive applications.
8. Release liners can be manufactured from a variety of materials (substrates) including calendared kraft papers, glassine papers, clay coated papers, polyethylene coated paper, non-wovens and films made from polypropylene ("PP"), polyester ("PET") and polyethylene ("PE"). All release liners are produced using similar production processes. The main step is to siliconise the surface of the substrate with either solventless, solvent or emulsion silicones. Following siliconisation, lines are cured, using either a thermal or a radiation curing technique.
9. The most common end self-adhesive application for release liners is for labelstock. Release liners can however be used for a broad range of applications, including graphic arts applications (vehicle marking, traffic and safety, corporate and architectural graphics), in the hygiene sector (for feminine sanitary protection and diaper fastening systems), for use with envelopes (document pouches, plastic envelopes and bags), for building and insulation application, for medical and health uses (wound care, patches, drapes), for industrial applications (high performance laminates for airplanes, bullet proof vests) and for bakery and food applications (pan liners). Each release liner is a product tailor made for each customer to meet its specific requirements in terms of durability, release characteristics and tensile strength.
10. The parties submit that the relevant product market includes all types of release liners, irrespectively of the substrate they are composed of, their coating process and their end-

applications. On the demand side, according to the parties, depending on the specifications, customers are able to use a range of release liners for each application: all end use applications may use various substrates and all substrates are used for several end applications.

11. On the supply side, the parties submit that various grades of release liners, with different qualities and based on different substrates can be produced on the same machine. As a result, most manufacturers can produce release liners for a number of different applications, can use different silicone coating technologies and can work with different substrates, according to their customers' requirements. Finally, according to the parties, release liners are produced to a significant extent by undertakings integrated downstream and the relevant product market encompasses both commercially traded release liners and in-house supply (captive use).
12. Some of the respondents to the Commission's market investigation have confirmed the parties' views on the relevant product market. Other respondents have however suggested that it might be appropriate to further segment the relevant product market by type of substrates or by end applications.
13. These respondents have highlighted the limited degree of supply-side and demand-side substitutability between the different types of substrates. Certain end applications require specific types of substrates and it is not always possible to produce film release liners on a machine typically used to produce paper release liners. Similarly, some respondents have taken the view that customers in distinct end applications have in general different needs and that, although a broad range of release liners can meet these specifications, it might be relevant to distinguish the product markets by end application. Other respondents have however indicated that, given the variety of substrates used for a broad range of end applications and the capability of most release liners producers to offer tailor-made solution for a broad array of customers, all types of release liners were part of the same relevant product market.
14. In any case, the question of whether all release liners belong to the same relevant product market or whether release liners should be further segmented by type of substrate or end applications may be left open for the purpose of the present decision as it does not modify the competitive assessment. Similarly, the question of whether captive production should be included in the relevant product market can be left open, given that this would not alter the conclusions of the competitive assessment.

B. Relevant geographic market

15. The parties claim that the geographic dimension of this market is global or at least EEA-wide due to the geographic spread of both customers' and suppliers' operations, low transport costs and the significant volume of trade at the EEA and global level. This approach has been confirmed by most respondents to the Commission's market investigation. Release liner producers tend to supply products at the EEA-level from one or two plants in the EEA and customers source release liners on an EEA-wide or global basis depending on their specifications, delivery requirements and pricing conditions.
16. In any case, the question of whether the geographic scope of the relevant product is EEA-wide or global may be left open for the purposes of the present decision as it does not modify the competitive assessment.

C. Competitive assessment

17. Both Mondi Packaging and Schleipen & Erkens are active in the production and direct sale of release liners to a broad range of industrial customers, giving rise to horizontal overlap. There is no vertical relationship between the parties.
18. If all release liners are considered to be part of the same relevant product market, Mondi and Schleipen & Erkens had respective market share of [5-10%] and [0-5%] at the global level in 2005, resulting in a combined market share of [5-10%] for the merged entity. At EEA level, these market shares were respectively [5-10%] and [5-10%] and thus [10-20%] for the new entity. According to the parties, these market shares would be significantly reduced (probably divided by two) if captive use by integrated producers were to be taken into account.
19. On the commercial market, the largest competitors at the global level are Loparex ([10-20%]), Lintec ([0-5%]) and Huhtamaki ([0-5%]). At the EEA levels, the commercial market is also fragmented, the largest commercial suppliers being Loparex ([20-30%]), Huhtamaki ([10-20%]), Sopal ([5-10%]), Siliconnature ([5-10%]) and Laufenberg ([5-10%]). In addition to these suppliers, the parties indicate that Avery Dennison, Raflatac, 3M and ScandStick are important producers, using their own release liners production mainly internally, are able to exercise a competitive constraint on the parties.
20. As regards the different types of substrates, the parties were not able to provide market shares on potential markets for each type of substrate. The majority of respondents to the Commission market investigation however indicated that they did not consider Mondi and Schleipen & Erkens as close competitors in terms of type of substrate for release liners. As an example, according to some respondents, in terms of substrates, Mondi is stronger for one-sided and two-sided PE coated papers and Schleipen & Erkens for glassine paper. Moreover, none of these respondents identified any specific type of substrate where the overlap between the activities of the parties would be significant.
21. As regards the different end applications, the parties estimated their combined market share in the EEA for the following end applications: graphic arts, labels, medical, hygiene, tapes, industrial and others. The only potential markets where the parties would have a combined market share significantly above their [10-20%] market share for all release liners are labels with [20-30] and hygiene with [30-40%]. Schleipen & Erkens is, however, only marginally active in hygiene applications and [...] of Mondi sales relate to the supply of [...] large customers in this segment [...]. Moreover other competitors, including Loparex and Huhtamaki, also offer these types of release-liners.
22. The parties submit that the proposed concentration is unlikely to create competition concerns in light of their limited market position (market share of respectively [5-10%] and [10-20%] worldwide and in the EEA) and the presence of a number of significant competitors such as Loparex, Huhtamaki and Sopal in the EEA. Furthermore, the parties claim that in-house supply exercises a significant competitive constraint on commercial sales of release liners as in-house producers may at any time increase the proportion of release liners they source internally. Finally, according to the parties, the end-users of release liners are large multinational companies [...] who account for a significant share of Mondi's sales and would thus be in a position to exercise significant buyers' power.

23. The Commission market investigation has confirmed that the proposed transaction is not likely to create any competition issue. The release liners market is a competitive market with a number of suppliers able to meet the need of release liner customers and the proposed transaction will not affect this situation. Since release liners are tailor-made and, therefore, to a certain extent differentiated products, the Commission's market investigation, in order to exclude any competition problems on any product segment, focused also on whether market players considered Mondi and Schleipen & Erkens as close competitors and on whether the merged entity would have a strong market position for a specific type of release liners. The vast majority of respondents to the investigation however explained that Mondi's and Schleipen & Erkens' release liner businesses were to large extent complementary in terms of type of substrate, end applications and customer base..
24. The proposed transaction will thus allow the merged entity to cover all substrates and coating methods and will not increase significantly its market power in the market for release liner or in any segment thereof.
25. In view of the above, the proposed transaction would not significantly impede effective competition in the EEA or in a substantial part of it as a result of the creation of strengthening of a dominant position.

VI. CONCLUSION

26. 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 the Merger Regulation.

For the Commission
signed
Jacques BARROT
Member of the Commission