

***Case No COMP/M.4509 -
PHILIPS / PLI***

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

Article 6(1)(b) NON-OPPOSITION
Date: 29/01/2007

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 29.01.2007
SG-Greffe (2007) D/200363

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.4509 - PHILIPS/PLI

Notification of 13/12/2006 pursuant to Article 4 of Council Regulation No 139/2004¹

Publication in the Official Journal of the European Union No. C 316, dated 22/12/2006 on page 12.

1. On 13.12.2006, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which the undertaking Koninklijke Philips Electronics NV ("Philips", The Netherlands) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertaking Lighting Group PLI Holding NV ("PLI", Belgium) 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 (EEC) No 139/2004 and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

¹ OJL 24, 29.1.2004 p. 1.

I. THE PARTIES AND THE TRANSACTION

3. On 13.12.2006, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which the undertaking Koninklijke Philips Electronics NV ("Philips", The Netherlands) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertaking Lighting Group PLI Holding NV ("PLI", Belgium) by way of purchase of shares.
4. The business activities of the undertakings concerned are:
 - Philips: development, manufacture and sales of electronic products, including lighting products, consumer electronics and medical systems
 - PLI: development, manufacture and sales of lighting products.

II. CONCENTRATION

5. The transaction will result in Phillips acquiring sole control over PLI and thus constitutes an acquisition within the meaning of Article 3(1)(b) of the Merger Regulation.

III. COMMUNITY DIMENSION

6. The combined aggregate worldwide turnover of the undertakings concerned is more than €5 billion. The aggregate Community-wide turnover of each of the undertakings concerned is more than € 250 million. Neither of the Parties achieved more than two-thirds of its Community-wide turnover in one and the same Member State. The operation therefore has a Community dimension.

IV. ASSESSMENT

a) Relevant markets

(i) *Light fixtures*

7. The activities of Philips and PLI overlap in light fixtures. Light fixtures control the diffusion of light and heat, ensure the delivery of the correct electricity characteristics and provide the optical assembly, which houses the light bulb. In previous decisions, the Commission has considered that the market for light fixtures comprises two distinct product markets, i.e. light fixtures for residential use ("consumer light fixtures") and light fixtures for professional (i.e. non-residential) use ("professional light fixtures"). The latter market could be furthermore segmented into interior and exterior light fixtures².
8. The Commission's investigation in the current case confirmed this market distinction between consumer and professional light fixtures and indicated that indeed professional light fixtures could be further segmented into interior and exterior light fixtures due to differences between the products and heterogeneity of customers. The

² Case IV/M.258-CCIE/GTE, para. 16, Case COMP/M.1876-Kohlberg Kravis & Roberts/Wassall/Zumtobel, paras. 8-10 and Case COMP/M.2917-Wendel-KKR/Legrand, paras. 15-17.

exact market definition for professional light fixtures can however be left open in the present case as under any alternative definition no competition problems would arise.

9. The Commission has defined the market for light fixtures for professional use as national in scope.³ The parties in the present case submit that the relevant geographic market for light fixtures for residential use should be defined along the same lines; in any event, the precise geographic market definition for consumer/residential fittings can be left open, since no competition problems arise (see below).

(ii) *Lamps for general purpose lighting ('bulbs')*

10. Philips produces and sells lamps, or bulbs, for general purpose lighting. PLI has limited activities in this area, sourcing lamps for general purpose lighting from third parties and reselling these lamps under its own brand name as a supporting line to its light fixtures.
11. The Commission has previously left open whether the market lamps for general purpose lighting should be sub-divided into incandescent, halogen, fluorescent, compact fluorescent and high intensity discharge lamps along the lines of the basic technology used and the broad characteristics of the lamp (e.g. energy consumption and properties of the light produced)⁴.
12. In previous cases, the Commission has left open whether the market for lamps for general purpose lighting is national or EEA-wide in scope.⁵
13. In the present case the exact product/geographic market definitions for lamps (bulbs) can be left open, since no competition problems arise (see below).

(iii) *Light emitting diodes (LEDs)*

14. The activities of Philips and PLI overlap to a very small extent in LEDs. A LED is a solid state device embodying a so-called “p-n junction” that produces light when “excited” by an electric current. However, this is not an affected market under any alternative market definition (EEA wide or national), because of the very limited activities of both parties. This product will therefore not be discussed further.

(iv) *Components for light fixtures*

15. There is also a vertical relationship between the parties because Philips produces and sells components for light fixtures.
16. The Commission has previously found that the market for components for light fixtures comprises (a) fluorescent chokes, (b) HID chokes, (c) electronic transformers,

³ Case IV/M.258-CCIE/GTE, para. 20.

⁴ Case IV/M.258-CCIE/GTE, para. 15.

⁵ Case IV/M.258-CCIE/GTE, paras. 17-20.

(d) magnetic transformers, (e) ignitors and (f) electronic ballast, and that the market for components is at least EEA-wide.⁶

b) **Assessment**

(i) *Light fixtures*

17. As Philips is not active in light fixtures for residential use, the activities of Philips and PLI do not overlap in this field. Indeed, the parties submit that the transaction is in fact complementary, since PLI is primarily a manufacturer of light fixtures for residential use, and post-transaction Philips will be able to expand into this segment where it is not currently active.
18. As far as professional light fixtures are concerned, there would be no affected market at the EEA-wide level, since parties would reach a combined market share of [5-15%] of a € [4.5-5.5] billion market (Philips [5-15%] and PLI less than [2%])⁷. Similar market shares would be reached by considering a further market segmentation between interior and exterior professional light fixtures.
19. At the national level, there are affected markets in the following member States: Belgium, Denmark, Finland, France, Latvia, Luxemburg, Netherlands, Slovakia, and Spain. However, the addition of market shares is minor; in the majority of the countries PLI does not even add [<2%] to Philips' share (which is highest in Finland with [35-45%] and does not otherwise exceed [25-35%]). Only in the following countries does the overlap between the parties exceed [<2%]: Belgium with a 2005 market size € [75-125] million and a combined market share of [20-30%] (Philips [10-20%] and PLI [0-10%]), Luxemburg (market size € [5-15] million, combined share [10-20%], of which Philips [10-20%] and PLI [0-5%]), and The Netherlands (market size € [200-300] million, combined share [25-35%], of which Philips [25-35%] and PLI [0-5%]).
20. The Commission's investigation of competitors and customers confirmed that the proposed concentration would have no anticompetitive effects. The limited combined market share, small overlaps and presence of numerous competitors at the European as well as national level indicate that the merged entity will not be in a position to impede effective competition under any alternative product and geographic market definition envisaged. Additionally, a number of respondents predicted that Philip's entry into the consumer fittings market via this merger would be pro-competitive.

(ii) *Lamps for general purpose lighting ('bulbs')*

21. The EEA wide market for lamps amounted, according to the parties' estimates, to € [1.5-2.5] billion for a volume of [2-3] billion pieces. Philips is the market leader with a market share of [30-40%]. Other significant players are General Electrics, Osram, SLI and Tungsram. Smaller players and private label products complete the

⁶ Case COMP/M.1876-Kohlberg Kravis & Roberts/Wassall/Zumtobel, paras. 10 and 21.

⁷ The market figures provided by the parties have been broadly confirmed by the market investigation and will be used in the following for the sake of exposition.

competitive picture. Most of the lamps are actually manufactured in low cost Asian countries either by the suppliers or by independent third parties on an OEM basis.

22. PLI is not a significant player in the market: its market share EEA wide is well below 1%. In addition, it does not have own production capabilities but buys and re-brands lamps from a number of manufacturers in order to sell them in conjunction with its main product lines (consumer light fixtures).
23. For these reasons, there is no indication that the proposed transaction would result in any impediment of effective competition in the hypothetical EEA market for lamps or for any specific lamp type as described in the section on market definitions.
24. At a national level, and for some specific lamp types, Philips is the market leader with sometimes very high market shares (The Netherlands [60-70%] for lamps with a peak of [65-75%] for high intensity discharge lamps; Portugal [45-55%] for lamps with a peak of [65-75%] for incandescent lamps; and Belgium [45-55%] with a peak of [55-65%] for high intensity discharge lamps). PLI position in these countries is however very weak (market share of [$<2\%$] in The Netherlands and no sales for high intensity discharge lamps of [$<2\%$] in Portugal and less than [2%] for incandescent lamps; and [$<2\%$] in Belgium with no sales of high intensity discharge lamps).
25. The market investigation did not reveal any danger to effective competition in these countries: the feedback of market players located in these countries was in line with the evidence gathered in other national markets: PLI sells lamps only as a supporting lines to its light fixtures and is not present as a pure lamp supplier (e.g. does not sell lamps on a stand alone basis in supermarkets or DIY outlets). Additionally, PLI is not perceived as a competitive constraint for Philips with players as Osram, GE and SLI are.
26. The Commission therefore concludes that proposed transaction is unlikely to impede effective competition in the common market under any alternative product and geographic market definition envisaged.
27. There is a vertical relationship between Philips as a manufacturer of general purpose lamps and PLI as a seller of general purpose lamps (in support of its light fixtures sales) and as an integrator of lamps in its consumer light fixtures. In 2005, PLI purchased, for the purposes of insertion in its consumer light fixtures, about [15-25] million lamps (compared to a EEA market of [2-3] billion lamps in 2005) of which about [<2] million were sourced from Philips. Philips will clearly need to continue to sell the bulk of its lamps (a total of [0.5-1] million pieces in the EEA in 2005) to customers other than PLI, so there is no risk of input foreclosure as a result of the proposed transaction. The remainder of the lamps purchased by PLI were sourced from [...] manufacturers, and there is therefore no risk of customer output foreclosure in the EEA.
28. Finally, no complaint was received by the Commission during its investigation of the effects of the proposed transaction on the EEA lamps/bulbs market.

(iii) *Components for light fixtures*

29. Philips holds an EEA market share over 25% for some components, such as electronic ballast and ignitors. PLI's total purchases of the various components in

2005 amounted to around € [<10] million which is small compared to Philips' sales of components, and indeed PLI sources a large part of its components from [...]. There is therefore no risk of input or output foreclosure in the EEA.

c) Conclusion

30. In view of the above the proposed transaction will not significantly impede competition in the EEA

V. CONCLUSION

31. 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 (EEC) No 139/2004.

For the Commission
signed
Neelie KROES
Member of the Commission