

***Case No COMP/M.4992 -
ARCELORMITTAL /
GALVEX***

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

Article 6(1)(b) NON-OPPOSITION
Date: 10/03/2008

***In electronic form on the EUR-Lex website under document
number 32008M4992***



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 10/03/2008
SG-Greffe(2008) D/201043

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.4992 - ARCELORMITTAL / GALVEX
Notification of 04.02.2008 pursuant to Article 4 of Council Regulation
No 139/2004¹**

1. On 29 November 2007, the Commission received a referral request pursuant to Article 4(5) of the ECMR concerning the proposed acquisition by ArcelorMittal SA ("ArcelorMittal", Luxemburg) of Galvex Estonia OÜ ("Galvex Estonia", Estonia) and Galvex Services B.V. ("Galvex Services", Netherlands), two wholly-owned subsidiaries (together "Galvex") of the Galvex Group B.V. ("Galvex Group", Netherlands). The Member States competent to examine the concentration did not within 15 working days express their disagreement to the request. The proposed transaction meets the legal requirements set out in Article 4(5) of the ECMR and also the additional criteria set out in the Commission's Notice on Case Referral², and the Commission considered that it would be appropriate for it to review the concentration.
2. On 4 February 2008, the transaction was notified to the Commission.
3. After examination of the notification, the Commission has concluded that the notified 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 functioning of the EEA Agreement.

¹ OJ L 24, 29.1.2004 p. 1.

² See paragraph 25-32 of the Commission Notice on Case Referral in respect of concentrations ("Referral Notice"). http://europa.eu.int/comm/competition/mergers/legislation/consultation/case_allocation_tru.pdf.

I. THE PARTIES

4. ArcelorMittal is the world's largest steel producer. Among other steel products it manufactures galvanised strip and coil.
5. Galvex Estonia is active in the market for galvanised strip and coils. It produces corrosion resistant, pure zinc coated sheet steel through a process of hot-dip galvanization. It is also responsible for all purchases and sales related to these activities. By acquiring Galvex Estonia, ArcelorMittal will *de facto* acquire all operating businesses of the Galvex group.
6. Galvex Services retains and pays for offshore advisors/professionals and expatriate employees and provides professional services to Galvex Estonia for a fee. Galvex Services does not generate any independent revenues.

II. CONCENTRATION

7. The notified operation consists of the proposed acquisition by ArcelorMittal of Galvex Estonia and Galvex Services, two wholly-owned subsidiaries of Galvex Group, a private company with limited liability indirectly owned by two investment funds. The proposed operation confers on ArcelorMittal sole control of the Galvex businesses and constitutes therefore a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

III. COMMUNITY DIMENSION

8. The proposed operation does not have a Community dimension within the meaning of Art. 1 of Council Regulation 139/2004 ("ECMR"). Although the parties have a combined aggregate worldwide turnover in excess of € 5 000 million (ArcelorMittal € 70 533 million, Galvex 127,27 million), the aggregate Community-wide turnover of one of the parties is below € 250 million (ArcelorMittal € [...], Galvex € [...]) and although the parties have a combined aggregate worldwide turnover in excess of € 2 500 million and their combined aggregate turnover is more than € 100 million in each of at least three Member States, Galvex's turnover is less than € 25 in all Member States.
9. Nevertheless the transaction is deemed to have a Community dimension pursuant to Article 4(5) of the ECMR.

IV. RELEVANT MARKETS

A. Galvanised strip and coils

10. Both ArcelorMittal and Galvex are active in the market of galvanized steel products. Galvanizing is the coating of steel with zinc, for the purpose of creating a physical barrier to prevent corrosion. Galvanized steel products can be obtained through two production processes: (i) hot-dip and (ii) electro-galvanised. These products are used in a number of end-use applications where corrosion resistance is required, such as construction, automobile, domestic appliance and metal furniture industries.

11. Both products are used in the same applications and are substitutes for end users. In previous decisions³, the Commission defined hot-dip and electro-galvanised strip and coils as a single product market. The market investigation undertaken in the present case has confirmed this conclusion.
12. In previous decisions the Commission considered the relevant geographic market for galvanised strip and coils to be not wider than the Community⁴, while in the more recent case Mittal/Arcelor case the Commission concluded that an EEA-wide dimension for the market was likely, but ultimately left the definition of the geographic market open. The market investigation confirmed that in this case the geographic market is at least EEA-wide.

B. Cold rolled carbon steel flat products

13. ArcelorMittal is active in the upstream market for cold rolled carbon steel flat products, which are used as input for the manufacturing of galvanized steel products by Galvex.
14. Cold rolling is a process by which metal, after a previous processing stage, is passed through rollers resulting in the modification of its properties by reducing its thickness, improving its profile and finishing its surface. The majority of cold rolled carbon steel strip and sheet is further processed by steel manufacturers into coated steel products, such as galvanised strip and coils. The remainder is sold into a number of different end-use applications, including automotive, packaging and transportation applications.
15. In line with previous decisions and as a result of the market investigation, the Commission considers that all cold rolled carbon steel flat products comprise a single relevant market⁵.
16. In previous decisions the Commission considered the relevant geographic market for cold-rolled steel to be at least Community-wide in scope, but ultimately left the definition of the relevant geographic market open⁶. In the present case the definition of the geographic market can be also left open since the acquirer's position and the results of the competitive assessment would not change irrespective of whether a EEA-wide or a Community-wide definition of the geographic market is retained.

V. COMPETITIVE ASSESSMENT

i) horizontal overlaps

17. As mentioned, the merger will create a horizontal overlap in the market for galvanised strips and coils, where both ArcelorMittal and Galvex are active. The parties' combined market share in the EEA market for galvanised strip and coils in 2006 was [30-40]%. (ArcelorMittal [30-40]%; Galvex [0-10]%). A number of other competitors are also

³ Case COMP/M. 4137 Mittal/Arcelor.

⁴ Case COMP/ECSC.1351 Usinor/Arbed/Aceralia.

⁵ Case COMP/M. 4137 Mittal/Arcelor; Case COMP/ECSC.1351 Usinor/Arbed/Aceralia.

⁶ Case COMP/M. 4137 Mittal/Arcelor.

active on this market: Thyssen Krupp ([10-20]%), Corus ([0-10]%), Voestalpine ([0-10]%), Riva([0-10]%).

18. The parties submit that the merger will not give raise to any competitive concerns in light of Galvex's very limited market share ([0-10]%) on the EEA market for galvanised strip and coils and the presence on this market of significant competitors.
19. The combined entity remains the market leader in terms of production and appears likely to have more spare capacity than its competitors. Data provided by the parties, indicates that the industry average capacity utilisation rate is very high and that the parties will have access to [...] spare capacities.
20. A limited number of respondents to the Commission's market investigation considered that the proposed transaction might have negative impact.
21. However, the market investigation revealed that a number of market participants are planning to increase or already have increased their production capacities. Some of this additional capacity will be available in the current year (2008). The planned increases of capacity in 2008 by competitors will be very much in excess of the additional capacity acquired by ArcelorMittal as a result of the transaction to ArcelorMittal existing production capacity.
22. In 2006 imports constituted around 10% of the total EEA market for galvanised strip and coils. By 2007 the level of imports was around 15% of the total EEA market for galvanised strip and coils and imports are expected to continue to grow in the future. Imports are therefore likely to constitute an efficient competitive constraint on steel producers based in the EEA.
23. It can thus be concluded that customers have still reliable alternative suppliers after the transaction and that ArcelorMittal would not be able to increase prices or reduce supply.
24. Finally, some customers, notably automotive producers purchase large quantities and can exercise their buyer power to limit the ability of the parties to increase prices.

ii) vertical relationships

25. The merger will also create a vertical relationship between ArcelorMittal, active in the upstream market of cold rolled carbon steel flat products, and Galvex, which purchases these products for the production of galvanised strips and coils. A second vertical relationship will arise between Galvex as a supplier of galvanised strip and coil and ArcelorMittal's distribution operations.
26. In 2006 ArcelorMittal's sales of cold rolled carbon steel flat products amounted to [20-30]% of the total sales in the EEA market. A number of other competitors are active in this market such as Riva ([0-10]%), Corus ([0-10]%), TK Total ([0-10]%) Us Steel Kosice ([0-10]%).
27. The transaction is unlikely to create any input foreclosure risks, due to the presence of alternative suppliers on the upstream market for cold rolled products and Galvex's small additional requirements will significantly change the market situation. Similarly, in light of Galvex very small market share in the downstream EEA market for galvanised strip and coils, the transaction does not seem likely to increase the parties' ability and incentives to engage in any customer foreclosure practices.

28. The Commission has also examined the situation on the national markets for the distribution of flat steel products (including galvanised strip and coil). However given the small sales made by Galvex (which has no distribution activities) in a limited number of countries and the fact that ArcelorMittal's distribution activities are modest in these countries (it has no distribution in the Baltic States) competition problems are unlikely to arise in relation to steel distribution as a result of the proposed operation.

VI. CONCLUSION

29. 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