

***Case No COMP/M.5545 -
ARCELORMITTAL /
NOBLE EUROPEAN
HOLDING***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 07/07/2009

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 07.07.2009
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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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.5545 - ARCELORMITTAL/ NOBLE EUROPEAN HOLDINGS
Notification of 2/06/2009 pursuant to Article 4 of Council Regulation No 139/2004¹**

1. On 2 June 2009, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 ("EC Merger Regulation") by which the undertaking ArcelorMittal intends to acquire 100% of the shares of the voting common stock of Noble European Holdings, B.V ("Noble Europe"). The proposed concentration will allow ArcelorMittal to re-acquire the tailor welded blanks business in Europe, which ArcelorMittal sold to Noble International Ltd ("Noble International") in 2007.

I. PARTIES

2. ArcelorMittal is a global steel company with more than 310,000 employees in more than 60 countries and an industrial presence in over 20 countries spanning four continents. ArcelorMittal's principal business is the production, distribution, marketing and sale of steel products (which include semi-finished products, flat carbon steel products, long carbon steel products, stainless steel products and tube and pipe products) and, to a lesser extent, products of first transformation. ArcelorMittal is also active in the mining business.
3. Noble International, Ltd. is a Delaware corporation and a U.S. publicly-traded corporation that was, at all relevant times prior its bankruptcy in May 2009, listed on the NASDAQ Stock Market. It is the world's largest supplier of laser-welded blanks and primarily serves the automotive industry. The company also produces laser-welded

¹ OJ L 24, 29.1.2004 p. 1.

tubes, roll-formed products and other steel components. Noble Europe, a fully-owned subsidiary of Noble International, is the holder of several companies, which are solely active in the Tailor welded Blanks ("TWB") business and supply customers in the automotive market.

II. CONCENTRATION

4. In 2007, the notifying party sold its TWB business to Noble International in exchange for among others 39.64 % shares in the capital of Noble International. In addition, ArcelorMittal concluded a number of agreements, among others a Stockholder agreement with Noble International and Mr. Skandalaris, a significant shareholder of Noble International. This agreement obliged in principle both ArcelorMittal and Mr. Skandalaris to coordinate their behaviour in the shareholders' meetings and gave them certain veto rights on fundamental corporate actions. In addition, a Steel Supply and Arcelor Auto Services Agreement between ArcelorMittal and Noble Europe was concluded.
5. In March 2008, ArcelorMittal acquired an additional 10.31% of Noble International's shares from Mr. Skandalaris. Thus, ArcelorMittal currently owns 49.9% of Noble's International voting shares. The Stockholder Agreement was amended so that ArcelorMittal received the right solely to nominate the majority of the members of the Board of Directors while Mr. Skandalaris's rights under the Stockholder agreement were terminated. ArcelorMittal also provided Noble International with a USD 50 million subordinated loan.
6. In April 2009, Noble International filed for proceedings under Chapter 11 of the United States Bankruptcy Code and was delisted from NASDAQ on 11 May 2009. Noble International currently acts as debtor-in-possession which implies that no action outside the ordinary course of business may be taken without approval by the Bankruptcy Court. According to the notifying party, the Chapter 11 proceedings will result in Noble International being liquidated. In the context of these proceedings, Noble Europe was sold to ArcelorMittal in a bidding procedure. A sale and purchase agreement for 100 % of shares in Noble Europe was in effect concluded between Noble International and the notifying party. It was approved on 29 May 2009 by the Bankruptcy Court.
7. Based on the above, it can be concluded that the acquisition by ArcelorMittal of sole control over Noble Europe constitutes a concentration pursuant to Article 3 of the EC Merger Regulation. For the purposes of the present proceedings, it can be left open whether this sole control was acquired in March 2008 or in May 2009 as this would not have any implication on the Commission's assessment.

III. COMMUNITY DIMENSION

8. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 billion² (ArcelorMittal [...] EUR [...] and Noble Europe EUR [...]). Each of them has a Community-wide turnover in excess of EUR 250 million (ArcelorMittal EUR [...] and Noble Europe EUR [...]), but they do not achieve more than two-thirds of their

² Turnover calculated in accordance with Article 5(1) of the EC Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C 95, 16.04.2008, p. 1).

aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension

IV. COMPATIBILITY WITH THE COMMON MARKET

A. THE RELEVANT PRODUCT MARKETS

1. Preliminary remarks

9. Noble Europe is a manufacturer of TWB products, whereas ArcelorMittal is primarily a steel producer which is active on the upstream markets for the production of flat steel products which are used as raw material for the production of TWB.

2. Tailor Welded Blanks

10. TWB are manufactured by cutting to size and welding together various individual pieces of uncoated and/or coated sheet, enabling complex shapes embodying steel of different grades and thickness to be produced. TWB are used exclusively in the automotive industry.
11. TWB consist of sheets of flat carbon steel, hot-rolled, cold-rolled, galvanized or organic coated steel, which are cut-to-length, assembled end-to-end or with a small lap joint, welded, and then headed for stamping. As such, TWB products constitute a first transformation of a finished steel product.
12. The notifying parties submit that the TWB constitutes a single product market which should not be subdivided into separate markets according to size/shape/weight etc.
13. In previous decisions, as a result of the demand side substitutability between all TWB, the Commission considered TWB to constitute a single product market³, a view which has been confirmed in the market investigation in the present case.
14. On the basis of the above, the Commission considers TWB to constitute a single product market.

3. Flat steel products

15. ArcelorMittal is active on the following upstream markets of TWB: i) hot-rolled flat carbon steel products, ii) cold-rolled flat carbon steel products, iii) galvanized flat carbon steel products⁴ and iv) organic coated steel products.
16. The notifying party submits that these four products constitute four separate product markets within finished flat carbon steel products. These products correspond to four

³ See Case No M.2382 *Usinor/Arbed/Aceralia*; Case No M.1525 *British Steel/Hoogovens*; Case No M.925 *Krupp Hoesch/Thyssen* and Case No M.1329 *Usinor/Cockerill Sambre*.

⁴ For the purpose of this decision galvanised steel products comprises steel coated with zinc, tin or other metals such as aluminium or zinc alloys.

successive processing stages in the production of flat carbon steel products: (i) hot-rolling, (ii) cold-rolling and (iii) galvanising and (iv) coating. Finished flat carbon steel products may be sold at the end of each of those four processing stages which essentially allow conferring different technical characteristics to the finished product, in particular concerning their thickness, corrosion resistance and surface quality.

17. The Commission in previous decisions⁵ considered that cold-rolled flat carbon steel products, galvanized flat carbon steel products and organic coated steel products constituted separate product markets, while it identified two separate product markets within hot-rolled steel products: (i) hot-rolled flat steel products excluding quarto plates and (ii) quarto plates. However, the parties have confirmed that quarto plates are not used in TWB production.
18. In view of the above and as confirmed by the results of the market investigation, the Commission considers hot-rolled steel products (excluding quarto plates), cold-rolled steel products, galvanized steel products, and organic coated steel products to constitute separate product markets.

B. THE RELEVANT GEOGRAPHICAL MARKET

19. The parties consider the geographic markets for TWB and for the upstream flat steel market are at least EEA-wide.
20. The parties' submission is in line with previous decisions⁶ where the Commission considered that the market for TWB was at least EEA-wide since TWB customers are exclusively automotive industry manufacturers who purchase on an international basis and given that transportation costs represent a small share of the total cost of the end product. As to the upstream markets for hot-rolled steel products, cold-rolled steel products, galvanized steel products and organic coated steel products, the Commission in previous decisions⁷ considered the geographic market to be at least Community-wide.
21. The results of the market investigation conducted for the purpose of the proposed concentration confirm that the markets for the production of TWB and flat steel products are at least EEA-wide.
22. However, the precise geographic market delineation can be left open since the proposed concentration does not raise serious competition concerns under any plausible geographic market definition.

⁵ See Case No M.4137 *Mittal/Arcelor*.

⁶ See Case No M.1525 *British Steel/Hoogovens*; Case No M.925 *Krupp Hoesch/Thyssen* and Case No M.1329 *Usinor/Cockerill Sambre*.

⁷ See Case No M.4137 *Mittal/Arcelor*.

C. COMPETITIVE ASSESSEMENT

Introduction

23. In its notification, ArcelorMittal emphasises that the proposed concentration will allow it to regain control over the TWB business in Europe which it sold to Noble International in 2007. Before Noble International acquired ArcelorMittal's TWB in 2007, Noble International was not active in Europe. Neither has ArcelorMittal been active on the European TWB market after the sale⁸.

Horizontal assessment

24. The activities of ArcelorMittal and Noble Europe in TWB do not overlap in the EEA, as ArcelorMittal does not control any TWB activity in the European market⁹. As to steel products, neither Noble Europe nor Noble International produces any steel. Neither do Noble Europe nor Noble International hold any active presence on markets for hot-rolled flat carbon steel products, cold-rolled flat carbon steel products, galvanized flat carbon steel products and/or organic coated steel products in the EEA.

25. In case the relevant geographic market delineation were to be considered worldwide, there would be a horizontal overlap of the activities of the parties given ArcelorMittal's presence in TWB in the US and Canada. As a result of the transaction, the parties estimate their combined market share in TWB is [20-30]% (Noble International [20-30]% and ArcelorMittal [0-5]%). Furthermore, the parties indicate that they face significant competition from numerous competitors and from TWB integrated customers. This view has been confirmed by the results of the market investigation. The strongest TWB competitor worldwide is ThyssenKrupp tailored blanks with a global market share according to the parties of [10-20]% in 2007. As supported by the results of the market investigation, other global TWB competitors include Sumitomo in Japan, Shiloh in the US and Gestamp Automoción, Voest Alpine, Corus and Salzgitter in Europe. The respondents to the market investigation did not express any merger specific concerns about the proposed concentration.

26. In the light of the above, the Commission concludes that given the lack of horizontal overlap of the parties' activities in the EEA, the limited overlap of the parties in TWB production at the global level and the remaining presence of significant competition, the proposed concentration does not lead to horizontal competition concerns under any plausible relevant geographic market definition.

⁸ The only exceptions were [...] and [...], two TWB production facilities in Europe. As to [...], the equipment of this facility was transferred to a 100% subsidiary of Noble Europe in mid 2008 and [...] ceased its production in the beginning of 2009. In addition, ArcelorMittal holds [...]% non-controlling ownership interest in [...], a company active in TWB in the EEA.

⁹ Powerlasers Limited (Canada) and Powerlasers Corporation (US) are indirectly owned subsidiaries of ArcelorMittal which are active as suppliers of laser welded blanks and integrated laser processing systems for the automotive and metal fabricating industries active essentially in Canada and the United States. Their activity has no direct impact in Europe, as these companies do not export to EEA.

Vertical assessment

27. With regard to the upstream product market, Noble Europe purchases steel products from steel suppliers and transforms them into TWB products employed in the automotive industry. In Europe, regarding Noble Europe's biggest competitors, TWB activities are vertically integrated and done by the steel producing companies (e.g. ThyssenKrupp Group, Voest Alpine Group, Tata/Corus Group)¹⁰.
28. ArcelorMittal is currently Noble Europe's main supplier of flat carbon steel products representing [70-100]% of its sourcing in the EEA.
29. As submitted by the parties, the following markets result vertically affected by the proposed concentration: i) hot-rolled steel products, ii) galvanized steel products and iii) organic coated steel products.¹¹
30. Concerning hot-rolled flat carbon steel products, based on figures provided by the parties and largely corroborated by the market investigation, the overall sales in the EEA in 2008 were [...] tonnes. ArcelorMittal EEA-wide market shares in 2008 and 2007 were respectively [...] and [...]. According to the parties and as further confirmed by the market investigation there are numerous other competitors' active on the market including Corus, ThyssenKrupp Group, Riva, Salzgitter, US Steel Kosice, Voest Alpine, SSAB, Duferco and Rautaruukki Oy. ArcelorMittal's EEA-wide capacity utilization for hot-rolled steel products was around [70-80]% in 2008 ([80-90]% in 2007 and [80-90]% in 2006). The parties estimate the total EEA-wide capacity utilization at around [80-90]% for 2008 ([80-90]% for 2007 and [90-100]% for 2006).
31. Concerning galvanized flat carbon steel products, the overall sales in the EEA in 2008 were [...] tonnes. ArcelorMittal EEA-wide market share in 2008 and 2007 was [30-40]%. According to the parties and as further confirmed by the market investigation, there are numerous other competitors active on the market including ThyssenKrupp Group, Corus, Riva, Voest Alpine, Salzgitter, Rautaruukki Oy, Duferco, US Steel Kosice, SSAB and LusoSider. ArcelorMittal's EEA-wide capacity utilization for galvanized steel products was around [70-80]% in 2008 ([80-90]% in 2007 and [80-90]% in 2006). The parties estimate the overall EEA-wide capacity utilization at around [70-80]% for 2008 ([80-90]% for 2007 and [80-90]% for 2006).
32. Concerning organic coated steel products, the overall sales in the EEA in 2008 were [...] tonnes. ArcelorMittal EEA-wide market shares in 2008 and 2007 were respectively [20-30]% and [20-30]%. According to the parties and as further confirmed by the market investigation, there are numerous other competitors active on the market including Corus, ThyssenKrupp Group, Voest Alpine, SSAB, Salzgitter, Rautaruukki Oy, Duferco, US Steel Kosice and Riva. ArcelorMittal's EEA-wide capacity utilization for organic coated steel products was around [50-60]% in 2008 ([60-70]% in 2007 and [60-70]% in 2006). The parties estimate the overall EEA-wide capacity utilization at around [60-70]% for 2008 ([70-80]% for 2007 and [70-80]% for 2006).
33. Regarding direct sales of hot-rolled flat carbon steel products and galvanized flat carbon steel products, the parties argue that major market entries have occurred in the last five

¹⁰ Other competitors such as Gestamp Automoción are only active in the TWB field.

¹¹ Cold-rolled flat carbon steel products are not an affected market by the proposed concentration.

years into the EEA via increased imports from locations such as Russia, China, and India. In 2008, [...] tons of hot-rolled steel products were imported from China alone into the EU. In 2008, both South Korea and China became significant suppliers of galvanized flat carbon steel products and organic coated steel products in the EEA. In Europe, producers such as US Steel Kosice entered the galvanized steel product market and Voest Alpine, Arvedi, Ilva, Macegaglia, Corus, US Steel and some Russian producers announced plans to increase their installed capacity although due to the economic crisis, the majority of these plans are currently put on hold. Moreover, significant customers of steel products such as the automotive industry tend to be highly concentrated and have significant buyer power.

34. As Noble Europe does not produce any steel and it is currently being almost totally supplied by ArcelorMittal ([70-100]% of its flat steel products supplies), the proposed transaction will not lead to any appreciable structural change in the market by enabling that substantial additional sales from ArcelorMittal are reoriented towards Noble Europe.¹²
35. Consequently, given the extremely limited changes in the EEA market structure brought about by the transaction, the existence of various alternative upstream suppliers of hot-rolled, galvanized and organic flat carbon steel products and in view of the spare capacity available in flat carbon steel production, it is considered that the parties post merger are unlikely to embark into a strategy leading to foreclosure. These same factors would allow ruling out any competition concerns in case an alternative world-wide geographic market delineation were to be followed.
36. In view of the above, it is concluded that the transaction does not raise any competition concerns resulting from the vertical relationship between the parties.

VI. CONCLUSION

37. 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*)
Siim KALLAS
Member of the Commission

¹² Noble International was not active in Europe before it acquired ArcelorMittal's TWB business in 2007. ArcelorMittal's former European TWB business was supplied by ArcelorMittal Group. This remained largely unchanged after the acquisition of the TWB business by Noble. Consequently after the reacquisition of the TWB-business by ArcelorMittal from Noble Europe the channel of supply is not likely to change.