

***Case No COMP/M.5155 -
MONDI / LOPAREX
ASSETS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 20/08/2008

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 20-VIII-2008

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.5155 - Mondi/ Loparex Assets
Notification of 14 July 2008 pursuant to Article 4 of Council Regulation
No 139/2004¹ ("the Merger Regulation")**

1. On 14 July 2008, the Commission received a notification of a proposed concentration pursuant to Article 4 and following a referral pursuant to Article 4(5) of the Merger Regulation by which the undertaking Mondi Coating B.V. (The Netherlands) controlled by Mondi plc ("Mondi", United Kingdom) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of parts of the undertaking Loparex Holding B.V. ("Loparex Assets", The Netherlands) by way of purchase of assets.

I. THE PARTIES

2. **Mondi** is an international paper and packaging group headquartered in South Africa with share listings in South Africa and the UK. Mondi manufactures packaging paper, converted packaging products and uncoated fine paper and has furthermore merchant and newsprint operations.
3. The **Loparex group**, based in The Netherlands, is a manufacturer of siliconised release liners and speciality papers for numerous end-use applications.

¹ OJ L 24, 29.1.2004 p. 1.

4. **Loparex Assets**, the operations which are the object of the proposed concentration, is active in release liner and kraft paper and to a limited extent in extrusion coating.

II. THE OPERATION AND THE CONCENTRATION

5. Pursuant to a Sale and Purchase Agreement signed on 29 March 2008 Mondi intends to acquire a substantial part but not all of Loparex group's European business and some operations outside Europe in the production and sale of release liner and kraft paper and to a limited extent extrusion coating. More precisely, Mondi intends to acquire the following assets, which together form the Loparex Assets: (i) the Lohja plant in Finland [...]; (ii) the Glossop plant in the UK [...]; (iii) 2 converting terminals in Poland and Thailand; (iv) a sales office in Japan; and (v) the sales network of Loparex in Europe.
6. Mondi intends to acquire Loparex group's entire interest in these assets including liabilities. Mondi will acquire sole control over the Loparex Assets. Thus, the transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

III. COMMUNITY DIMENSION

7. The notified concentration does not have a Community dimension within the meaning of Article 1 of the Merger Regulation. However, on 14 May 2008, the notifying party informed the Commission in a reasoned submission pursuant to Article 4(5) of the Merger Regulation that the concentration was capable of being reviewed under the national competition laws of at least three Member States, namely Austria, Bulgaria, Czech Republic, Germany, Greece (post-merger), Slovakia and Slovenia, and requested the Commission to examine it. None of the Member States competent to examine the concentration indicated its disagreement with the request for referral within the period laid down by the Merger Regulation.
8. Therefore the concentration is deemed to have a Community dimension pursuant to Article 4(5) of the Merger Regulation.

IV. COMPETITIVE ASSESSMENT

1. RELEVANT MARKETS

9. The proposed concentration concerns primarily the production of release liners and, to a lesser extent, the production of kraft paper and extrusion coating.

1.1 Release liners

1.1.1 Relevant product market

10. Release liners are papers, films or non-wovens which are silicone-coated and typically used as carriers for pressure-sensitive labels. They can be used for both self-adhesive and non-self adhesive applications.
11. A release liner comprises a base material or substrate and an added layer of silicone. In self-adhesive applications, silicone makes a non-stick repellent surface suitable to carry, protect and finally release self-adhesive materials (like labels). The release liner is usually discarded after the application of the self-adhesive material it carries (e.g. the label).

12. Release liners are employed in a wide variety of end-use applications such as labelstock, graphic arts (vehicle marking, traffic and safety, corporate and architectural graphics), adhesive tapes, the hygiene sector (for feminine sanitary protection and diaper fastening systems), envelopes, medical uses (wound care, patches), industrial applications (high performance laminates for airplanes, building and insulation application) and bakery and food applications (pan liners).
13. Release liners can be manufactured from a variety of base materials or substrates. The most prevalent substrate is paper (which can be glassine paper or super calendared kraft paper (SKC), machine glazed paper (MG), clay coated paper (CCK) or polyethylene coated paper (PCK)); plastic films (made from polypropylene (PP), polyester (PET) or polyethylene (PE)) are used to a lesser extent, and non-woven materials are less common.
14. All release liners are produced using similar production processes. The main production step is the siliconisation of the surface of the substrate with either solventless, solvent or emulsion silicone. The substrate with the freshly coated liquid silicone layer is subsequently cured by heating it up using a thermal or radiation technique. Release liner producers normally source the substrates and the silicone from unrelated suppliers.
15. Each release liner is a tailor-made product for each customer to meet its specific requirements in terms of durability, release characteristics and tensile strength.
16. The definition of the relevant product market(s) must in principle take into account three factors: the substrate on which release liners are based, the silicone used in the coating process and the end-use applications of release liners.
17. The parties submit that the relevant product market includes all types of release liners, irrespective of their substrate, silicone used or end-use applications.
18. On the demand side, the parties argue that, 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 or silicone types and all substrates and silicon types are used for several end-use applications.
19. On the supply side, the parties submit that different substrates or silicon types do not require dedicated production facilities, technical know-how, production personnel or even machines. As a result, suppliers are capable of producing most if not all end-use applications, can use different silicone coating technologies and can work with different substrates according to their customers' requirements.
20. Finally, according to the parties, release liners are produced to a significant extent in-house by undertakings integrated downstream and thus the relevant product market should include both commercially traded release liners (merchant market) and in-house supply (captive production).
21. In a Commission precedent, the market investigation suggested that the relevant product market could encompass all release liners or that it might be appropriate to further segment the relevant product market by type of substrate or end-use applications.² Ultimately, the

² COMP/M.4319 *Mondi/Schleipen&Erkens*

Commission did not conclude on the definition of the relevant product, as it would not have modified the conclusions of the competitive assessment.

22. In the case at stake the Commission's market investigation has shown that end-use applications are not a decisive factor in the demand of release liners, as often there is no correlation between the substrate or silicone used to meet the customer's specifications and the different end-use applications. As a result, the differences between release liners within a given end-use application can be as substantial as between release liners in different end-use applications. End-use applications are also not a decisive factor in the production of release liners, as usually there is no correlation between the organisation of production lines by the producers and the different end-use applications. The Commission's investigation in this case therefore concludes that the relevant product market(s) for release liners should not be delineated according to end-use applications.
23. The market investigation has also shown that the type of silicone used in the coating process is not a decisive factor in the production of release liners. While several producers have production lines dedicated to a specific type of silicone, a majority of producers stated that switching between different types of silicone within the same production line is possible within only 2 to 5 hours. The Commission therefore concludes that the relevant product market(s) for release liners should not be delineated according to the type of silicone used in the coating process.
24. Some of the respondents to the Commission's market investigation have agreed with the parties' view that the relevant product market comprises all types of release liners. These respondents have indicated that, despite the variety of end-use applications, most release liner producers are capable of offering tailor-made products to a broad range of customers using different substrates and silicone types.
25. However, a large number of respondents have indicated that it would be appropriate to segment the relevant product market by type of substrate, namely paper and film. These respondents have put forward the limited degree of demand-side substitutability between release liners which use paper and film as a substrate, as most of the times customers require a specific substrate. These respondents have also particularly highlighted the limited degree of supply-side substitutability between paper and film, as it is not possible to produce film-based release liners on a machine designed only to produce paper-based release liners or vice versa without making a number of adjustments which require an investment and certain time.
26. The question of whether all types of release liners belong to the same relevant product market or they should be further segmented by substrate may be left open for the purposes of this decision as it does not alter the conclusions of the competitive assessment. However, the Commission has carried out the competitive assessment on the basis of the narrowest plausible relevant product market, that is, segmenting it by substrate, namely paper and film, and taking into account only commercially traded release liners in each of these two segments (the merchant market).

1.1.2 Relevant geographic market

27. The parties claim that the geographic dimension of the release liner market is global or at least EEA-wide. The reasons adduced are that there are no significant import duties or trade barriers, transport costs are low, no local presence of suppliers is required, important economies of scale exist in release liner production, the existence of substantial trade flows within the EEA and between the EEA and other regions and the fact that many customers purchase on a global basis.
28. The market investigation has shown that large suppliers and customers operate on a global basis, but also that several customers source release liners on an EEA-wide basis and consider that transport costs impose a constraint on world-wide trade in release liners.
29. In any event, the question of whether the geographic scope of the relevant product markets is EEA-wide or global may be left open for the purposes of this decision as it does not alter the conclusions of the competitive assessment. However, the Commission has carried out the competitive assessment on the basis of the narrowest possible geographic market, that is, an EEA-wide market.

1.2 Kraft paper

30. Kraft paper is used for flexible packaging such as industrial sacks, envelopes, paper grocery bags and other packaging. It is paper produced by the kraft process from wood pulp. It is strong and relatively coarse, and is usually of a brown colour although it can be bleached to produce white paper.
31. The Commission found in a previous case³ that kraft paper is exceptionally strong and light and that due to these characteristics it can be distinguished from other sorts of paper. The Commission concluded that kraft paper is not substitutable with other materials and forms a distinct product market. The parties, however, submit that there is some supply side substitution between kraft paper and kraftliner as certain machines could produce both without the need for substantial investments. The parties argue that, in any event, the market definition for kraft paper can be left open.
32. As regards the geographic market definition, the parties argue that the market for kraft paper should be global or at least EEA-wide in scope. While the Commission has found the market for this product to be at least EEA-wide,⁴ the parties argue that the market should rather be global due to the existence of low transport costs, the absence of significant trade barriers or tariffs, the fact that no local presence of suppliers is required, the existence of substantial trade flows within the EEA and between the EEA and other regions, and the fact that many customers source on a global basis. The parties submit that, in any event, the question whether the geographic market is EEA-wide or global in scope can be left open.

³ Case COMP/M.499 *Jefferson Smurfit/St-Gobain*.

⁴ *Idem*

33. In addition to some horizontal overlaps between Mondi and Loparex Assets in the production of kraft paper, this market can also be upstream from the market(s) for release liner.
34. The definition of the relevant product and geographic markets in respect of kraft paper may be left open for the purposes of this decision as it does not modify the conclusions of the competitive assessment.

1.3 Extrusion coating

35. Extrusion coating can be described as the coating of a molten web of resin on to a substrate material. It is a coating technique used for the economic application of various plastics, notably polyethylene, onto board, paper, aluminium foils or plastic films. The market for extrusion coating could be further sub-divided according to the end-applications of the extrusion-coating products, such as liquid packaging, flexible packaging, photographic and commercial applications. The parties, however, do not consider these end-applications to form distinct product markets.
36. There are no Commission precedents dealing with the market definition for extrusion coating. The parties claim that extrusion-coating products are tailor-made to customers, with their key characteristics being durability, flexibility, tensile strength and protection against transport damage. Furthermore, the extrusion coating plastic layer acts as a water vapour barrier. The parties submit that a distinct product market for extrusion coating could be established.
37. As regards the geographic market definition, the parties argue that the market is global or at least EEA-wide. Given the absence of Commission precedents, the parties put forward arguments in favour of a global market which are broadly the same as those submitted in respect of the kraft paper market.
38. In addition to some horizontal overlaps between Mondi and Loparex Assets in the production of extrusion-coating products, this market can also be upstream from the market(s) for release liner.
39. In any event, the definition of the relevant product and geographic markets in respect of extrusion coating may be left open for the purposes of this decision as it does not modify the conclusions of the competitive assessment.

2. COMPETITIVE ASSESSMENT

2.1 Horizontal effects

2.1.1 Release liners

2.1.1.1 Market for all release liners

40. The notified concentration leads to horizontally affected markets in a global or EEA-wide market encompassing all release liners, independently of their end-use applications, substrate or silicone coating.
41. As indicated above in paragraph 20, the parties claim that not only producers active on the merchant market for release liners but also captive production of current in-house

producers of release liners should be taken into account for the purposes of the competitive assessment of the notified concentration. However, the market investigation has shown that current in-house producers of release liners are unlikely to enter in the short to medium term the merchant market by selling release liners to third parties. As existing in-house capacity does not appear to impose a competitive constraint on the merged entity, the Commission has conducted the competitive assessment considering only the merchant market for release liners.

42. The Commission has been provided with data in volume and value concerning market size and market shares for the parties and their competitors. The data on market shares of competitors in value terms are based on an extrapolation of sales using volumes and average prices. Given that release liners are tailor-made products in accordance with customers' specifications, the value figures provided in respect of competitors are considered less suitable for assessing the market position of the parties'. Instead, the Commission has therefore also based the competitive assessment on merchant market data in volume terms as this appears to more accurately reflect the parties' position.
43. The global merchant market for all release liners represents 14 766 million square meters with a total value of EUR 2 652 in 2007. On this market, the parties would have a combined share of [10-20]% (Mondi [5-10]%, Loparex Assets [5-10]%) in volume terms. The combined market share in value would account for [10-20]% with an increment of [0-5]%. The European⁵ merchant market including all release liners represents 4 172 million square meters with a total value of EUR 799 million. On this market, the parties would have a combined share of [25-35]%⁶ (Mondi [15-25]%, Loparex Assets [5-15]%). While the merged entity would be the market leader, it would be followed by four competitors holding market shares of [5-10]% (Siliconature, Huhtamaki, Gascogne and Nordenia). In addition, there are a number of smaller competitors (including the remaining European business of Loparex as well as ACP, Cotek, Deku, Itasa, Laufenberg and Rosella) with market shares in the range of [0-5]%.
44. The parties put forward a number of arguments concerning the supply-side to claim that the proposed transaction does not raise any horizontal competition concerns in relation to a relevant product market encompassing all types of release liners.
45. The market investigation has confirmed that, despite the certification requirements demanded by customers from new suppliers, customers can and do switch from one supplier to another at low cost. Furthermore, existing suppliers can easily increase supply in response to price increases based on the existence of significant spare capacity as well as the lack of barriers to capacity expansion. Finally, the strong negotiating position of certain customers poses a competitive constraint on suppliers of release

⁵ Following the geographical segmentation in the market study of the research company AWA used as a reference, the parties provided market shares for all release liners on a geographic market that includes some European countries (Russia, Turkey and the countries of former Yugoslavia) in addition to the EEA.

⁶ Based on value, the parties would have a lower combined market share of [20-30]% (Mondi [15-25]%, Loparex Assets [5-10]%). The reasons for the merged entity's lower market share in value terms are mainly the relative importance of their sales of paper-based release liners, whose prices are lower than those of film-based release liners, as well as [...].

liners. The above-mentioned aspects are considered to represent significant competitive constraints on the merged entity.

46. In light of the above reasons, the transaction does not lead raise serious doubts as to its compatibility with the common market based on horizontal effects in a potential relevant product market encompassing all types of release liners.

2.1.1.2 Market for release liners based on film substrate

47. As mentioned in paragraph 25, the results of the market investigation have indicated that the existence of distinct product markets for paper-based release liners and film-based release liners cannot be excluded.
48. The EEA merchant market for film-based release liners represents approximately 740 million square meters with a total value of approximately EUR 100 million. On a potential relevant product market encompassing film-based release liners, the proposed transaction would not give rise to a horizontally affected market. The parties would hold a combined market share of approximately [5-10]% in volume terms with an increment of approximately [0-5]%. In value terms, the parties' combined market share would account for approximately [10-20]% with an increment of [0-5]%.
49. Various competitors, such as ACP, Cotek, Deku Kunststoff, Huhtamäki, Itasa, Laufenberg, Nordenia, Maria Soell, Rossella and Siliconature, are active in the production of film-based release liners. Of these competitors, Deku Kunststoff, Nordenia and Siliconature produce only film-based release liners.
50. The market investigation has not raised any competition concerns in relation to film-based release liners.
51. In view of the small increment and combined market share of the parties as well as the presence of various competitors, the proposed transaction does not raise serious doubts as to its compatibility with the common market based on horizontal effects in a potential relevant product market encompassing film-based release liners in the EEA. Given that the parties' combined market share is higher in the EEA than globally, the transaction does not raise competition concerns in relation to film-based release liners, regardless of the exact geographic scope of the potential relevant market.

2.1.1.3 Market for release liners based on paper substrate

52. The EEA merchant market for paper-based release liners represents approximately 2 988 million square meters with a total value of approximately EUR 603 million. On a potential relevant product market encompassing paper-based release liners, the proposed transaction would lead to a horizontally affected market. The parties would hold a combined market share of approximately [35-45]% in volume terms with an increment of approximately [10-20]%. The parties' combined market share in value terms would account for approximately [25-35]% with an increment of [5-10]%.
53. Notwithstanding the relatively significant market share and increment of the merged entity on a potential relevant product market for paper-based release liners, the proposed transaction does not raise any competition concerns for the following reasons.

54. Various competitors, such as, in order of importance, Huhtamaki, Gascogne, Itasa, Laufenberg, Rossella, ACP Cotek, ICA and Maria Soell, are currently active in the production of paper-based release liners. These competitors hold market shares of below 10% each, which indicates that the merged entity's competitors are relatively fragmented. However, the market investigation has confirmed that existing suppliers of paper-based release liners have significant spare capacity. According to the research company AWA,⁷ the average capacity utilisation across producers of all release liners is 65%, and the parties claim that this also applies to paper-based release liners, which account for approximately 80-85% of the overall release liner market. The parties state that the capacity utilisation of their own machines was [...] % in 2007 and that, due to the fixed cost nature of the business, economies of scale provide a strong incentive to pursue sales of additional volumes.
55. The market investigation has confirmed the existence of overcapacity in the production of paper-based release liners in respect of all suppliers. While the capacity utilisation varies amongst suppliers, the overcapacity is substantial in some cases. According to the results of the market investigation, competitors would have the ability and incentive to pursue additional sales, and competitors estimate that the time required to provide the market with such products in addition to their current production would be 6 months on average.
56. In addition to the installed capacity and resulting overcapacity, the market investigation has confirmed that existing suppliers of paper-based release liners would not face barriers to expansion. In order to increase production capacity a financial investment of approximately EUR 3-5 million for a new machine would be required. In addition to the financial investment, a supplier would only require production skills which he would already possess. According to the results of the market investigation, such capacity expansion would be operational within not more than 12 months.
57. The market investigation has shown that prices for film-based release liners are currently higher than those for paper-based release liners. However, many producers currently supply both paper- and film-based release liners. If these producers, and even producers of only film-based release liners, had the business incentive due to overcapacity in the production of film-based release liners or a change in relative prices, they could shift to the production of paper-based release liners relatively easily and swiftly. The market investigation has shown that shifting machines from the production of film-based to the production of paper-based release liners would require incremental investments of EUR 0.5-1 million per installed machine. All producers said that a moisturising unit worth a maximum of EUR 0.5 million would need to be added, and some producers also estimated further modification necessary (in the tension control system and the dryer system), which would bring the total investment required to EUR 1 million. Producers stated that any eventual know-how related to the production of paper-based release liners which a producer of only film-based release liners would not already possess is readily available on the market (from both paper substrate and silicone suppliers). Producers estimated that these technical modifications would require 4-6 months before being able to sell paper-based release liners to the market. In view of these factors, combined with the current existence of spare capacity in the production of

⁷ Alexander Watson Associates.

film-based release liners, the market investigation has shown that the ability of producers to switch production from film-based products to paper-based products forms a competitive constraint in a potential product market for paper-based release liners.

58. The parties further claim that very large customers could threaten to either backward integrate and set up their own in-house production or sponsor entry of new suppliers of paper-based release liners. According to the results of the market investigation, for successful entry into the production of paper-based release liners entrants would need to invest in production machines and technology/skills, which, as indicated, can be purchased on the market. While many customers replied in the market investigation that they would refrain from starting production of raw materials or inputs in-house, the market investigation has shown that there is possibly a trend towards more in-house production of release liners. Also, some customers stated they would be willing to sponsor entry of a new supplier. Respondents to the market investigation would expect setting up of in-house production or sponsored entry to become operational within less than 12 months.
59. Moreover, the Lohja plant in Finland, which is one of two plants of Loparex Assets, [...]. Therefore, Mondi's acquisition of the Lohja plant in the context of the proposed transaction would not eliminate an important competitive force constraining Mondi pre-merger.
60. In addition to the above supply-side arguments, the parties claim that, due to the concentrated nature of release liner customers, there is significant countervailing buyer power. The market investigation has shown that paper-based release liners, which are more commoditised and lower priced than film-based release liners, are mainly bought by large customers for applications such as hygiene and labelstock. The parties put forward that Mondi's [...] most important customers of paper-based release liners account for approximately [...]% of Mondi's sales of paper-based release liners in the EEA.
61. The parties claim that countervailing buyer power would pose a significant competitive constraint on the merged entity in particular because some customers would purchase very significant volumes that could account for almost the full capacity of an individual paper-based release liner production machine. Suppliers would in general not risk losing large contracts or customers as a result of price increases, in particular given the economies of scale in the production of paper-based release liners. The parties argue that due to the existence of overcapacity and the lack of barriers to expansion, alternative suppliers would be available to supply such customers, and that customers, independently of their size, could switch relatively easily to other suppliers. The market investigation has indicated that these arguments cannot be excluded. Some customers, in particular large consumer product companies who account for a significant share of the parties' sales, may to a certain extent represent a competitive constraint on the merged entity.
62. In the market investigation, a small number of customers voiced concerns with regard to the notified concentration because of increased concentration in the market, in particular for paper-based hygiene products. However, the market investigation has shown that paper-based release liners for the hygiene end-use application are a particularly commoditised type of release liners. Alternative suppliers of paper-based release liners would be able to meet customers' certification requirements for these products and could

easily meet additional demand if customers want to change supplier. Therefore, the merged entity would, also in relation to paper-based release liners for hygiene products, be subject to sufficient competitive constraints post-merger.

63. In view of the foregoing, the merged entity will be subject to a number of competitive constraints. The transaction therefore does not raise serious doubts as to its compatibility with the common market based on horizontal effects in a potential relevant product market encompassing paper-based release liners in the EEA. Given that the parties' combined market share is higher in the EEA than globally, the transaction does not raise competition concerns in relation to paper-based release liners, regardless of the exact geographic scope of the potential relevant market.

2.1.2 Kraft paper and extrusion coating

64. As regards kraft paper, a significant portion of the parties' activities concerns captive production. However, both parties sell to the merchant market. While Mondi is the market leader with a market share of [20-30]% on a European market for kraft paper, the increment added by Loparex Assets would be marginal ([<5]%). The parties' combined shares on a global market for kraft paper as well as on a market encompassing kraft paper and kraft liner, both in the EEA and globally, would be lower.
65. With regard to a European market for overall extrusion coating, the parties' combined market share would account for approximately [0-5]%. While the highest combined market share in the sub-segments of extrusion coating where both parties are active would be [5-15]%, the increment would remain below [5]% on both the overall market for extrusion coating as well as any sub-segments thereof. The parties' combined shares on the global market for extrusion coating as well as the sub-segments of extrusion coating would be lower than these European market shares.
66. In view of the market shares and the marginal increment, the transaction does not raise serious doubts as to its compatibility with the common market based on horizontal effects in the potential relevant product markets for kraft paper and extrusion coating.

2.2 Vertical effects

67. The proposed transaction gives rise to vertically affected markets due to the relationship between the upstream markets of kraft paper and extrusion coating and the downstream market(s) for release liners.
68. In addition to some horizontal overlaps between Mondi and Loparex Assets in the production of kraft paper, kraft paper can also constitute an input for the production of certain release liners.
69. There are different types of kraft paper that can be used as a substrate for the production of release liners, such as glassine or super calendered kraft paper and clay-coated kraft paper. Kraft paper needs to be prepared for siliconisation, and this can be achieved either mechanically (e.g. super calendered kraft paper) or by pre-coating the paper with a less expensive material than silicon (e.g. clay-coated kraft paper). This intermediate coating step produces the final paper substrate which is then siliconised to produce release liners.

70. In addition to some horizontal overlaps between Mondi and Loparex Assets in the production of extrusion-coating products, extrusion coating can also be upstream from the production of certain release liners.
71. Extrusion coating is a means of preparing a paper substrate for siliconisation by pre-coating it. The product resulting from extrusion coating is polyethylene coated kraft paper (PCK), which can then be used as a substrate for release liners.
72. With regard to the vertical link in relation to kraft paper, no foreclosure concerns stem from the notified concentration. The upstream combined European market shares of the parties of [20-30]% together with the presence of various alternative suppliers such as Billerud, Gascogne, Segezha, Stora Enso and UPM-Kymmene do not appear to give rise to any concerns relating to input foreclosure for the production of release liners. As regards customer foreclosure, the parties estimate that European producers of release liners account for only around 20% of European kraft paper consumption, which is equivalent to 18% of European kraft paper production capacity. Furthermore, the parties submit that their share of demand of total and merchant production of kraft paper in Europe would be below [5]% for Loparex Assets and below [5-10]% for Mondi. The market investigation has not pointed to any competition concerns based on this vertical relationship. Therefore, there appears to be no risk that the notified concentration will lead to any input or customer foreclosure in connection with the integrated production of kraft paper and release liners.
73. As regards the "intermediate" production step between kraft paper and release liners, i.e. the preparation of kraft paper for siliconisation through extrusion coating, the parties produce one type of substrate, namely polyethylene coated kraft paper (PCK). The parties' combined market share for PCK is [5-10]% in the total EEA market (out of which only [0-5]% is sold in the merchant market) and does not therefore raise any concerns that it may lead to input foreclosure. The risk of customer foreclosure as a result of the proposed transaction is also unlikely, as the parties account for a share of only [10-20]% in the downstream merchant market of PCK-based release liners in the EEA. Furthermore, prior to the transaction the parties already sourced most of their PCK needs in-house. The market investigation has not pointed to any competition concerns based on this vertical relationship. Therefore, the notified concentration will not lead to any input or customer foreclosure in connection with the integrated production of extrusion coating and release liners.

3. SUMMARY

74. The proposed transaction does not raise serious doubts as to its compatibility with the common market either based on horizontal or vertical effects, regardless of the exact definition of the relevant product and geographic markets.

V. CONCLUSION

75. 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]
Androulla VASSILIOU
Member of the Commission