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***Case No COMP/M.6357 -
KONINKLIJKE
PHILIPS/ INDAL
GROUP***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 23/11/2011

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PUBLIC VERSION

MERGER PROCEDURE

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

To the notifying party:

Dear Sir/Madam,

**Subject: Case No COMP/M.6357 - Koninklijke Philips / Indal Group
Commission decision pursuant to Article 6(1)(b) of Council Regulation
No 139/2004¹**

1. On 17.10.2011, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertaking Koninklijke Philips Electronics N.V. ("Philips", the Netherlands) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the undertaking Industrias Derivadas del Aluminio, S.A. ("Indal", Spain) by way of purchase of shares.² (Philips is hereinafter designated as the "notifying party", whereas Philips and Indal are designated as the "parties".)

I. THE PARTIES

2. Philips is a diversified group active in the fields of healthcare, lighting and consumer lifestyle having its headquarters in the Netherlands. Within the lighting sector, it is active in the production, development and sale of general purpose lamps, light fixtures and components for light fixtures as well as solid-state lighting and special lighting applications.
3. Indal is a Spanish industrial holding, active in the field of professional lighting. The group primarily focuses on technical lighting which includes industrial and outdoor

¹ OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

² Publication in the Official Journal of the European Union No C 312, 25.10.2011, p. 12.

applications for the industrial sector, road and amenity as well as interior lighting and integrated ceiling products for the industrial and professional sectors

II. THE OPERATION

4. The transaction is structured as a stock purchase by virtue of which Philips will acquire all of the issued and outstanding capital stock of Indal.
5. Hence the transaction results in the acquisition of sole control of Indal by Philips and therefore constitutes a concentration within the meaning of Article 3 (1) (b) of the EU Merger Regulation.

III. EU DIMENSION

6. The undertakings concerned have a combined aggregate worldwide turnover of more than EUR 5 000 million (Philips: EUR 25 418 million; Indal EUR 156 million).³ The combined aggregate turnover of the undertakings is more than EUR 100 million in each of three Member States (in France the turnover of Philips and Indal respectively is EUR [...] and EUR [...]; in Spain the turnover of Philips and Indal respectively is EUR [...] and EUR [...]; and in the UK the turnover of Philips and Indal respectively is EUR [...] and EUR [...]). In each of these three Member States, the aggregate turnover of each undertaking concerned is more than EUR 25 million. The aggregate EU-wide turnover of each undertaking concerned is more than EUR 100 million. Neither of the undertakings concerned achieves more than two-thirds of its aggregate EU-wide turnover within one and the same Member State.
7. The notified operation therefore has an EU dimension pursuant to Article 1(3) of the EU Merger Regulation.

IV. PROCEDURE

8. The transaction was first notified to the Commission on 28 June 2011. This first notification was subsequently withdrawn on 27 July 2011.

V. COMPETITIVE ASSESSMENT

V.A. RELEVANT MARKETS

9. The acquisition of Indal by Philips gives rise to a horizontal overlap between Philips and Indal with regard to the manufacture of light fixtures. The transaction also leads to vertical integration between a producer of light sources and components (Philips) and a producer of fixtures (Indal).

³ Turnover calculated in accordance with Article 5 of the Merger Regulation.

V.A.1. Product market definition

V.A.1.1. *Light Fixtures*

V.A.1.1.1. Consumer v Professional light fixtures

10. The activities of Philips and Indal 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 source (bulb).
11. In previous decisions, the Commission held that the market for light fixtures comprises two different product markets, i.e. consumer/residential and professional/industrial light fixtures. Professional light fixtures are primarily focused on functionality and are usually installed by professional installers because they require additional work before being operational. By contrast, consumer/residential light fixtures are more easy to use given their pre-wire application i.e. can be installed by non-professionals. Also, professional light fixtures are more expensive and are mainly distributed through electric wholesalers, while residential light fixtures are predominantly distributed through retail markets such as "do-it-yourself" stores. The parties overlap only in professional light fixtures.
12. The above distinction has been confirmed by the notifying party as well as by the respondents to the market investigation. In adherence with its previous decisions in this field,⁴ it can be concluded that consumer and professional light fixtures form part of separate relevant markets.

V.A.1.1.2. Indoor v Outdoor professional light fixtures

13. The Commission has previously left open whether the professional light fixture market could be further segmented into separate markets for indoor and outdoor light fixtures.
14. The notifying party considers that indoor and outdoor light fixtures form part of the same product market. The notifying party submits that regardless of some differences in the profile of part of the customers in each segment, there are factors which indicate the existence of a single product market. Firstly, there are large international players active in both segments, which point towards supply-side substitutability. Secondly, large projects often include both outdoor and indoor fixtures. Lastly, a number of important customers are active in both segments.
15. The results of the market investigation do not support the position of the notifying party. On the contrary, the majority of respondents opted for a segmentation of professional light fixtures into indoor and outdoor light fixtures. Indeed, professional outdoor and indoor fixtures differ with respect to price but also on the basis of technical features such as materials, technology and components used in the

⁴ Case No. IV/M.258 – CCIE/GTE, decision of 25 September 1992, para. 16; Case No. COMP/M.1876 – KKR/WASSAL/Zumtobel, decision of 13 April 2000, para. 11; Case No. COMP/M.2917 – Wendel-KKR/Legrand, decision of 14 October 2002, para. 18; and Case No. COMP/M.4509 – Philips/PLI, decision of 29 January 2007, paras. 7-8; Case No. COMP/M.6194 – Osram/Siteco Lighting, decision of 22 June 2011, paras. 12-14.

production process. Moreover, final customers for these two groups of professional light fixtures tend to be different, outdoor light fixtures being to a large extent purchased by municipalities and public authorities.

16. In any event, the question as to whether outdoor and indoor professional light fixtures belong to separate markets can be left open as no concerns would arise under any possible alternative market definition.
17. In the course of the market investigation, the Commission also identified a further potential sub-segmentation of the professional outdoor light fixtures market into: (i) highways & major roads; (ii) streets & city; (iii) tunnel; (iv) architectural; (v) floodlighting; and (vi) other types of lighting.
18. In this respect, the notifying party submits that the market for professional outdoor light fixtures constitutes a single, albeit heterogeneous and differentiated product market. Any form of segmentation would be necessarily arbitrary and subjective, as evidenced by the fact that all manufacturers of fixtures use their own and mutually incompatible segmentations, which are based on commercial considerations (target end-user groups or applications). Thus, the sub-segmentation suggested by the Commission is just one possible sub-segmentation, based on supposed application areas.
19. The market investigation has been ambivalent with regard to the sub-segmentation outlined above. On the one hand, market players recognise that professional outdoor light fixtures generally differ on the basis of their intended application area. On the other hand, there are no clear borderlines between the above sub-segments as these differ from one manufacturer to another. This ambivalence stems from the very nature of this market, which represents the characteristics of a highly differentiated product market. The Commission also found that such high product differentiation also exists even under the sub-segmentation by application areas outlined above.
20. Although the market investigation did not lead to a clear-cut result, a considerable number of respondents generally agreed with the sub-segmentation indicated above. Therefore, the Commission assessed the effects generated by the transaction with regard to both the possible market for professional outdoor light fixtures and the sub-segmentation by application areas indicated above.

V.A.1.1.3. Horticultural light fixtures

21. A further potential segmentation could arise with regard to a separate range of outdoor light fixtures for specific purposes, namely for use in greenhouses, which are manufactured by Indal.⁵ These “horticultural light fixtures” are designed to improve growth and extend the growing season of commercial crops.
22. The notifying party acknowledges that horticultural light fixtures are used for one application only, i.e. lighting of greenhouses. However, light fixtures for greenhouses do not require other/specific technology compared to other light fixtures. Consequently, existing manufacturers of light fixtures can easily enter the market segment concerned without significant investments. The reason why only a limited

⁵ Philips is currently not active in the manufacturing and supply of horticultural light fixtures.

number of parties are active in this segment is mainly due to the very small market size. According to the notifying party, horticultural light fixtures thus form part of the wider market for professional outdoor light fixtures.

23. The results from the market investigation suggest the existence of a separate product market for horticultural light fixtures. All the respondents to the market investigation pointed out that horticultural light fixtures cannot be substituted by other types of light fixtures because of specific requirements (e.g. permanent illumination) and that the components dedicated for horticultural light fixtures (e.g. ballasts and lamps) might be different from components for other types of light fixtures.
24. In any event, it can be left open whether horticultural light fixtures constitute a separate relevant product market or form part of a broader market for professional outdoor light fixtures, as no concerns would arise under either market definition.

V.A.1.1.4. Conventional v LED light fixtures

25. Lastly, the Commission considered the possibility to identify a separate market for light emitting diodes (“LED”) light fixtures. A LED itself is a solid state device that produces light when excited by an electric current.⁶
26. LEDs constitute a more energy-efficient source of light than conventional general purpose lamps. Another key difference is that LEDs have a much longer life span than conventional lamps and therefore do not require frequent replacement. Accordingly, light fixtures using this new source of light are often integrated products, where LEDs are designed as a part of fixture and not as replaceable consumable goods.
27. Although currently LED technology is not yet very widespread, the industry expects that in the next 5-10 years, LED technology will to a significant extent replace conventional lighting technology. Such a phenomenon is referred to as the “LED revolution”.
28. In *Osram/Siteco*, a number of respondents to the Commission’s market investigation noted that LED light fixtures differ from conventional light fixtures because of: (i) technical specifications (i.e. there is an absence of interchangeability between LEDs and other technologies' lamps); (ii) production specifications (i.e. the materials used in production differ); and (iii) economic reasons (prices, R&D, energy consumption vary).⁷ Consequently, the Commission looked at a separate market for LED light fixtures. However it left the exact product market definition open since the transaction would not have raised serious doubts even under the assumption of such a separate market.
29. The notifying party considers LED fixtures to be part of the same product market as other professional light fixtures mainly in view of the high degree of demand-side substitutability between them. LED fixtures are used for the same applications as other

⁶ Solid state lighting (“SSL”) is a new lighting technology which surfaced recently in the industry. SSL uses clusters of small semiconductor LEDs as sources of illumination rather than the electric filaments, plasma or gas used in conventional lamps.

⁷ Case No. COMP/M.6194 - Osram/Siteco, decision of 22 June 2011, paras. 15-18.

fixtures and various manufacturers of light fixtures offer conventional fixtures that are adapted for the use of LEDs, so as to facilitate the transition to LED lighting.

30. On the supply side, the notifying party submits that technical barriers to switch from producing one type of fixture to another are not high. Manufacturers of professional light fixtures are generally capable of producing the full range of light fixtures, including LEDs. The manufacturing of light fixtures is essentially an assembly activity. In general, LED fixtures are produced in the same production sites as other professional light fixtures, and the same (or slightly adapted) product line is often used.⁸ Since LED lighting solutions are available in the most common formats, they can be used for almost all existing light fixtures applications. Lastly, LED fixtures are also sold via the same channels as the general purpose light fixtures.
31. The majority of customers appear to confirm the position of the notifying party in the market investigation. However, some competitors suggested that the substitutability between the two types of fixtures could be limited on the supply side. This is because different technology is involved in the production process of LED light fixtures and maintenance of these fixtures differs.
32. In view of the above arguments and in line with the recent decision in *Osram/Siteco* the Commission decided to analyse the parties' position also on possible separate markets for professional LED light fixtures. At the same time the Commission decided to leave the exact product market definition open since the transaction does not raise serious doubts under any alternative product market definition.

V.A.I.2. Conventional lighting - General purpose lamps

33. Philips is a major manufacturer of general purpose lamps, which are either sold directly to the end customer, who then replaces them in the fixture, or incorporated with a fixture by the fixture producer. In principle, general purpose lamps may be further subdivided according to the basic technology used and the broad characteristics of the lamp, e.g. energy consumption and properties of the light produced.
34. In previous cases, the Commission has left open whether the market for lamps should be subdivided into incandescent, halogen, fluorescent, compact fluorescent and high intensity discharge ("HID") lamps.⁹
35. The notifying party considers that this subdivision is not relevant for this case mainly because the general market for lamps has a limited relevance for the analysis of vertical relationships with the light fixtures. Light fixtures are chosen irrespectively of the lighting technology used. Moreover, as regards LED retrofit lamps,¹⁰ given their

⁸ During the site visit at Philips' light fixtures plant the notifying party demonstrated the possibility of switching between the production/assemblage of conventional and LED professional outdoor light fixtures.

⁹ Case No. IV/M.258 – CCIE/GTE, decision of 25 September 1992, para. 15; Case No. COMP/M.4509 – Philips/PLI, decision of 29 January 2007, para. 13; Case No. COMP/M.4735 – Osram/Sunny World, decision of 12 November 2007, para. 19.

¹⁰ LED retrofit lamps are LED-based lighting sources fitted with a traditional socket/thread. Thus, they have the same functionality and application as conventional lamps.

common socket technology, the notifying party considers them to be within the same market as general purpose lamps.

36. Most of the respondents to the market investigation considered it appropriate to identify separate markets according to the technology employed, in line with the segmentation outlined above. That is mainly depending on a number of differences in terms of applications, price and technical specifications for each of the lamps type.
37. In any event, the precise product market definition can be left open as the transaction would not raise serious doubts under any possible market definition.

V.A.1.3. Specialty application lamps (horticultural lamps)

38. Philips also manufactures horticultural lamps which are used in order to improve growth and extend the growing season of commercial crops. These lamps are integrated in horticultural light fixtures designed for use in greenhouses (see above, paras. 21-24). These lamps can be used (i) to supplement natural daylight, (ii) to control the light period by extending the natural day length with artificial light, or (iii) to totally replace daylight with artificial light.
39. The Commission has in previous cases considered specialty application lamps as belonging to markets separate from general purpose lamps.¹¹
40. The notifying party agrees that lamps for specialty applications, such as for instance vehicle (automotive) lighting and tanning lights, are indeed lamps which are designed and used in specific specialty segments and therefore should not be considered part of the general purpose lighting market. Similarly, horticultural lamps may also be considered as specialty application lamps.
41. According to the notifying party, there are two different types of horticultural light sources, i.e., HID lamps and LED. These light sources are interchangeable from the end customers' perspective, while manufacturers of light fixtures for use in greenhouses are developing LED fixtures as a substitution for conventional HID fixtures. The notifying party also contends that there is no reason to further subdivide the market for horticultural lamps according to the wattage of the lamps. Firstly, suppliers of horticultural lamps tend to offer a range of different lamps and produce them based on the same socket technology, hence facilitating switching to other types of lamps. Secondly, different horticultural lamps have the same illumination purpose and therefore have high demand substitutability. Thirdly, different wattage lamps can be used in the same light fixture as long as they are combined with the right ballast.
42. The market investigation partially confirmed the view of the notifying party. Respondents indeed consider that lamps used in horticultural light fixtures differ from general purposes lamps because of price, characteristics and technology employed. The market investigation did not show any noteworthy difference on the demand side between HID lamps and LEDs. A number of respondents however highlighted a potential further segmentation according to the wattage of lamps, whereby 1 000 Watt

¹¹ Case No. IV/M.258 – CCIE/GTE, decision of 25 September 1992, para. 15; Case No. COMP/M.4735 – Osram/Sunny World, decision of 12 November 2007, footnote 4.

lamps would constitute a separate market because of their performance profile which is significantly higher in comparison to lower wattage lamps.

43. The Commission considers that the precise market definition for lamps for horticultural light fixtures can be left open as the transaction would not raise serious doubts even under the narrowest market definition.

V.A.1.4. LED lighting - LEDs and LED modules

44. Philips is also active in the production and supply of LEDs and LED modules. LED lighting refers to solid state lighting where light is produced and controlled electronically through light emitting diodes rather than through electric filaments, embedded in plasma or gas.
45. LEDs are a basic component in LED retrofit lamps and LED modules. LED retrofit lamps have a traditional socket and are designed as a replacement for conventional lamps.¹² LED modules are specifically assembled diodes including electric components.¹³
46. In *Philips/PLI*, the Commission has indicated that LEDs may constitute a separate product market.¹⁴ In its recent *Osram/Siteco*¹⁵ the Commission has left the exact product market definition open for LEDs and LED modules.
47. The notifying party submits that LED lighting is starting to exert a competitive constraint over conventional lighting. The notifying party also considers that there is not a clear difference within the supply and demand side for LEDs and LED modules since the players in this market may be active at one or several levels of this integration chain. Accordingly, the relevant market could be the market for LED in general (including LED modules).
48. The market investigation suggested that at least for the time being LED light sources form part of a market distinct from conventional lamps because of differences in prices and production process. The market investigation also highlighted a number of differences between the production processes for LEDs on the one hand and LED modules on the other. In comparison to the manufacture of LEDs, production of LED modules involves additional technologies and a different process and equipment. Furthermore, not all the parties active in the production of LEDs are also manufacturing LED modules, and vice-versa.

¹² Since LED retrofit lamps are similar in shape and use to the traditional lamps (i.e. they might replace general purpose lamps in different light fixtures), they will be further analysed in the section devoted to general purpose lamps.

¹³ LED modules are also sometimes called LED light engines. Although LED modules and LED light engines are similarly used terms, the latter are standardized whereas the former are not. Standards of LED light engines mainly relate to specific characteristics and different interfaces which aim at increasing the market acceptance/attractiveness of lighting products.

¹⁴ Op cit, para. 14.

¹⁵ Case COMP/M.6194 – Osram/Siteco Lighting, decision of 22 June 2011.

49. In any event, the exact product market definition for LEDs and LED modules can be left open, as the transaction would not raise serious doubts under any possible alternative.

V.A.1.5. Components for light fixtures

50. Components for light fixtures include electronic ballasts, HID chokes, fluorescent chokes, controls and ignitors.¹⁶
51. In *KKR/WASSAL/Zumtobel*,¹⁷ the Commission has left open whether there are separate markets for components for light fixtures, such as fluorescent chokes, HID chokes, electronic transformers, magnetic transformers, ignitors and electronic ballasts. The *Osram/Siteco* decision focused on the question whether there are separate markets for electronic control gears (i.e. electronic ballasts) but ultimately the exact product market definition was left open.
52. Whilst acknowledging that different light sources use different component types, the notifying party retains that both the components for conventional lighting as well as those for LED lighting have the ultimate same application. In particular, both apply power conversion, electronic component configuration and control functionalities for lighting purposes. The notifying party considers the main difference between components for conventional fixtures and LED fixtures lies in the shape of the components.
53. On average, respondents to the market investigation confirmed that each of the components above (electronic ballasts, HID chokes, fluorescent chokes, controls and ignitors) constitutes a separate product market.
54. The market investigation also suggested that there are remarkable differences in terms of technology and production process between some components for different types of fixtures (i.e. conventional or LED). These are in particular relevant for electronic control gears (i.e. electronic ballasts using LED technology).
55. Lastly, the market investigation pointed to the existence of a potential separate market for ballasts used in horticultural light fixtures since some ballasts appear to be manufactured for the purposes of being integrated in horticultural fixtures and designed to optimize the performances of horticultural lamps. The notifying party submits that ballasts for horticultural light fixtures do not constitute a separate segment since manufacturers usually offer a complete range of different ballasts, customers choose their ballasts based on their specific needs, and ballasts used for horticultural purposes can often also be used for other applications.

¹⁶ Electronic ballasts control the power which flows through the lamp and are used to operate high frequency fluorescent, halogen and HID lamps in an energy efficient way. Chokes are ballasts that may be used in combination with a HID lamp or a fluorescent lamp. Controls are devices connected to electronic drivers or ballasts which enable the user to set or read the properties of the system. These include smart switches, dimmers and sensors, sometimes built into large systems, which control the on-off, dimming, etc. of the fixture/lamp system. Ignitors are an electronic circuit used in order to start the lamp.

¹⁷ *Op cit*, para. 11.

56. For the purpose of this decision, the question as to whether there is an overall market for light fixture components or separate markets for each component can however be left open as the transaction would not raise serious doubts under any possible market definition.

V.A.2. Geographic market definition

V.A.2.1. *Light Fixtures*

57. In a previous decision, the Commission has defined the market for light fixtures for professional use as national in scope.¹⁸ However, in subsequent cases the Commission has left open whether the geographic market is national or EEA-wide.¹⁹
58. According to the notifying party, there are several factors such as the increase of cross-border trade, the fact that transport costs are not significant, as well as the presence of competitors in several Member States which indicate that the market is at least EEA-wide.
59. The results from the market investigation suggest that the main players in the market are active on an EEA scale and that transport costs are low. Internal documents from the parties also show that the production process is concentrated in a few sites within the EEA, which assemble the components required to produce each model and ship final products to the customers' location all through the EEA. Furthermore, R&D activity for all the EEA territory is carried out in centralized research facilities. These findings have been also confirmed by the site visit carried out by the Commission in Philips' premises.
60. The market investigation however also suggested that market players' shares are very different in different Member States and that a national distribution network is crucial for the success of a given producer. In practice, each manufacturer needs a dedicated sales force team located in every Member State. This facilitates contact with local installers/wholesalers and public authorities especially in view of participating to any public procurement opportunities. Moreover, these local teams are more likely to be aware of the specific technical and regulatory requirements.
61. The internal documents of the parties have also confirmed that national buying habits play an important role. In fact, the best selling product lines of both Philips and Indal differ from one Member State to another. Internal documents further show that the parties analyse their sales and market strategies at the national or at most, regional level (i.e. including a number of Member States).
62. In any event, the question as to whether the market for professional light fixtures (and any possible sub-segmentation thereof, including LED light fixtures) is EEA-wide or national can be left open as the transaction would not raise serious doubts under either approach.

¹⁸ Case No. IV/M.258 – CCIE/GTE, decision of 25 September 1992, para 20.

¹⁹ Case No. COMP/M.1876 – KKR/WASSAL/Zumtobel, decision of 13 April 2000, para. 14; and Case No. COMP/M.2917 – Wendel-KKR/Legrand, decision of 14 October 2002, paras. 19-20.

63. As regards the market for horticultural light fixtures, the market investigation suggested that the market is at least EEA-wide, if not worldwide in scope. Transport costs do not play an important role and the main players are active at least on an EEA scale. Furthermore, local sales forces do not appear to play the same role as in the professional light fixtures market and any segments thereof. The exact geographic market definition can be nonetheless left open as no concerns would arise under any possible alternative.

V.A.2.2. *Conventional lighting - General purpose lamps*

64. As regards the market for general purpose lamps and any possible segment thereof, the Commission in previous decisions has left it open whether its scope is national or EEA-wide.²⁰
65. The notifying party contends that this market should be considered to be EEA-wide.
66. The market investigation suggested that the market should be viewed at least as EEA-wide in scope. Only a narrow minority of respondents claimed the market to be national.
67. In any event, the exact geographic market definition can be left open as no concerns would arise under any possible alternative.

V.A.2.3. *Specialty application lamps (horticultural lamps)*

68. The notifying party considers that the market for horticultural lamps is at least EEA-wide also given the fact that market players supply these products to original equipment manufacturers (“OEM”) within the country of production and also in surrounding countries.
69. The market investigation confirmed that the market for horticultural lamps is at least EEA-wide, if not worldwide in scope. Transport costs do not play a significant role and the main players are active at least on an EEA level. The question as to whether the geographic scope of the market is EEA-wide or wider can be left open as no concerns would arise under any possible approach.

V.A.2.4. *LED lighting – LEDs and LED modules*

70. In its previous decisions²¹ the Commission has also left open whether the market for LEDs is EEA-wide or national in scope. In *Osram/Siteco*, the precise geographic market definition was also left open.²²

²⁰ Case No. COMP/M.4735 – Osram/Sunny World, decision of 12 November 2007, para. 22; Case No. IV/M.258 – CCIE/GTE, decision of 25 September 1992, paras. 17-20, Case No. COMP/M.4509 – Philips/PLI, decision of 29 January 2007, paras. 13 and 16.

²¹ Case No. COMP/M.4509 – Philips/PLI, decision of 29 January 2007, Case COMP/M.6194 – Osram/Siteco, decision of 22 June 2011.

²² *Op cit*, para. 60.

71. The notifying party considers that the market for LEDs as well as that for LED modules should be worldwide or at least EEA-wide. This is particularly in view of the fact that LED suppliers are based in many regions of the world, mostly in Asia and supply their customers worldwide.
72. The results of the market investigation showed the market(s) for LEDs and LED modules to be at least EEA-wide in scope. Approximately half of the respondents indicated the market as global because of the same players being active on a worldwide scale and the absence of national and/or regional specifications.
73. In any event, the exact geographic market definition can be left open as no concerns would arise under any possible alternative.

V.A.2.5. *Components for light fixtures*

74. The Commission in *KKR/WASSAL/Zumtobel* had left open whether the geographic market for components for light fixtures is EEA-wide or worldwide.²³ In its *Osrham/Siteco* decision, the Commission has defined the geographic scope of the market for electronic control gears (i.e. a component for light fixtures) to be at least EEA-wide in scope.²⁴
75. The notifying party considers that due to the absence of overlap in this market (as only Philips is active), the final geographic market may be left open for the purposes of this case.
76. The market investigation confirmed the market(s) for components to be at least EEA-wide, if not global in scope. Most of the respondents source their requirements at least at EEA level and from the same suppliers active worldwide.
77. In any event, the exact geographic market definition can be left open as no concerns would arise under any possible alternative.

V.B. COMPETITIVE ASSESSMENT

V.B.1. Introduction

78. The proposed transaction gives rise to a number of horizontally affected markets for professional light fixtures and its potential sub-segments. As regards the possible market for overall professional light fixtures markets, the affected markets are the Czech Republic, France, the Netherlands, Poland, Portugal, Slovakia, Slovenia and Spain. France, Portugal and Spain are also affected markets for the professional indoor light fixtures segment. In the professional outdoor light fixture segment the proposed transaction leads to affected markets in Belgium, Czech Republic, France, the Netherlands, Poland, Slovakia, Slovenia, Spain, Sweden, and the UK. In addition, there are also horizontally affected markets in the potential outdoor sub-segments, namely in highways/major roads (the Czech Republic, France, the Netherlands, Poland, Spain, Sweden and the UK), street/city (the Czech Republic, France, the

²³ *Op cit*, para. 15.

²⁴ *Op cit*, para. 64.

Netherlands, Poland, Spain, Sweden and the UK), tunnel (Spain), architectural (Belgium, the Czech Republic, France, the Netherlands, Poland, Spain, Sweden and the UK) and floodlighting (Belgium, France, the Netherlands, Poland, Spain and Sweden).

79. Furthermore, the proposed transaction leads to a number of vertically affected markets since, while Indal is active in different markets for light fixtures, Philips is active upstream in: (i) markets for various types of traditional general purpose lamps; (ii) markets for certain components of light fixtures; and (iii) markets for LEDs and LED modules.

V.B.2. **Horizontal effects**

V.B.2.1. Overall professional light fixtures

80. Both parties are active in professional light fixtures across the EEA.
81. According to the parties, the professional light fixture market in the EEA amounted to EUR 4 582 million in 2010. Philips and Indal had sales of EUR [...] and EUR [...] respectively. The parties therefore estimate their EEA combined market share regarding the overall professional light fixture market to be just below [10-20]% ([10-20]%, with Indal adding an increment of [0-5]%). Thus this market is not affected.
82. On a national level, the proposed transaction leads to affected markets in the Czech Republic with a combined market share of [10-20]% (Philips: [10-20]%; Indal: [0-5]%), France with [20-30]% (Philips: [10-20]%; Indal: [0-5]%), the Netherlands with [30-40]% (Philips: [30-40]%; Indal: [5-10]%), Poland with [20-30]% (Philips: [20-30]%; Indal: [0-5]%), Portugal with [10-20]% (Philips: [10-20]%; Indal: [0-5]%), Slovakia with [40-50]% (Philips: [30-40]%; Indal: [0-5]%), Slovenia with [10-20]% (Philips: [5-10]%; Indal: [5-10]%) and Spain with [20-30]% (Philips: [10-20]%; Indal: [5-10]%).
83. Although some of the national markets are affected, the combined market position of the parties and the increment added by Indal are not sufficient to raise concerns. This is in line with results of the market investigation, since customers and competitors have not made observations with respect to the possible market for overall professional light fixtures, but have rather focused on its outdoor and indoor segments. Therefore, the Commission considers that the proposed transaction does not raise serious doubts with regards to the possible markets for overall professional light fixtures.
84. The parties indicated that the possible market for LED professional light fixtures would amount to EUR 372 million in the EEA. The sales of the parties within this segment would amount to EUR [...] which translates in the market share of [20-30]% in the EEA (increment of [0-5]% due to Indal). However, a number of competitors for professional LED light fixtures will remain in the EEA, such as Zumtobel-Thorn ([10-20]%), Schreder ([5-10]%) as well as Trilux ([5-10]%).
85. On a national level the transaction would lead to affected markets in France (Philips: [20-30]%; Indal: [10-20]%), the Netherlands (Philips: [20-30]%; Indal: [5-10]%), Spain (Philips: [10-20]%; Indal: [5-10]%), Sweden (Philips: [20-30]%; Indal: [0-5]%) and the UK (Philips: [20-30]%; Indal: [5-10]%).

86. On the EEA-wide level the parties' market shares in the professional light fixtures using LED as source of light will remain relatively limited (under 25%) and a number of competitors remain. The market shares could be higher if this segmentation was considered on a national level. However, even there, only in some Members States this would lead to affected markets. In such a case, the highest combined market share would occur in France and amount to [40-50]%.
87. As explained previously, LED professional light fixtures is a fast growing but still small market with a number of new entrants every year. Moreover, not only large light fixture competitors are present on this market but also smaller players which specialize in LED lighting only (such as for example Innolumis and Ruud Lighting). Therefore the market shares and the competitive situation in LED lighting at this stage are still dynamic and hence the market shares do not seem to be the best indicator for the market power of the parties.
88. Furthermore, market respondents have not made observations with respect to the possible markets for overall professional LED light fixtures, but have rather focused on the outdoor segment.
89. Based on the above, the Commission considers that the proposed transaction does not raise serious doubts with regards to the overall professional LED light fixture markets.

V.B.2.2. Professional indoor light fixtures

90. As explained above, the market for professional indoor light fixtures is not affected on the EEA-wide level. The parties estimate that the total size of this market in the EEA in 2010 was EUR 3 232 million. In this segment, Philips and Indal had sales of EUR [...] and EUR [...] million, so the merged entity would achieve an EEA combined market share around [10-20]% (Philips: [10-20]%; Indal: [0-5]%). This would still leave the merged entity behind the market leader Zumtobel-Thorn (with an estimated market share of [10-20]%). Other sizeable competitors are Fagerhult ([5-10]%) and Trilux ([5-10]%). In addition, there are a large number of other small players as the indoor market is highly fragmented.
91. At the national level, the proposed transaction leads to three affected markets (France, Portugal and Spain) in the segment for professional indoor light fixtures.

V.B.2.2.1. France

92. The parties estimate that the size of the French professional indoor light fixture market in 2010 was EUR 409 million. Philips' sales amounted to EUR [...] and Indal's sales to EUR [...], so the merged entity would have a combined market share of [20-30]% (Philips: [20-30]%; Indal: [0-5]%). Indal's presence in this market is therefore minimal. In addition, the merged entity would continue to face strong competition from Zumtobel-Thorn ([10-20]%) and Trilux ([5-10]%). This is in line with the market investigation results, given that none of the respondents raised concerns. Therefore, the proposed transaction does not raise serious doubts in the professional indoor light fixtures market in France.

V.B.2.2.2. Portugal

93. According to the parties, the total size of the professional indoor light fixture market in Portugal in 2010 was EUR 37 million. Philips had sales of EUR [...] and Indal had sales of EUR [...] in the same period. Therefore, the parties estimate that in Portugal the merged entity would have a combined market share of [10-20]% (Philips: [10-20]%; Indal: [0-5]%). The increment from Indal is relatively low and the merged entity would still face sizeable competitors such as Zumtobel-Thorn ([10-20]%), Troll ([5-10]%) and Disano ([5-10]%). Based on the above and on the fact that none of the respondents to the market investigation raised any concerns, the Commission considers that the proposed transaction does not raise serious doubts in the professional indoor light fixtures market in Portugal.

V.B.2.2.3. Spain

94. In Spain the market for professional indoor light fixtures amounts to EUR 179 million according to the parties. Philips' revenues in this segment were EUR [...], whereas Indal generated EUR [...]. The parties therefore estimate their combined market share to be [20-30]% (Philips: [20-30]%; Indal: [0-5]%). Indal's relatively limited market share, the existence of sizeable competitors such as Zumtobel Thorn ([10-20]%), Troll ([10-20]%), iGuzzini ([5-10]%) and Secom ([0-5]%) and the fact that large majority of respondents to the market investigation did not raise concerns with regards to the impact of the proposed transaction to the professional indoor light fixtures market in Spain, permit to conclude that the transaction would not raise serious doubts in this market.

V.B.2.3. *Professional outdoor light fixtures*

V.B.2.3.1. EEA

95. In the segment for professional outdoor light fixtures, the parties estimate the EEA market size to be EUR 1 351 million in 2010. In this period, Philips' EEA sales were EUR [...] million and Indal's sales were EUR [...] million. The combined market share of the parties post-transaction would therefore be [20-30]% in the EEA (Philips: [10-20]%; Indal: [5-10]%).
96. With respect to the narrower outdoor sub-segments, the parties' estimates indicate that the proposed transaction would lead to affected markets at EEA level in all the sub-segments except for tunnels. In highways/major roads, the merged entity would have a market share of [20-30]% (Philips: [10-20]%; Indal: [0-5]%). Regarding street/city, the combined market share of the parties is [20-30]% (Philips: [10-20]%; Indal: [10-20]%). In architectural, the merged entity would have [20-30]% (Philips: [20-30]%; Indal: [0-5]%). As regards floodlighting, the parties' combined market share is estimated at [20-30]% (Philips: [20-30]%; Indal: [0-5]%). It should be noted that the market shares relating to the potential sub-segments of professional outdoor light fixtures may not be fully accurate due to the difficulty to precisely define the content of each of the segment in question²⁵ and the highly differentiated nature of the product markets.

²⁵ In this respect the parties argue and some of respondents to the market investigation confirm that some of the professional outdoor light fixtures might be used across a number of segments.

97. If professional outdoor light fixtures using LED as source of light were taken into consideration as a separate segment, the market shares of the parties in the EEA would amount to [20-30]% combined market share ([5-10]% increment due to Indal). This market share is slightly lower than the market share encompassing all professional outdoor light fixtures. Moreover, the size of the LED professional outdoor light fixture segment is relatively low compared to the possible market for professional outdoor light fixtures since it amounts to only EUR 210 million in the EEA.
98. On a national level, the parties' combined market shares regarding professional outdoor light fixtures would lead to affected markets in Belgium, the Czech Republic, France, the Netherlands, Poland, Slovakia, Slovenia, Spain, Sweden and the UK.
99. As previously noted, though the geographic scope of the professional outdoor light fixture market might be national, there is a strong cross-border element in these markets. In fact there are a number of producers present across the EEA, such as the parties, Schröder, Zumtobel-Thorn, Osram, GE, Trilux, Bega, Hess or Targetti. Consequently, national markets cannot be viewed in total isolation and relatively high market shares in the different Member States in the various sub-segments are not necessarily indicative of market power.
100. The estimates of the parties regarding market size and market shares for the affected markets at EEA and national level in professional outdoor light fixtures are presented in Table 1.

Table 1: Parties' market shares (in value) in EEA + Member States for professional outdoor light fixtures (2010)

Source: Form CO.

EEA / Member State	Market size (EUR million)	Philips		Indal		Combined	
		Sales (EUR million)	Market share	Sales (EUR million)	Market share	Sales (EUR million)	Market share
EEA	1 351	[...]	[10-20]%	[...]	[5-10]%	[...]	[20-30]%
Belgium	62	[...]	[10-20]%	[...]	[0-5]%	[...]	[10-20]%
Czech Republic	10	[...]	[5-10]%	[...]	[10-20]%	[...]	[20-30]%
France	223	[...]	[10-20]%	[...]	[5-10]%	[...]	[20-30]%
Netherlands	87	[...]	[20-30]%	[...]	[20-30]%	[...]	[40-50]%
Poland	43	[...]	[30-40]%	[...]	[0-5]%	[...]	[30-40]%
Portugal	33	[...]	[0-5]%	[...]	[5-10]%	[...]	[10-20]%
Slovakia	6	[...]	[30-40]%	[...]	[0-5]%	[...]	[30-40]%
Slovenia	3	[...]	[5-10]%	[...]	[10-20]%	[...]	[20-30]%
Spain	137	[...]	[10-20]%	[...]	[10-20]%	[...]	[30-40]%
Sweden	31	[...]	[30-40]%	[...]	[0-5]%	[...]	[40-50]%
United Kingdom	266	[...]	[5-10]%	[...]	[10-20]%	[...]	[10-20]%

101. The market size and market share estimates of the parties regarding the sub-segments of the professional outdoor light fixture market for the affected markets at EEA and national level are presented in Table 2.

Table 2: Parties' market shares (in value) in EEA + Member States for sub-segments within professional outdoor light fixtures (2010)

Source: Form CO.

EEA / Member State	Highways / major roads		Street / city		Tunnel		Architectural		Floodlighting	
	Sales (EUR million)	MS (%)	Sales (EUR million)	MS (%)	Sales (EUR million)	MS (%)	Sales (EUR million)	MS (%)	Sales (EUR million)	MS (%)
EEA	164		856		27		109		194	
Philips	[...]	[10-20]	[...]	[10-20]	[...]	[0-5]	[...]	[20-30]	[...]	[20-30]
Indal	[...]	[0-5]	[...]	[10-20]	[...]	[5-10]	[...]	[0-5]	[...]	[0-5]
Philips+Indal	[...]	[20-30]	[...]	[20-30]	[...]	[10-20]	[...]	[20-30]	[...]	[20-30]
Belgium	4		42		1		7		8	
Philips	[...]	[0-5]	[...]	[5-10]	[...]	[0-5]	[...]	[20-30]	[...]	[20-30]
Indal	[...]	[0-5]	[...]	[5-10]	[...]	[0-5]	[...]	[0-5]	[...]	[0-5]
Philips+Indal	[...]	[5-10]	[...]	[10-20]	[...]	[0-5]	[...]	[20-30]	[...]	[20-30]
Czech Republic	1		7		0		1		1	
Philips	[...]	[10-20]	[...]	[5-10]	[...]	[0-5]	[...]	[10-20]	[...]	[10-20]
Indal	[...]	[0-5]	[...]	[10-20]	[...]	[5-10]	[...]	[20-30]	[...]	[0-5]
Philips+Indal	[...]	[20-30]	[...]	[20-30]	[...]	[5-10]	[...]	[30-40]	[...]	[10-20]
France	23		143		4		22		31	
Philips	[...]	[20-30]	[...]	[10-20]	[...]	[0-5]	[...]	[30-40]	[...]	[30-40]
Indal	[...]	[0-5]	[...]	[10-20]	[...]	[0-5]	[...]	[0-5]	[...]	[0-5]
Philips+Indal	[...]	[20-30]	[...]	[20-30]	[...]	[0-5]	[...]	[30-40]	[...]	[30-40]
Netherlands	9		60		2		6		9	
Philips	[...]	[10-20]	[...]	[20-30]	[...]	[0-5]	[...]	[40-50]	[...]	[30-40]
Indal	[...]	[20-30]	[...]	[20-30]	[...]	[20-30]	[...]	[0-5]	[...]	[0-5]
Philips+Indal	[...]	[30-40]	[...]	[40-50]	[...]	[20-30]	[...]	[40-50]	[...]	[30-40]
Poland	14		17		1		3		7	
Philips	[...]	[30-40]	[...]	[20-30]	[...]	[0-5]	[...]	[60-70]	[...]	[30-40]
Indal	[...]	[0-5]	[...]	[0-5]	[...]	[0-5]	[...]	[0-5]	[...]	[0-5]
Philips+Indal	[...]	[30-40]	[...]	[20-30]	[...]	[0-5]	[...]	[60-70]	[...]	[30-40]
Spain	27		78		2		13		17	
Philips	[...]	[20-30]	[...]	[5-10]	[...]	[5-10]	[...]	[30-40]	[...]	[30-40]
Indal	[...]	[5-10]	[...]	[20-30]	[...]	[40-50]	[...]	[0-5]	[...]	[5-10]
Philips+Indal	[...]	[20-30]	[...]	[30-40]	[...]	[50-60]	[...]	[40-50]	[...]	[40-50]
Sweden	2		23		1		2		4	
Philips	[...]	[70-80]	[...]	[30-40]	[...]	[0-5]	[...]	[40-50]	[...]	[40-50]
Indal	[...]	[0-5]	[...]	[0-5]	[...]	[0-5]	[...]	[5-10]	[...]	[0-5]
Philips+Indal	[...]	[70-80]	[...]	[30-40]	[...]	[0-5]	[...]	[40-50]	[...]	[40-50]
United Kingdom	37		160		6		18		46	
Philips	[...]	[10-20]	[...]	[5-10]	[...]	[0-5]	[...]	[10-20]	[...]	[5-10]
Indal	[...]	[5-10]	[...]	[10-20]	[...]	[5-10]	[...]	[0-5]	[...]	[0-5]
Philips+Indal	[...]	[20-30]	[...]	[20-30]	[...]	[10-20]	[...]	[10-20]	[...]	[5-10]

102. The market size and market share estimates of the parties regarding the affected national markets for the professional outdoor light fixtures using LED as a light source are presented in Table 3.

Table 3: Parties' market shares (in value) in EEA + Member States for LED professional outdoor light fixtures (2010)

Source: Form CO.

EEA / Member State	Market size (EUR million)	Philips		Indal		Combined	
		Sales (EUR million)	Market share	Sales (EUR million)	Market share	Sales (EUR million)	Market share
EEA	210	[...]	[10-20]%	[...]	[5-10]%	[...]	[20-30]%
France	23	[...]	[20-30]%	[...]	[10-20]%	[...]	[40-50]%
Germany	30	[...]	[10-20]%	[...]	[5-10]%	[...]	[10-20]%
The Netherlands	18	[...]	[20-30]%	[...]	[10-20]%	[...]	[30-40]%
Spain	36	[...]	[10-20]%	[...]	[5-10]%	[...]	[20-30]%
Sweden	4	[...]	[30-40]%	[...]	[0-5]%	[...]	[30-40]%
United Kingdom	31	[...]	[10-20]%	[...]	[10-20]%	[...]	[20-30]%

V.B.2.3.2. The Netherlands

103. In the market for professional outdoor light fixtures in the Netherlands, the parties estimate that they have a combined market share of [40-50]% (Philips: [20-30]%; Indal: [20-30]%) with respect to an estimated market size of EUR 87 million. Philips' sales for this segment in the Netherlands in 2010 amounted to EUR [...] and Indal had EUR [...] of sales in the same period. On the narrower outdoor sub-segments, the parties estimate that the merged entity would have combined market shares of [30-40]% in highways/major roads (Philips: [10-20]%; Indal: [20-30]%), [40-50]% in street/city (Philips: [20-30]%; Indal: [20-30]%) and [40-50]% in architectural (Philips: [40-50]%; Indal: [0-5]%).
104. If only professional outdoor light fixtures which use LED as source of light were to be considered, the market share of the parties would be lower than their combined share in professional outdoor light fixtures since it would amount to [30-40]% with an increment of [10-20]% due to Indal. However, it should be noted that the size of the possible market for professional outdoor light fixtures using LED as source of light accounts for less than one fourth of the possible market for professional outdoor light fixtures and is in development stage.
105. According to the parties, in the professional outdoor light fixture market in the Netherlands the merged entity would continue to face strong competition from Schröder ([20-30]%), Lightronics ([5-10]%), Innolumis ([5-10]%) and a number of other competitors (Se'lux: [0-5]%; Ruud Lighting: [0-5]%; Hess: [0-5]%; Louis Poulsen: [0-5]%; Bega: [0-5]%; iGuzzini: [0-5]%).
106. In addition to these competitors, the market investigation indicated that there are other companies active in the Dutch professional outdoor light fixture market, such as Zumtobel-Thorn, Trilux, Osram and LED expert. However, given the high market fragmentation, it was not possible to reconstruct the exact market shares. The Commission nevertheless collected market size estimates from other competitors and these estimates are generally in line with the parties' estimates. Therefore, the market investigation confirmed the parties' combined market share estimates.
107. Further to the parties' relatively high combined market share, some responses to the market investigation suggest that there could be concerns with respect to the professional outdoor light fixture market in the Netherlands.
108. First, some customers claimed that prices would rise and competition would decrease because Philips and Indal are two of the three main players - Schröder being the third. Some competitors also voiced general concerns relating to the parties' combined market share. Furthermore, two customers mentioned the parties' large installed base. One customer also pointed to the parties' successful strategy of approaching municipalities with specific designs and of having products pre-selected in tenders.
109. Some respondents also indicated that brand reputation, brand reliability, scale and a large portfolio are important elements for the choice of product taken by end-customers. Scale is particularly important for big projects where the public authority or the installer on its behalf tends to choose one supplier who is able to cater for all the needs of the project. This could mean that the merged entity would be in a favourable position in the market given its post-transaction position. Similarly, brand reputation

and reliability are important because end-customers, such as public authorities, value tried and tested products.

110. In addition, the market investigation provided some indications that overall the parties could be the closest competitors in the outdoor light fixture market. For example, the parties' main selling outdoor light fixture product line "Iridium" (for Philips) and "Arc" (for Indal) are considered by several respondents as the closest competitive products.
111. The evidence gathered by the Commission during the market investigation indicates however that the transaction does not raise serious doubts on the professional outdoor light fixtures market. The findings that the Commission took into account to reach this conclusion are listed below.
112. First, the majority of the Dutch customers which responded to the market investigation did not raise any concerns relating to the transaction.
113. Second, the evidence suggests that prices post transaction would go down or remain under pressure, especially in highway/major roads and street/city segments and that competition could even increase. This stems from various responses of competitors and customers. Furthermore, it is also consistent with internal documents of the parties, according to which possible efficiencies created by the transaction and complementary products portfolios appear to be the main motivation behind the transaction.
114. Third, as regards closeness of competition, the market investigation does not clearly confirm that the parties are the closest competitors. In fact, a significant number of respondents indicated that other competitors (e.g. Schröder, Se'lux, AAA-Lux) are the closest competitors to one of the parties, or that particular light fixtures from other competitors are the closest products to one of the parties' light fixtures.²⁶
115. Furthermore, on the basis of the analysis of Philips' internal documents, the Commission understands that Philips considered whether there would be cannibalization of sales between the two companies but concluded that the overlap in the customer base was limited.
116. Fourth, although the parties are two of the main competitors in the Dutch market, as mentioned above, there is a third strong competitor (Schröder) and a large number of other smaller competitors active in the market. For example, [...] a [...] light fixture manufacturer [based in one of the EEA Member States other than the Netherlands], recently won a large tender with the Municipality of Amsterdam. Furthermore, customers adopt multi-sourcing strategies. Therefore, the Commission considers that the merged entity would still be constrained by the remaining fringe of competitors.
117. Fifth, as regards the importance of brand, scale and product portfolio, as well as the existence of barriers to entry, there are a number of strong EEA-wide players which until now have not focused on the Dutch professional outdoor light fixture market but

²⁶ For example, one customer listed Schröder's product line Onyx as the closest competitive product to Philips' Koffer line while other listed Lightronics as having the closest competitive product to Indal's Kegel line.

which could enter this market. The evidence from the market investigation suggests that barriers to expansion from one Member State to the other are considerably lower than barriers for companies starting a business in this market.²⁷ These competitors (e.g. Osram, Zumtobel-Thorn) are already present on a larger scale in other neighbouring Member States and thus could compete with the merged entity in terms of scale and portfolio.

118. Moreover, the market has witnessed successful new entrants. For instance, Innolumis was listed as a new entrant in LED fixtures whose strength is price and quality, which are the two main features listed by customers as important for a producer to succeed. Lightronics was also listed by customers as an example of new entrants in the market, especially with regards to LED fixtures. The market investigation confirmed that these competitors have recently entered the market.
119. These examples of new entry in LED are in line with the current trend in the industry, i.e. the move towards LED technology. The replacement of conventional lighting technology by LED provides new opportunities for competition.
120. Furthermore, the market investigation indicates that the professional outdoor light fixture market also has features of a bidding market, where suppliers compete for each and every project. In fact, customers such as governments and municipalities are able to design and implement favourable procurement arrangements, thus the power of manufacturers to impose conditions or to increase prices appears limited.
121. In addition, professional outdoor light fixture manufacturers do not only sell directly to public authorities but through intermediaries (usually installers) which use multi-sourcing strategies. Therefore, leveraging size is difficult and there are chances for smaller players to enter.
122. As already mentioned, [...] [a light fixture manufacturer based in one of the EEA Member States other than the Netherlands] won a tender with the Municipality of Amsterdam. This contract has a long duration and is valued in Philips' internal document as [...]. In addition, there are recent examples of competitors cooperating with Dutch installers, which would also constrain the merged entity. The market investigation has also confirmed that at least one installer is already co-developing light fixtures or considering such option.
123. Based on the above, the Commission considers that the proposed transaction would not raise serious doubts in the professional outdoor light fixtures market or any of its narrower segments in the Netherlands.

V.B.2.3.3. The United Kingdom

124. The parties estimate their combined market share in the UK outdoor market to be [10-20]% (Philips: [5-10]%; Indal: [10-20]%). According to the parties' estimate, the size of the professional outdoor light fixture market in the UK is EUR 266 million. Philips and Indal had EUR [...] and EUR [...] of sales respectively.

²⁷ For instance, as explained by one competitor, while entry *ex novo* requires a high investment in relationship management, product expansion is very easy.

125. According to the parties' estimates, the outdoor sub-segments for highway/major roads and street/city sub-segments would be affected markets given that the merged entity would have market shares of [20-30]% in highway/major roads (Philips: [10-20]%; Indal: [5-10]%) and [20-30]% in street/city (Philips: [5-10]%; Indal: [10-20]%).
126. If only light fixtures which use LED as source of light were taken into consideration, the parties' market share would amount to [20-30]% (with increment of [10-20]% due to Philips). This possible market however is currently relatively small (EUR 31 million) and is in development phase.
127. The parties submit that in the UK the merged entity would face competition from Schröder ([5-10]%), Abacus Lighting ([0-5]%) and Zumtobel-Thorn. In addition to these competitors, the market investigation indicated that there are other companies active in the UK professional outdoor light fixture market, for example Trilux, Bega, and Hess. Even though it was not possible to reconstruct the market, the Commission collected market size estimates from other competitors.²⁸
128. Since these estimates were not all consistent it is estimated that, taking into account the most conservative estimate, however, the parties' combined market share could be [40-50]%.
129. Some respondents to the market investigation have pointed out that there could be concerns with respect to the professional outdoor light fixture market.
130. First, some competitors raised general concerns relating to the parties' combined market share. In addition, half of the customers raised concerns arguing that, following the transaction, competition would decrease and prices would rise given Philips and Indal's position as two of the main suppliers in the UK professional outdoor light fixture market. A respondent stated that Indal is the most competitive player among the highly customized producers while at instances Philips can be non competitive.
131. As in the Netherlands, the market investigation also pointed to the importance of brand reputation, brand reliability, scale and a large portfolio. For example, these features are important for light fixtures tenders organised in the context of private finance initiatives ("PFIs").²⁹ In addition, some of the customer responses to the market investigation also suggest that overall the parties could be the closest competitors in the outdoor light fixture market.
132. Nonetheless, the overall results of the market investigation indicate that the above concerns and facts are not decisive.

²⁸ This exercise has been carried out in particular with regards to the UK market since some respondents put in doubt the parties' estimates of the size of this market for professional outdoor light fixtures.

²⁹ PFI contracts have been awarded by local and regional governments, backed by a central government. These contracts are usually concluded for a very long period of time (typically 25 years), whereby the bulk of the lighting fixtures are to be supplied during the first five years. PFIs have constituted an important trend in the UK light fixture market and according to the market investigation Philips and Indal have been particularly successful in these tenders. The market investigation also indicated that these type of tenders are phasing out.

133. First, half of the UK customers which responded to the market investigation did not raise concerns relating to the transaction. One of the customers also mentioned that there is enough competition in the UK market to ensure price stability.
134. Second, some competitors claimed that prices would go down or remain under pressure, which, as already noted with respect to the Dutch market, is consistent with internal documents of the parties, according to which possible efficiencies created by the transaction appear to be the main motivation behind the transaction.
135. Third, also in the UK the results of the market investigation regarding closeness of competition are mixed. The analysis of the parties' limited bidding data relating to the UK also suggests that overall the closest competitor to Philips seems to be Schröder whereas for Indal, the closest competitor is Philips. Furthermore, some respondents indicated that other competitors (e.g. Schröder/Urbis, Thorn, Holophane) were the closest competitors to Philips and Indal in the professional outdoor light fixture market and its sub-segments. Again, this is in line with the internal documents of Philips, which show that Philips had considered whether there would be cannibalization of sales between the two companies and concluded that the overlap in the customer base was limited.
136. Fourth, there is a third strong competitor (Schröder/Urbis) and a number of other small competitors active in the market.
137. Moreover, customers have indicated that they usually multisource and therefore the merged entity would still be constrained by the remaining fringe of competitors. This is in line with the response of one of the customers which raised concerns and said that post merger it would try to increase its turnover with alternative suppliers. The great majority of customers multisource and some of the customers raising concerns have indicated more than one alternative supplier to the parties. In general other competitors mentioned by customers were Schröder/Urbis, Thorn, OrangeTek, CU Phosco, Holophane and DW Windsor.
138. Fifth, as explained with respect to the Dutch market, with respect to barriers to entry and the importance of brand, scale and product portfolio, there are a number of EEA-wide players which could enter the UK market or expand their presence. Barriers to expansion from one Member State to another are considerably lower than barriers to start a business in this market. These competitors are already present on a larger scale in other neighbouring Member States and could compete with the merged entity in terms of scale and portfolio. One customer stated that it would consider sourcing from a new light fixture supplier if such supplier would have a well-known brand and a good track record abroad.
139. One example of expansion in the UK is Zumtobel-Thorn, whose presence in the UK market had decreased in recent years but is now participating again in tenders after having decided to re-focus on the UK market.
140. Moreover, respondents to the market investigation have indicated several examples of new entrants (e.g. LED Roadway Lighting, OrangeTek), especially with regards to LED fixtures. As explained with respect to the Dutch market, the replacement of conventional lighting technology by LED provides new opportunities and space for competition.

141. Furthermore, similarly to the Dutch market, the market investigation indicates that the professional outdoor light fixture market also has features of a bidding market, where suppliers compete for each and every project. Therefore, the power of manufacturers to impose conditions or to increase prices appears limited.
142. In view of the above, the Commission considers that the proposed transaction would not raise serious doubts in the professional outdoor light fixtures market or any of its narrower segments in the UK.

V.B.2.3.4. France

143. In the market for professional outdoor light fixtures in France, the parties estimate that they have a combined market share of [40-50]% (Philips: [20-30]%; Indal: [20-30]%) with an estimated market size of EUR 223 million. Philips' sales for this segment in France in 2010 amounted to EUR [...] and Indal's had EUR [...] of sales in the same period.
144. As regards the narrower outdoor sub-segments, the parties estimate that they have a combined market share of [20-30]% in highway/major roads (Philips: [20-30]%; Indal: [0-5]%), [20-30]% in street/city (Philips: [10-20]%; Indal: [10-20]%), [30-40]% in architectural (Philips: [30-40]%; Indal: [0-5]%) and [30-40]% in floodlighting (Philips: [30-40]%; Indal: [0-5]%). Hence, these sub-segments would be affected markets.
145. In the potential segment of professional outdoor light fixtures using LED as source of light the parties would achieve market shares of [40-50]% (increment of [10-20]% due to Indal). At the same time, as in the other Member States, the possible LED professional outdoor light fixtures segment is currently a small segment (it accounts for around one tenth of the possible market for professional outdoor light fixtures)³⁰ and it undergoes a fast development.
146. According to the parties, in the outdoor market in France the merged entity would be constrained by a number of sizeable competitors such as Schréder ([20-30]%), Zumtobel-Thorn ([10-20]%), Eclatec ([5-10]%), Ragni ([5-10]%) and Ludec ([5-10]%).
147. During the market investigation, some competitors raised concerns with the parties' high market power in France, but one of those same competitors said that the transaction would result in a price decrease to installers and municipalities given the synergies of the transaction. One customer pointed out that the price in the outdoor market would increase. However, the same customer states that it normally multi-sources from five suppliers. This is consistent with the remaining customer responses to the market investigation, as the wide majority stated that there are numerous alternative suppliers in France and the transaction does not raise concerns. One customer even mentioned that the transaction would have a positive effect as the merged entity portfolio would be larger.

³⁰ Size of the potential segment of professional outdoor light fixtures using LED as source of light in France is EUR 23 million.

148. Furthermore, the results of the market investigation regarding closeness of competition in the market for professional outdoor light fixtures in France are mixed. On the one hand, some respondents indicated that they considered Philips and Indal as closest competitors and some of their products to be the closest competitive products. However, the market investigation provided some indications that overall the parties may not be the closest competitors in the possible outdoor light fixture market. First, a significant number of respondents indicated that other competitors (e.g. Schröder, Thorn, Éclatec) are the closest competitors to one of the parties. Second, customers have also indicated that particular light fixtures from other competitors are the closest products to one of the parties' light fixtures, including the parties' main selling outdoor light fixture product line "Iridium" (for Philips) and "Arc" (for Indal). In addition, with the exception of a possible market for the street/city sub-segment, the overlap between the parties is very limited.³¹
149. Moreover, as explained with respect to the Dutch and UK markets regarding barriers to entry, barriers to expansion from one Member State to another are considerably lower than barriers to start a business in the professional outdoor light fixture market. In this respect, there are a number of EEA-wide players which could enter the French market or expand their presence, since they are already present on a larger scale in other neighbouring Member States and could compete with the merged entity in terms of scale and portfolio. This is confirmed by the market investigation. For example, one customer pointed to the market entry from established EEA competitors such as Trilux and Sylvania, as well as Toshiba, with a special focus on LED fixtures.
150. Therefore, the Commission considers that the proposed transaction would not raise serious doubts in the professional outdoor light fixtures market in France or in any possible segment thereof.

V.B.2.3.5. Spain

151. In Spain, the parties' estimate for the size of the professional outdoor light fixture market is EUR 137 million. In 2010, Philips had sales of EUR [...] ([10-20]% market share) and Indal had sales of EUR [...] ([10-20]%), which would give them a combined market share of [30-40]%.
152. Furthermore, regarding the outdoor sub-segments the parties estimate that the merged entity would have combined market shares of [20-30]% in highways/major roads (Philips: [20-30]%; Indal: [5-10]%), [30-40]% in street/city (Philips: [20-30]%; Indal: [5-10]%), [50-60]% in tunnel (Philips: [5-10]%; Indal: [40-50]%), [40-50]% in architectural (Philips: [30-40]%; Indal: [0-5]%) and [40-50]% in floodlighting (Philips: [30-40]%; Indal: [5-10]%).
153. In the potential segment of professional outdoor light fixtures using LED as source of light the parties would achieve market shares of [20-30]% (increment of [5-10]% due to Indal). Similarly to other Member States, the possible LED professional outdoor light fixtures segment is currently a small segment (it accounts for EUR 4 million in Spain only) and is in the development stage.

³¹ Indal's sales are marginal (highways/major roads: below EUR [...]; architectural: EUR [...]; floodlighting: [...]) and its estimated market shares are also small (highways/major roads: [0-5]%; architectural: [0-5]%; floodlighting: [0-5]%). The parties do not overlap with respect to tunnel lighting in France.

154. The parties submit that the merged entity would face strong competition in the outdoor market from Schröder ([10-20]%), Carandini ([10-20]%) and IEP ([5-10]%).
155. Some of the market investigation results suggest that there could be concerns with respect to the professional outdoor light fixture market in Spain. Some competitors point to the fact that both Philips and Indal would be strong in the Spanish market. Two customers raised concerns relating to the elimination of Indal as a competitor.
156. However, the evidence gathered by the Commission suggests that these concerns are not decisive.
157. First, the Commission analysed the bidding data of both parties regarding the Spanish market. Overall, the Commission observed that Philips and Indal do not appear to be very close competitors to each other in Spain. This finding is in line with responses to the market investigation questionnaires, since most customers consider alternative suppliers, such as Schröder/Socelec, GE, Carandini, Simon Lighting or IEP, to be close competitors to the parties.
158. Second, the Commission observed that some customers who raised concerns also adopt multi-sourcing strategies. Therefore, these customers could consider alternative suppliers for different light fixtures.
159. Third, the Commission takes into account that some customers mentioned that the transaction would have no results on the prices or level of competition and one customer specified that market entry of multinational companies is possible. Overall, the wide majority of the customers did not raise any concerns relating to the transaction.
160. Based on the above the Commission considers that the proposed transaction would not raise serious doubts in the professional outdoor light fixtures market in Spain or in any possible segment thereof.

V.B.2.3.6. Other national markets: Belgium, the Czech Republic, Poland, Slovakia, Slovenia and Sweden

161. Based on a national geographic definition of the professional outdoor light fixture market, the following additional affected markets would exist: Belgium, the Czech Republic, Poland, Slovakia, Slovenia and Sweden.
162. In Belgium, the parties estimate the total size of the professional outdoor light fixture market to be EUR 62 million. In 2010 Philips had EUR [...] of sales and Indal had EUR [...] of sales. Therefore, the merged entity would have a combined market share of [10-20]% (Philips: [10-20]%; Indal: [0-5]%). In addition, on the narrower outdoor sub-segments the parties estimate that the potential market for architectural light fixtures would be affected given that the parties' combined market share is [20-30]% (Philips: [20-30]%; Indal: [0-5]%).
163. According to the parties, the merged entity would face strong competition in the professional outdoor light fixture market from Schröder ([30-40]%). One customer argued that the main competitors for professional outdoor light fixtures in Belgium are Philips, Indal and Schröder, and that the quality of the after-sales service would decrease. However, the market investigation indicates that there are a number of other

competitors present in the market, such as Zumtobel-Thorn, Trilux, Bega and Hess. In addition, the Philips and Indal bidding data relating to tenders in Belgium indicate that overall, in Belgium, Schröder appears to be the closest competitor for both Philips and Indal. Furthermore, the vast majority of customers and competitors have not raised any competition concerns with respect to the Belgian market.

164. According to the parties, the total size of the professional outdoor light fixture market in the Czech Republic is EUR 10 million. In 2010 Philips had EUR [...] of sales and Indal had EUR [...] of sales in this market. Therefore, the parties' estimated combined market share is [20-30]% (Philips: [5-10]%; Indal: [10-20]%). As regards the narrower outdoor sub-segments, the proposed transaction would also lead to affected markets, as the merged entity would have a combined market share of [20-30]% in highways/major roads (Philips: [10-20]%; Indal: [0-5]%), [20-30]% in street/city (Philips: [5-10]%; Indal: [10-20]%) and [30-40]% in architectural (Philips: [10-20]%; Indal: [20-30]%).
165. However, the merged entity would face competition on the professional outdoor light fixture market from Schröder ([20-30]%), and Osram ([10-20]%). Furthermore, during the market investigation no concerns were raised by competitors or customers on the impact of the transaction regarding the Czech Republic.
166. As regards Poland, the merged entity would have a combined market share of [30-40]% (Philips: [30-40]%; Indal: [0-5]%) in the professional outdoor light fixture market. In 2010 Philips had EUR [...] of sales and Indal had EUR [...] of sales and, according to the parties, the total size of the market is EUR [...]. The parties estimate that the potential outdoor sub-segments would also be affected since the merged entity would have a market share of [30-40]% in highways/major roads (Philips: [30-40]%; Indal: [0-5]%), [20-30]% in street/city (Philips: [20-30]%; Indal: [0-5]%), [60-70]% in architectural (Philips: [60-70]%; Indal: [0-5]%) and [30-40]% in floodlighting (Philips: [30-40]%; Indal: [0-5]%).
167. However, according to the parties, customers would be able to resort to a number of other outdoor competitors, such as Schröder ([10-20]%), ES System ([10-20]%), Elgo-Brilux ([10-20]%), LUG ([5-10]%), Zumtobel-Thorn ([5-10]%) and Osram ([5-10]%). The information gathered by the Commission is in line with the parties' submission in this respect. First, the only customer concerned by the increased level of prices post-transaction neither views Indal as a strong player in Poland for outdoor or any of its sub-segments nor considers the parties as close competitors. Furthermore, the wide majority of the market investigation respondents raised no concerns and it has been indicated that, as a result of the merger, customers would have access to a wider product portfolio, Philips would become more competitive and that prices would probably decrease.
168. In Slovakia, the parties estimate that the total market size for professional outdoor light fixtures is EUR 6 million. In 2010 Philips had sales of EUR [...] while Indal had sales of EUR [...]. Therefore, the parties estimate that their combined market share is [30-40]% (Philips: [30-40]%; Indal: [0-5]%). According to the parties, post-transaction the merged entity would face competition from Osram ([10-20]%) and

Beghelli ([5-10]%).³² Furthermore, respondents to the market investigation have not raised any concerns relating to the professional outdoor light fixture market in Slovakia.

169. With regard to Slovenia, the parties' market size estimate for professional outdoor is EUR 3 million. Given the parties' sales in Slovenia (Philips: EUR [...]; Indal: EUR [...]), the parties estimated combined market share is [20-30]% (Philips: [5-10]%; Indal: [10-20]%). Other competitors constraining the merged entity post-transaction would be Osram ([30-40]%) and Zumtobel-Thorn ([5-10]%). During the market investigation none of the customers or competitors raised competition concerns with respect to the Slovenian market.
170. In Sweden, the parties' estimated combined market share is [40-50]% (Philips: [30-40]%; Indal: [0-5]%) in a market amounting to EUR [...] (Philips: EUR [...]; Indal: EUR [...]). Regarding the outdoor sub-segments, the proposed transaction would lead to affected markets in street/city and architectural light fixtures. In the street/city segment, the parties have a combined market share of [30-40]% (Philips: [30-40]%; Indal: [0-5]%), whereas in architectural light fixtures their combined market share is [40-50]% (Philips: [40-50]%; Indal: [5-10]%). The potential market for professional outdoor light fixtures using LED as source of light would also be affected since the combined market shares post transaction would amount to [30-40]% (Philips: [30-40]%; Indal: [0-5]%).
171. According to the parties, Zumtobel-Thorn ([20-30]%), LouisPoulsen ([5-10]%) and Fagerhult ([5-10]%) would constrain the merged entity post-transaction in the professional outdoor light fixture market. Furthermore, none of the competitors or Swedish customers which replied to the market investigation raised concerns relating to the Swedish professional outdoor light fixture market. On the contrary, one competitor expects fiercer competition as a result of the transaction.
172. In light of the above, it can be concluded that the proposed transaction would not raise serious doubts in the professional outdoor light fixture markets or in any possible segment thereof as regards Belgium, the Czech Republic, Poland, Slovakia, Slovenia and Sweden.

V.B.3. Vertical effects

173. Philips is not only a manufacturer of light fixtures but also an important producer of lamps and other components which are used in the light fixtures. More precisely, Philips is active in the following markets: (i) markets for various types of traditional general purpose lamps; (ii) market for horticultural lamps (iii) markets for certain components of light fixtures and (iv) markets for LEDs and LED modules.
174. Because of the strong presence of Philips in the markets upstream to the markets where Indal operates, i.e. the markets for light fixtures, the transaction results in a number of vertically affected markets.

³² The parties are not in position to provide market share estimates regarding the outdoor sub-segments for Slovakia and Slovenia, as they have no information that would enable them to assess the total size of the market on a per segment basis. The markets are highly intransparent, there is no independent source that provides information on these national markets and the segment sizes are very small.

175. However, as regards general purpose lamps, horticultural lamps, components and LEDs,³³ Indal's purchases downstream are relatively limited compared to the total size of the markets. According to the parties' estimates the lamp purchases by Indal represent less than [0-5]% of the total market for general purpose lamps in the EEA whereas the horticultural lamps purchased by Indal amount to approximately [0-5]% of total demand for in the EEA. The parties estimate that Indal's purchases of components (including LEDs) amounts to less than [0-5]% of the total market both on the EEA as well as on the worldwide level.
176. Indal's purchases of general purpose lamps, horticultural lamps, components and LEDs are also relatively limited compared to Philips' sales of lamps, components and LEDs. The above statement can be illustrated by the table below:

Table 4: Examples of Indal's purchases of components in 2010

Source: Form CO.

Component	Philips' EEA sales ('000 EUR)	Indal's total purchases ('000 EUR)
General purpose lamps	[...]	[...]
Horticultural lamps	[...]	[...]
Electronic ballasts (non-LED technology)	[...]	[...] ³⁴
Electronic ballasts using LED technology	[...]	[...]
LEDs	[...]	[...]

177. The small percentages that Indal's purchases represent compared to the total size of the markets for general purpose lamps, horticultural lamps, components, and LEDs are in line with the results of the market investigation where the large majority of competitors to Philips in any of the upstream markets (i.e. markets for general purpose lamps, components, LEDs or LED modules) did not raise concerns with regard to possible foreclosure of access to a sufficient customer base. Only one competitor in the components market raised limited concerns on its future possibility to penetrate the market for LED components in the EEA post transaction. However the same competitor indicated also that the price of LED components might decrease post transaction. Consequently, customer foreclosure shall not be analysed any further with regard to general purpose lamps, components, and LEDs.

³³ Indal does not purchase LED modules.

³⁴ The figures for electronic ballasts also comprise other devices such as chokes and ignitors, since it was not possible for the parties to make a further split between these categories within their internal reporting system. The parties claim however that the purchase value for those components is insignificant.

178. As regards input foreclosure a different approach shall be taken. Firstly, Philips currently is the market leader for general purpose lamps, horticultural lamps, components, LED and LED modules. This position, according to some market investigation respondents could help Philips to exercise pressure on its competitors in the downstream market. Additionally, post-transaction the merged entity will become an even more important player in some professional light fixture segments.
179. General purpose lamps, horticultural lamps, LEDs and LED modules are sources of light, whereas the components constitute parts of light fixtures. However, since general purpose lamps and horticultural lamps are by definition not permanently integrated in the light fixtures, whereas LEDs, LED modules and other components form permanent part thereof, the assessment of vertical relationships for these two groups of products will be carried out separately. The exact vertically affected markets and the arguments regarding ability and incentive for Philips to foreclose its competitors downstream are analysed below.

V.B.3.1. General purpose lamps as an input to light fixtures

180. Philips is active in the manufacture and sale of numerous types of lamps classified as general purpose lamps. Within the market for general purpose lamps, Philips has a market share of around [40-50]% in the EEA.
181. If the product market definition for general purpose lamps is further segmented according to the lamp technology, Philips would have the following market shares in the EEA:

Table 5: Parties' estimates of market shares in general purpose lamps (EEA) in 2010

Source: Form CO.

EEA	Total lamps	Incandescent	Halogen	Fluorescent	Compact fluorescent	HID	LED (retrofit)
Market size (million EUR)	1 429	131	188	333	328	367	81
Philips	[40-50]%	[40-50]%	[20-30]%	[40-50]%	[30-40]%	[50-60]%	[50-60]%
Osram	[30-40]%	[20-30]%	[50-60]%	[30-40]%	[30-40]%	[30-40]%	[20-30]%
GE	[10-20]%	[20-30]%	[5-10]%	[5-10]%	[5-10]%	[5-10]%	[5-10]%
Others	[10-20]%	[5-10]%	[10-20]%	[5-10]%	[20-30]%	[5-10]%	[10-20]%

182. If different national markets for general purpose lamps are taken into account, the market shares of Philips would be as follows:

Table 6: Parties' estimates of market shares in general purpose lamps (Member States) in 2010

Source: Form CO.

Member State	Total lamps	Incandescent	Halogen	Fluorescent	Compact Fluorescent	HID	LED (retrofit)
Austria							
Philips	[30-40]%	[30-40]%	[20-30]%	[40-50]%	[40-50]%	[50-60]%	[30-40]%
Osram	[30-40]%	[60-70]%	[50-60]%	[40-50]%	[40-50]%	[40-50]%	[20-30]%
GE	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Others	[30-40]%	[0-5]%	[20-30]%	[10-20]%	[5-10]%	[0-5]%	[30-40]%
Belgium							
Philips	[50-60]%	[70-80]%	[20-30]%	[50-60]%	[30-40]%	[70-80]%	[70-80]%
Osram	[30-40]%	[20-30]%	[60-70]%	[30-40]%	[30-40]%	[20-30]%	[10-20]%
GE	[0-5]%	[0-5]%	[10-20]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Others	[10-20]%	[0-5]%	[10-20]%	[5-10]%	[30-40]%	[5-10]%	[5-10]%

Member State	Total lamps	Incandescent	Halogen	Fluorescent	Compact Fluorescent	HID	LED (retrofit)
Czech Republic							
Philips	[30-40]%	[40-50]%	[30-40]%	[40-50]%	[30-40]%	[40-50]%	[20-30]%
Osram	[20-30]%	[20-30]%	[20-30]%	[30-40]%	[20-30]%	[30-40]%	[10-20]%
GE	[10-20]%	[20-30]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[20-30]%
Others	[20-30]%	[5-10]%	[30-40]%	[20-30]%	[40-50]%	[20-30]%	[60-70]%
Germany							
Philips	[30-40]%	[20-30]%	[10-20]%	[30-40]%	[20-30]%	[50-60]%	[30-40]%
Osram	[40-50]%	[60-70]%	[70-80]%	[50-60]%	[50-60]%	[40-50]%	[30-40]%
GE	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Others	[10-20]%	[10-20]%	[0-5]%	[10-20]%	[20-30]%	[0-5]%	[20-30]%
France							
Philips	[40-50]%	[30-40]%	[30-40]%	[50-60]%	[30-40]%	[60-70]%	[50-60]%
Osram	[20-30]%	[30-40]%	[40-50]%	[20-30]%	[30-40]%	[20-30]%	[10-20]%
GE	[5-10]%	[10-20]%	[5-10]%	[5-10]%	[10-20]%	[5-10]%	[0-5]%
Sylvania	[5-10]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[5-10]%	[5-10]%
Others	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[5-10]%	[20-30]%
Netherlands							
Philips	[50-60]%	[60-70]%	[30-40]%	[70-80]%	[30-40]%	[50-60]%	[70-80]%
Osram	[30-40]%	[20-30]%	[40-50]%	[20-30]%	[30-40]%	[30-40]%	[10-20]%
GE	[0-5]%	[0-5]%	[10-20]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Others	[10-20]%	[0-5]%	[10-20]%	[5-10]%	[30-40]%	[5-10]%	[5-10]%
Poland							
Philips	[40-50]%	[50-60]%	[20-30]%	[50-60]%	[30-40]%	[50-60]%	[30-40]%
Osram	[20-30]%	[20-30]%	[30-40]%	[30-40]%	[20-30]%	[20-30]%	[10-20]%
GE	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[5-10]%
Others	[10-20]%	[10-20]%	[30-40]%	[5-10]%	[40-50]%	[10-20]%	[50-60]%
Portugal							
Philips	[50-60]%	[50-60]%	[40-50]%	[50-60]%	[50-60]%	[60-70]%	[40-50]%
Osram	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[10-20]%
GE	[0-5]%	[0-5]%	[5-10]%	[5-10]%	[5-10]%	[5-10]%	[0-5]%
Others	[10-20]%	[20-30]%	[20-30]%	[10-20]%	[10-20]%	[5-10]%	[50-60]%
Slovakia							
Philips	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[10-20]%
Osram	[30-40]%	[20-30]%	[40-50]%	[30-40]%	[30-40]%	[30-40]%	[20-30]%
GE	[10-20]%	[10-20]%	[5-10]%	[20-30]%	[5-10]%	[10-20]%	[5-10]%
Others	[20-30]%	[30-40]%	[20-30]%	[5-10]%	[30-40]%	[10-20]%	[60-70]%
Slovenia							
Philips	[30-40]%	[20-30]%	[20-30]%	[20-30]%	[30-40]%	[30-40]%	[10-20]%
Osram	[30-40]%	[40-50]%	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[30-40]%
GE	[20-30]%	[10-20]%	[20-30]%	[20-30]%	[10-20]%	[30-40]%	[10-20]%
Others	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[5-10]%	[40-50]%
Spain							
Philips	[40-50]%	[30-40]%	[30-40]%	[50-60]%	[50-60]%	[50-60]%	[50-60]%
Osram	[30-40]%	[30-40]%	[40-50]%	[30-40]%	[30-40]%	[30-40]%	[10-20]%
GE	[0-5]%	[0-5]%	[5-10]%	[5-10]%	[5-10]%	[5-10]%	[0-5]%
Others	[10-20]%	[30-40]%	[20-30]%	[10-20]%	[10-20]%	[5-10]%	[40-50]%
Sweden							
Philips	[30-40]%	[30-40]%	[20-30]%	[30-40]%	[30-40]%	[60-70]%	[60-70]%
Osram	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[30-40]%	[20-30]%
GE	[10-20]%	[10-20]%	[5-10]%	[5-10]%	[20-30]%	[5-10]%	[5-10]%
Others	[20-30]%	[20-30]%	[40-50]%	[20-30]%	[10-20]%	[0-5]%	[10-20]%
United Kingdom							
Philips	[40-50]%	[10-20]%	[20-30]%	[20-30]%	[20-30]%	[60-70]%	[50-60]%
Osram	[30-40]%	[30-40]%	[40-50]%	[30-40]%	[40-50]%	[20-30]%	[20-30]%
GE	[20-30]%	[40-50]%	[20-30]%	[30-40]%	[20-30]%	[10-20]%	[10-20]%
Others	[5-10]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[5-10]%	[10-20]%

183. As illustrated from the tables above, Philips is the EEA market leader in general purpose lamps (market share of [40-50]%) and in a number of segments thereof. Philips is also market leader in different Member States. Its main competitors are Osram ([30-40]% market share in the EEA) and GE ([10-20]% in the EEA). The position of Philips and its competitors in the market for general purpose lamps and different segments thereof has been confirmed in the market investigation.

184. As explained above, the transaction would strengthen Philips' market power downstream, i.e. in the professional outdoor light fixtures market(s), where the combined market shares would amount to [20-30]% in the EEA (increment of [5-10]% due to Indal).
185. However the majority of the respondents to the Commission's market investigation have not raised concerns with regard to consequences of the transaction for the possibility of supplying and/or sourcing the general purpose lamps.
186. Only a minority of respondents active in the markets for the manufacture of light fixtures expressed concerns with regards to a possible price increase of general purpose lamps post transaction. According to these respondents, such an increase could result from the fact that Philips as an important supplier of lamps upstream could increase the price for lamps to the detriment of the competitive position of its competitors downstream.
187. However, these concerns are difficult to sustain as Philips would lack the ability and incentive to foreclose access to general purpose lamps for the following reasons.
188. Firstly, Philips would not have the ability to input foreclose its competitors in the downstream market for light fixtures. In fact, the transaction does not strengthen the market position of Philips in the general purpose lamps and segments thereof. Philips would not have sufficient market power to be able to unilaterally increase price of general purpose lamps as it currently faces competition in all possibly defined markets. Philips competitors would indeed react to any increase in price or reduction of supplies from the side of Philips, thus nullifying the efforts of the latter.
189. Furthermore, light fixtures are often sold separately from an integrated light source. For instance in case of Philips, only 25% of its light fixtures using traditional source of light are sold together with general purpose lamps whilst with respect to Indal these figures amount to only 3%. Consequently, the general purpose lamps are only to a very limited extent sourced by light fixture producers. On the contrary, a vast majority³⁵ of general purpose lamps are sold to the final customers independently from the light fixtures, i.e. as a replacement.³⁶ Thereby Philips would be unable to control the identity of its final customers and to prevent that its competitors downstream purchase its products on the secondary market.
190. At the same time, Philips would lack any incentive to input foreclose its competitors downstream. The transaction indeed changes Philips' position in the downstream market only to a limited extent. As a result, the incentives for Philips to foreclose access to the input in comparison to the pre-merger situation are only marginally increased.
191. Finally, Indal's current purchases from Philips (which amount to [90-100]% of Indal's total lamp acquisitions) represent only a minor part of Philips' sales of general purpose lamps (less than [0-5]%). Therefore it would not be profitable for Philips to engage in the input foreclosure strategy as the profit lost in the upstream market due to a

³⁵ From 68% for HID lamps to 97% for Compact Fluorescent lamps.

³⁶ This figure excludes LED fixtures which are sold with LED light as integrated solution.

reduction of input sales to rivals would easily exceed the profit gain from expanding sales downstream.

192. In view of the above arguments, it can be concluded that Philips will neither have the ability nor incentive to engage in input foreclosure with respect to the market for general purpose lamps or any possible segment thereof.

V.B.3.2. Horticultural lamps and horticultural ballasts³⁷ as an input to horticultural light fixtures

193. Philips is a major player in the production and supply of horticultural lamps. Its market share in the EEA amount to approximately [70-80]%, the other players being Osram and GE who account for the remaining part of the market. Moreover, Philips holds approximately [90-100]% of the EEA market for the supply of 1 000 W horticultural lamps. The only competitor of Philips in this segment is AUVL, a German company manufacturing a type of 1 000 W lamps similar to Philips' product. Approximately 20-25% of the manufacturing cost for a finished horticultural light fixture is represented by the lamp.
194. Philips also produces specialty ballasts for use in horticultural light fixtures. Due to safety and performance reasons, lamps and ballasts are usually purchased by light fixture manufacturers as a combination. Technical failures may indeed result from the use of ballasts and lamps manufactured by different suppliers. Philips' market share in a possible market for ballasts for horticultural light fixtures amounts to approximately [70-80]% in the EEA. According to the parties, the other players on this market are Vossloh Schwabe (approximately [10-20]%), New Lighting (approximately [10-20]%) and Tridonic (approximately [5-10]%) and a number of Chinese players.
195. Approximately 35-40% of the manufacturing cost for a finished horticultural light fixture is accounted for by the ballast.
196. Indal is a horticultural light fixtures manufacturer. According to the parties' estimates it has a market share of approximately [0-5]% in the EEA. In 2010, Indal's sales of horticultural light fixtures were limited in scope to the Netherlands and amounted to approximately EUR [...]. In 2011, Indal's sales increased to EUR [...] in the EEA and EUR [...] worldwide.
197. As a result of the transaction, Philips would vertically integrate downstream, i.e. in the manufacture of horticultural light fixtures. According to the parties, the merged entity would however face a number of very significant competitors, such as the market leader Hortilux (estimated market share of [80-90]% in the EEA market) as well as important players like Gavita ([10-20]%) and Light Interaction ([5-10]%).³⁸ A partial reconstruction of the market resulted in different market shares for the above players in the EEA (Hortilux [40-50]%; Gavita [30-40]%; Light Interaction [10-20]%), with Indal still being a small player ([5-10]%).

³⁷ Since ballasts are usually sold together with horticultural lamps as a package, the competitive assessment for the two products will be carried out in this section.

³⁸ The latter company is a spin-off from Philips, which divested its activities in the horticultural light fixtures market in 2002.

198. The transaction would not give rise to customer foreclosure with respect to horticultural lamps and ballasts given Indal's purchases represent less than [0-5]% of Philips' sales in the EEA.
199. However, in the course of the market investigation, a number of respondents raised concerns with regard to a possible input foreclosure effect stemming from the vertical integration of Philips in the downstream market. Respondents appear concerned that the merged entity would have the ability and incentive to stop supplying its competitors in the market for horticultural light fixtures with horticultural lamps and ballasts for horticultural light fixtures. These concerns were particularly related to the supply of 1 000 Watt horticultural lamps and ballasts, for which Philips holds a very significant market position.
200. In principle the merged entity would have the ability to foreclose access to the input required to manufacture light fixtures. This mainly results from the significant degree of market power held by Philips in the market for 1 000 Watt lamps, which are perceived by customers as superior in quality when compared to lower wattage lamps. Moreover, the market investigation has shown that light fixture manufacturers and purchasers of the final product normally prefer to use the whole range of Philips' products comprising both ballasts and lamps in order to avoid the occurrence of technical failures in the system.
201. The notifying party submits that it would be possible to combine lamps (and ballasts) from different suppliers in the horticultural light fixtures. For instance, Philips' 1 000 Watt lamps could be replaced by 1 000 Watt lamps of competitors like AUVL. At the same time, the notifying party stated that Philips' 1 000 Watt horticultural lamps and ballasts are sold as a package in order to guarantee that the performance standards are met and malfunctioning is limited as much as possible.
202. However, it appears that Philips enjoys a very strong position on the upstream markets for lamps and ballasts. Thus, the Commission believes that the merged entity would have in principle the ability to foreclose access to inputs to its competitors in the downstream market for horticultural light fixtures.
203. The merged entity would in any event lack the incentive to foreclose access to the input required to manufacture light fixtures. At the outset, Indal is a relatively small player on the downstream market. Although it currently purchases [90-100]% of horticultural lamps from Philips, these purchases only represent a small part of Philips' sales of horticultural lamps (approximately [0-5]% in the EEA). In comparison, companies such as Hortilux, Gavita and Light Interaction account for more than [70-80]% of Philips' sales of horticultural lamps. Philips would therefore lack a sufficient degree of market power on a downstream level to recuperate the losses it would incur upstream.
204. Furthermore, the margins gained by Philips upstream in the supply of horticultural lamps (between [...] % and [...] %) and ballasts ([...] %) are significantly higher than the margins generated by Indal in the horticultural light fixtures business (approximately [...] %). Thus, it would not be profitable for Philips to engage in an input foreclosure strategy as the profit lost in the upstream market due to a reduction of input sales to rivals would easily exceed the profit gain from expanding sales downstream.

205. In view of the above, it can be concluded that Philips would not have the incentive to stop supplying the light fixtures manufacturers with the inputs required post-transaction.

V.B.3.3. Components, LEDs and LED modules as an input to light fixtures

206. Philips is active in the manufacture and sale of different light fixtures components; such as electronic ballast, HID chokes, fluorescent chokes, controls and ignitors. Philips is also active in LEDs and LED modules.

207. The estimates of market shares for Philips are as follows:

Table 7: Parties' estimates of market shares for components (2010) in value (EUR million)

Source: Form CO.

	Worldwide Market	Market share Philips	EEA Market	Market share Philips
Components	> 5 655	< [10-20]%	> 1 734	< [10-20]%
Electronic ballast (non-LED technology) ³⁹	2 121	[20-30]%	411	[30-40]%
HID chokes	460	[30-40]%	130	[10-20]%
Fluorescent chokes	703	[5-10]%	135	[0-5]%
Controls	2 216	[5-10]%	1 017	[0-5]%
Ignitors	155	[30-40]%	41	[10-20]%

Table 8: Parties' estimates of market shares for LEDs and LED modules (2010) in value (EUR million)

Source: Form CO.

	Worldwide Market	Market share Philips	EEA Market	Market share Philips
LEDs	7 749	[5-10]%	696	[5-10]%
LED modules	351	[10-20]%	120	[20-30]%

208. The above components, LEDs and LED modules serve as input in the production of light fixtures. Therefore the markets for different components, LEDs and LED modules are in a vertical relationship with the markets for light fixtures, where the merged entity will be present (with combined market share for professional outdoor light fixtures in the EEA of [20-30]% and combined share of [20-30]% in the professional outdoor light fixtures which use LED as source of light in the EEA).

209. As in the case of general purpose lamps, this transaction does not change the competitive situation upstream, since a number of competitors will remain active in the different markets for components.

³⁹ The parties were not able to estimate their market share of electronic ballasts using LED technology because they claim that they are not aware of the size of the market. Their respective sales would amount to EUR [...] worldwide and EUR [...] in the EEA. The parties at the same time claim that the LED market is a small, upcoming market and hence it is difficult to assess the exact market size and strength of competitors on this market.

210. In particular, the following competitors remain present in the markets where Philips' market shares exceed 25% for components: Vossloh Schwabe/Panasonic ([10-20] % worldwide and [10-20]% EEA-wide) and Osram ([10-20] % worldwide and [20-30]% EEA-wide) for electronic ballasts;⁴⁰ Vossloh Schwabe ([20-30]% world wide and [20-30]% EEA-wide) and Tridonic ([10-20]% worldwide and [10-20]% EEA-wide) for HID chokes; and Vossloh Schwabe ([20-30]% worldwide and [20-30]% EEA-wide) and Tridonic ([10-20]% worldwide and [10-20]% EEA-wide) for ignitors.
211. The following competitors are present on the markets for LED diodes: Nichia ([10-20]% worldwide and [10-20]% EEA-wide), Osram ([5-10]% worldwide and [10-20]% EEA-wide) and Cree ([5-10]% worldwide and [5-10]% EEA-wide). The parties also identified the following competitors within LED modules: Samsung Led, LG Innotek, Bridgelux, Osram Opto Semiconductors, Cree, Citizen Electronics and Zumtobel Lighting.
212. As explained above, the vast majority of respondents to the Commission investigation did not raise concerns with respect to a possible customer foreclosure with regards to any of the components, LEDs and LED modules.
213. Further, the majority of respondents did not raise concerns with regards to input foreclosure. However, some respondents fear that post transaction Philips will increase the prices of components for the manufacture of light fixtures.
214. Particular concerns were voiced with regards to a range of components used in LED light fixtures, such as electronic ballasts using LED technology. Similarly, concerns were raised with respect to LED modules. Some of the respondents raising these concerns also pointed out that currently Philips holds a large patent portfolio for LED components and LED modules, for which it charges royalties to its competitors. At the same time, Philips promotes its components and LED modules by not charging royalties to those who only purchase components and LED modules from Philips and certain other suppliers.
215. Nonetheless, the transaction is not likely to result in Philips having the incentive to foreclose its light fixture competitors on the component, LED and LED module markets.
216. First of all, the transaction would not increase Philips' ability to foreclose the market of light fixtures by means of cutting its supplies or increase the prices of components, LEDs or LED modules. However, Philips is one of the market leaders in the supply of components, LEDs and LED modules, so it cannot be excluded that it already has a sufficient degree of market power to foreclose its competitors downstream.
217. However, the proposed transaction does not change the incentive for Philips to input foreclose the markets for light fixtures. This is because Indal is not an important customer of Philips for the components and LEDs.⁴¹ Furthermore, as explained above,

⁴⁰ The parties claim that similar competitors are also active in the markets for electronic ballasts using LED as source of light. In this regard the competitors active in electronic ballasts, confirmed that they are active in LED electronic ballasts on the EEA and at the worldwide level.

⁴¹ See table 4.

Indal does not purchase LED modules. The vast majority of Philips' components' sales is directed to large light fixture manufacturers such as [...] whereas the vast majority of Philips' LEDs sales goes to customers other than Indal's competitors non-light fixtures producers such as for example: [...].

218. Moreover, the increment added by Indal to Philips' market shares in the professional light fixture markets at EEA level is limited and therefore it would not be profitable for Philips to engage in an input foreclosure strategy for any of the components, LEDs or LED modules. This is because the profit lost in the upstream market due to a reduction of input sales to rivals would easily exceed the profit gain from expanding sales downstream.
219. Philips could also engage in a selective foreclosure strategy aimed at damaging small competitors active on a national scale in some segments of professional light fixtures where the increment added by Indal would be high and the merged entity would have a significant presence. However, such strategy is unlikely to succeed. This is because components, LEDs and LED modules are sold not only to light fixtures manufacturers but also to wholesalers (including specialist wholesalers) and installers.⁴² Therefore, Philips would not be able to control the secondary market in such a way as to obtain that its competitors active in particular Member States downstream would be deprived from access to different components, LEDs and LED modules.
220. Therefore it can be concluded that, post-transaction, Philips would not have the incentive to stop supplying light fixtures manufacturers with the inputs required. Moreover, Philips would not have the ability to selectively foreclose its competitors in the downstream markets at a national level. The abovementioned conclusion (namely, that the present transaction is not likely to bring about an incentive for Philips to foreclose its light fixture competitors) is not altered by the fact that Philips holds a number of patents with regards to LED technology. In effect, Philips portfolio of patents regarding LED technology is largely unaffected by the present transaction. In any event, this conclusion is without prejudice to any assessment under Article 101 or Article 102 TFEU in that regard.

⁴² Form CO, pages 141 and 142.

VI. CONCLUSION

221. For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal 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

*Joaquín ALMUNIA
Vice-President*