

EN

***Case No COMP/M.7498 - COMPAGNIE DE SAINT
GOBAIN/ SIKA***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 22/07/2015

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EUROPEAN COMMISSION

Brussels, 22.7.2015
C(2015) 5285 final

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE

To the notifying party:

Dear Sir/Madam,

**Subject: Case M.7498 – COMPAGNIE DE SAINT GOBAIN/ SIKA
Commission decision pursuant to Article 6(1)(b) of Council Regulation
No 139/2004¹ and Article 57 of the Agreement on the European Economic
Area²**

- (1) On 16 June 2015, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Council Regulation (EC) No 139/2004³ by which Saint-Gobain S.A. ("Saint-Gobain", France) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of Sika AG ("Sika", Switzerland), by way of purchase of shares. Saint-Gobain is hereinafter referred to as "the Notifying Party", while Saint-Gobain and Sika are jointly referred to as "the Parties".

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 OJ L 1, 3.1.1994, p. 3 ("the EEA Agreement").

³ OJ L 24, 29.1.2004, p. 1 (the "Merger Regulation").

1. THE PARTIES

- (2) Saint-Gobain is active worldwide in the manufacturing of glass, high performance materials, construction products, including mortars and glass packaging. In the EEA, Saint-Gobain is also present as a distributor of building materials.
- (3) Sika is a global specialty chemicals company, with a particular focus on construction chemicals. It also produces mortars, as well as chemicals for other industries such as sealants and adhesives used in automotive industry. Sika is currently controlled by Burkard Family through Schenker-Winkler Holding AG ("SWH"), a holding company incorporated pursuant to Swiss law whose sole purpose is to hold shares in Sika. SWH holds 16.97% of Sika's capital and 52.92% of the voting rights. Sika is a publicly traded company listed at SIX Swiss Exchange.⁴

2. THE OPERATION AND THE CONCENTRATION

- (4) Saint-Gobain via its wholly-owned subsidiary, Société de Participations Financières et Industrielles ("Spafi") intends to indirectly acquire sole control over Sika AG through the acquisition from the Burkard Family ("the Seller") of all shares in SWH (the "Transaction").
- (5) Saint-Gobain and the Seller entered into a Sale and Purchase Agreement (the "SPA") on 5 December 2014. Pursuant to the SPA, Saint-Gobain will acquire the totality of shares in SWH and will thus indirectly control Sika.
- (6) On 8 December 2014 Sika's management rejected the Transaction. The SPA was further amended on 7 April 2015 in order to reflect certain events that have occurred since 5 December 2014, including the fact that the Board of Sika is hostile to the Transaction and undertook a number of actions to prevent closing of the Transaction. The amendment includes an extension of the longstop date until 30 June 2016.
- (7) It has been brought to the Commission's attention that Sika's current management, as well as certain shareholders, oppose the Transaction.⁵ Sika's management initiated actions to frustrate the Transaction, including court proceedings, and imposed a restriction of SWH's voting rights in Sika to 5%, preventing SWH from appointing certain new members of the Board of Directors. SWH challenged the restriction on its voting rights in Sika and the matter is currently under review in a Swiss court.

⁴ SWH holds 52.4% of voting rights in Sika. As the decisions of the shareholders' meetings of Sika are taken by simple majority, and subject and without prejudice to the court proceedings regarding the restriction on SWH's voting rights set out at paragraph (7), SWH will be able to enforce decisions regarding the composition of Sika's supervisory and administrative boards as well as its other strategic matters such as business plan, budget and investments.

⁵ Sika's management and minority shareholders claim that given that Saint-Gobain will only own 16.97% of Sika's capital, but 52.92% of voting rights it will have an incentive to favour its fully owned business against Sika. It is in particular claimed that, in case Sika loses business in favour of Saint-Gobain, the latter would bear only 16.97% of Sika's losses while reaping a 100% benefit from the won business. Furthermore, it has been argued that Saint-Gobain is obliged under Swiss law to make an offer for all outstanding shares and that an opt-out clause from that obligation laid down in Sika's by-laws is invalid.

- (8) Subject to the result of these court proceedings, and without prejudice to their outcome, once the SPA signed on 5 December is implemented, the Notifying Party will acquire control of SWH and indirectly of Sika.
- (9) Therefore, the Transaction constitutes a notifiable concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. EU DIMENSION

- (10) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (Saint-Gobain: EUR 41 054 million, Sika: EUR 4 140 million). Each of them has an EU-wide turnover in excess of EUR 250 million (Saint-Gobain: EUR [...] million, Sika: EUR [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.
- (11) Therefore, the notified operation has EU dimension pursuant to Article 1(2) of the Merger regulation.

4. ASSESSMENT

- (12) According to the Notifying Party, and considering the information collected from Sika, the two companies' activities overlap horizontally in a limited number of markets.
- (13) However, the Transaction gives rise to two horizontally affected markets in relation to mortars and construction chemicals.
- (14) The Transaction gives rise to a number of vertical competitive relationships:
- Production of building materials by Sika and distribution of building materials by Saint-Gobain;
 - Production of gypsum adhesives by Sika and production of plaster and plasterboard by Saint-Gobain;
 - Production of automotive glass surface adhesives and surface treatment products by Sika and automotive glass replacement services by Saint-Gobain;
 - Production of insulation glass sealants by Sika and insulation glass production by Saint-Gobain;
 - Production of glass fibre veil by Saint-Gobain and production of building chemicals by Sika;
 - Production of glass fibre mesh for mortar reinforcement by Saint-Gobain and production of premix mortars by Sika.

4.1. Horizontal effects

4.1.1. Mortars

4.1.1.1. Relevant product market

- (15) Mortar is a building material, usually made of sand, binders (like cement, lime or gypsum) and various additives (e.g. pigments or waterproof compounds). Mortars are used to bind construction materials together or to fill the gap between them.
- (16) The broad range of mortar products includes products with different level of sophistication, depending on the number of ingredients involved. The most basic form consists of only two ingredients (cement and sand) and different ingredients can be added to give mortar the product characteristics needed for a specific end-use.

Past Commission's cases

- (17) In previous cases,⁶ the Commission first distinguished between **premix mortars** (mixed at the factory) and **on-site mortars** (mixed at the construction site). Within premix mortars, the Commission distinguished **dry mortars** (supplied in a dry powder form), **wet mortars** (ready-mixed with water at the factory) and ready to use **paste mortars** (supplied as paste, including organic compounds as binders) depending on their form but ultimately left the question open.
- (18) Based on their applications the Commission also distinguished: i) **construction mortars**, used for various building construction purposes such as casting and setting, masonry, plastering, floor levelling and concrete repair; ii) **façade mortars**, used as an outer layer of buildings for protective or aesthetic purposes, or as part of insulation system and iii) **tile fixing mortars**, used for fixing tiles, both on substrate (adhesive mortars) and as sealants between tiles (grouts).⁷
- (19) The Commission recognised that each of the three applications described above includes various types of mortars which are developed for specific uses (for example masonry mortars and floor levelling mortars, both belonging to construction mortars) and are not substitutable from the demand-side. However, due to the existence of supply-side substitutability between different mortar formulations of the same form, the Commission concluded that it would not be appropriate to make further segmentations within the three main groups.⁸

Notifying Party's view

- (20) The Notifying Party agrees with the Commission analysis in its past cases. Mortars should be divided according to the following criteria, namely the location of where the mortar is mixed, the physical form of the mortar and the final application.

6 See Commission decisions in Case COMP/M.4898 – Compagnie de Saint-Gobain/Maxit, para 20, Case COMP/M.3415 – CRH/Semapa/Secil JV, paragraph 12 and Case COMP/M.3572 – Cemex/RMC, paragraphs 14 to 17.

7 COMP/M.7249 – CVC/Parexgroup, paras 17-18, COMP/M.4898 – Saint-Gobain/Maxit, para. 24.

8 COMP/M.4898 – Saint-Gobain/Maxit, para. 25.

- (21) First, as concerns the location of where the mortar is mixed, mortars can be either premixed at the factory (premix mortar) or mixed on the construction site (on-site mortar).⁹
- (22) Second, as concerns the physical form of the mortar, premix mortars can be supplied either as (i) dry mortar (supplied in dry powder form), (ii) wet mortar (ready-mixed with water at the factory), and (iii) ready-to-use paste mortar (supplied as paste, including organic compounds as binders, “paste mortar”). The Notifying Party explains that these three categories of mortar require different production equipment and know-how and have different product and demand characteristics. Specifically, wet premix mortar is produced ready-mixed in factories. It is a perishable product that cannot be transported over long distances and requires specific transport equipment (mixer lorries). With a few exceptions wet premix mortars are no longer used in the EEA and sales are in steady decline. Dry premix mortar, on the other hand, contains several additives and thus provides additional properties. It is supplied in a dry powder form in bags or bulk. It is then mixed with water on the construction site. Finally, paste mortars are more complex than dry mortars as they include organic compounds (i.e. chemicals or polymers) as binding components, instead of the more common mineral binders (cement, lime and gypsum) used for the production of dry and wet mortars.
- (23) Third, mortars should be distinguished according to their final application. Premix mortars can be used for three different applications, including construction, facades and tile-fixing. Construction mortars are used for various building construction purposes such as casting and setting, masonry, plastering, floor levelling and concrete repair. Each of these applications relates to the structure of a building. Construction mortars are only available as dry mortars (not as paste mortars). Facade mortars are applied onto a building facade as an outer layer for protective and/or aesthetic purposes or as part of an external thermal insulation compound system. Facade mortars need to achieve weather resistance and colour stability. Facade mortars come either in paste or dry form. Tile-fixing mortars are used for fixing tiles e.g. in bathrooms. This category comprises both mortars used to fix tiles on a substrate (adhesive mortars) and mortars used as sealants between tiles (grouts). Tile fixing mortars are generally offered in dry form. In a limited number of countries they are also offered in paste form.
- (24) On the basis of the above, the Notifying Party submits that for the purpose of the analysis of this case, the relevant market is constituted by premix mortars that can be further subdivided into dry and paste mortars. This segmentation would be supported in particular by the lack of demand side substitutability due to the convenience of application and the price. Indeed, according to the Notifying Party, there is a considerable price difference between dry mortars and paste mortars. For example in France and Germany, dry mortars are sold within a price range of EUR 270-500 per tonne while ready-to-use paste mortars are much more expensive (EUR 610-1,400 per tonne). With respect to further subsegmentation between different types of dry premix and paste premix mortars, in particular the one based on the final application, the Notifying Party argues that any such subsegmentation

⁹ None of the Parties is active in the supply of on-site mortars. The analysis will therefore focus only on premix mortars.

would not be appropriate in particular in view of the high degree of supply-side substitutability.

The Commission's assessment

- (25) As the Commission also established in previous decisions, on-site mortars and premix mortars form part of different product markets. The Parties are not active in on-site mortars. As concerns the segmentation of premix mortars based on the physical form, the responses to the market investigation indicated that from the point of their technical application, dry and paste mortars are to some extent substitutable, however, due to the fact that paste mortars are much more expensive than dry mortars (on average 2-3 times more expensive), and are sold in small containers, paste mortars are in practice only used in very small projects and customers do not switch between the two.
- (26) As concerns the supply-side substitutability, each of the three categories of premix mortars, namely dry, wet and paste, require different production equipment and know-how and are thus produced on a separate production line, often even in separate plants limiting the supply-side substitution. The producers of dry premix mortars indicated that switching the production from one category of dry mortar to another category is very common; it happens on a daily basis and is relatively simple.¹⁰
- (27) As concerns the segmentation based on final application, the market investigation provided indications of the absence of demand-side substitutability of mortars used for construction, façade and tile-fixing. Indeed, a façade mortar cannot be used as a substitute to a tile-fixing mortar. Similarly, tile adhesive mortars cannot be used as a grout and vice-versa, even though they both belong to the tile fixing category. In addition, the customers indicated that there are significant price differences between all mortar subcategories, depending on their level of technical sophistication (especially tile-fixing and paste mortars are more expensive).¹¹ In this context a market respondent explained that *"construction mortars represent the most basic category in terms of product's ingredients, while tile and façade mortars are more specialized and therefore more expensive products."*¹²
- (28) In the light of the foregoing, the Commission will consider the following product markets in its assessment of the impact of the Transaction on competition: the market for dry mortar (including separate markets for construction, façade and tile – fixing) and the market for paste mortar (including separate markets for façade and tile – fixing).

10 In particular, changing ingredients in the same production line would take between 20 min and 2 hours, depending on the producer and product. See replies to question 32 – Phase I questionnaire to competitors.

11 See replies to question 8 – Phase I questionnaire to distributors.

12 See agreed minutes of a call with a competitor dated 3 June 2015.

4.1.1.2. Geographic market definition

Past Commission's decisions

- (29) In the most recent decision dealing with mortars, the Commission considered that the geographic market corresponds to a radius of 120km around each of the Parties' mortar plants.¹³ In previous cases the Commission left the geographic market definition open and carried out the assessment both at national and at local/regional level, assuming the 120km radius around the production plant.¹⁴ The Commission however also found that some high-value mortars tend to travel over much farther distances, up to 1000km.¹⁵ The assessment of mortars on the national level was supported by national differences in building techniques and customs and the fact that suppliers organise their sales at national level. High transportation costs compared to product value supported the local/regional character of the market.

Notifying Party's view

- (30) The Notifying Party submits that the local/regional level might be adequate for the assessment of low value standard construction mortars. Indeed, for Saint-Gobain the shipping distances tend to be broadly in line with the Commission's precedents: typically more than 50% of mortars are sold within 120km from the plant and 90% of sales are done within less than 300km.
- (31) However, as concerns higher value-added mortars, in particular waterproofing, self-levelling and some tile-fixing mortars concerned by this Transaction, the distances tend to be much longer and thus the sub-national analysis would not be appropriate. According to the Notifying Party, whereas a large part of Saint-Gobain's mortars are indeed sold within the 120km radius, only a minor share of Sika's mortars are sold within 120km from the production plant and Sika's mortar sales vary from 400km up to 1200km for the production plant located in North Germany (which serves the Nordic countries). Since Saint-Gobain has plants located throughout the EEA territory, the mortars, irrespective of the value, are mostly sold within one country and not transported over larger distances.
- (32) In view of the above, and due to national requirements (building norms, available local raw material etc.), the Notifying Party submits that the market for mortars concerned by this transaction is national in scope. In support of national market definition, the Notifying Party argues that there are significant price differences (excluding transportation costs) between countries. By way of example, the average price of Saint-Gobain's dry construction mortars amounts to EUR [200-300] per tonne in France, and EUR [150-250] in Germany. For paste tile fixing mortars the difference is even more significant: EUR [500-700] and EUR [above 1000] in France and in Germany respectively.

¹³ COMP/M.7054 – Cemex/Holcim Assets.

¹⁴ COMP/M.7249 – CVC/Parexgroup, paras. 20-23, COMP/M.4719 – Heidelberg Cement/Hanson, para 32, COMP/M.1779 – Anglo American/Tarmac, para 23, and COMP/M.4898 – Saint-Gobain/Maxit paras. 27-29.

¹⁵ COMP/M.4898 – Saint-Gobain/Maxit, para. 28.

Commission's assessment

- (33) The market investigation indicated that local presence of mortar suppliers is not a prerequisite to selling mortars in a given country. Suppliers confirmed that they do supply mortars to countries where they do not have a plant and could easily start exporting their products or even setting up a production plant in a country if business opportunities were to arise.¹⁶
- (34) Whereas for the low-value and high-volume construction mortars a large number of respondents indeed point to the 120km radius as an appropriate market delineator,¹⁷ with respect to technical mortars (which are commonly sold in smaller quantities, are more expensive and technically advanced mortars) many respondents indicate that they can be transported over 300km or even 1000km.¹⁸ A majority of competitors confirm that at least occasionally they ship mortars to countries where they have no production facilities and a number of competitors export mortars to countries where they have no commercial organisation.¹⁹ Some manufacturers ship their technical mortars globally to any location in the world.
- (35) As concerns the price differences, respondents to the market investigation confirmed that the prices for mortars tend to be homogeneous on the country level, but vary significantly across different countries.²⁰ Those differences are mainly due to traditional price setting in different countries and the overall demand mix for a specific type of mortar.²¹
- (36) In this light the Commission considers it appropriate to carry out the competitive assessment of the Transaction on the basis of national markets. As regards large volume/low value heavy mortars, the Commission has also considered narrower hypothetical markets based on circle areas drawn within a 120km radius from Sika's production plants.

4.1.1.3. Competition assessment

- (37) The Parties' activities overlap in the areas of dry premix mortars and paste premix mortars and in each of their subsegments. As set out above, dry premix mortars can be further segmented into: i) construction, ii) façade and iii) tile fixing. Paste mortars can be segmented into: i) façade and ii) tile fixing.
- (38) The Parties are not active in on-site mortars and wet mortars,²² therefore those markets will not be further analysed in this Decision.

16 See replies to question 14 – Phase I questionnaire to competitors.

17 See replies to question 6 – Phase I questionnaire to competitors, distributors and end-users.

18 See replies to question 14 – Phase I questionnaire to competitors.

19 See replies to questions 16 and 17 – Phase I questionnaire to competitors.

20 See replies to question 15 – Phase I questionnaire to end-users.

21 For example, in countries such as France where paste tile fixing mortars are more commonly used, the price level for such product will often be lower than in countries such as Germany where the demand for this type of product is very limited.

22 A small exception exists for Saint-Gobain with regard to Denmark where wet mortars are more commonly used for historic reasons. Customers pick up the construction mortar at the factory in small

- (39) Saint-Gobain has [80-100] dry mortar plants and [10-20] paste mortar plants located in different EEA countries. The brands used by Saint-Gobain include Weber and Maxit. Sika has [10-20] dry mortar plants and [0-5] paste plants. Sika's mortar brands include Sika, Schönox, Cegecol, Everbuild/FEB, Casco and Technokolla. The main competitors are Baumit, Mapei, Kanuf, BASF, Henkel, STO, Perex Group, Eurocol and Ardex, mostly active throughout the whole EEA.
- (40) Market investigation generally indicated that there is a strong competitive landscape in the overall mortars' sector in Europe:
- First, apart from the largest European or global companies, there are also numerous smaller, local providers. Even though those providers mainly manufacture simple, low-value products, a number of local suppliers are also active in technical mortars and are actively competing with the large players.²³
 - Secondly, the results of the market investigation indicate that there is a surplus capacity available on the market²⁴ and that many of the cheapest, high-volume mortars belonging to the dry construction category (for example masonry mortars and screeds) are to a large extent commoditised.²⁵
 - Thirdly, market investigation showed that switching suppliers is relatively easy. Some end-customers/ applicators tend to have their preferred brands, however if the combined entity were to increase prices, they can and would easily turn to another producer each time they start a new construction project.²⁶

Closeness of competition

- (41) Even though Sika and Saint-Gobain seem to offer a very similar product portfolio in most types of mortars,²⁷ the respondents to the market investigation broadly confirmed that whereas Saint-Gobain is known for a broad range of mortars and is a supplier of commoditized lower-value mortars, Sika is widely recognised as a manufacturer of technical higher-value specialized mortars, which are more expensive and can be transported over longer distances. For instance, one distributor explained that *"in the broad category of dry construction mortars there are some specialty mortars offered by Sika such as repair mortars, waterproofing products etc., for which Sika is perceived as the "premium brand". Sika is less present in cheaper regular types of mortars and it focuses on high value products. Weber by Saint-Gobain has wider range of mortars. Even though Weber also produces some specialist mortars, they are not perceived by customers as substitutes for Sika's mortars. If post transaction Sika/Saint-Gobain was to*

quantities to be used during the day. However, since Sika is not active in wet mortars, there is no overlap and wet mortars are not further analysed.

23 See replies to question 33 – Phase I questionnaire to competitors and agreed minutes of a call with a competitor dated 3 June 2015.

24 See replies to questions 28 and 29 – Phase I questionnaire to competitors.

25 See replies to question 10 – Phase I questionnaire to customers.

26 See replies to question 26 – Phase I questionnaire to end-users.

27 See replies to question 22 – Phase I questionnaire to competitors.

*increase prices of Sika's specialty mortars, customers would not switch to other producers' mortars, because already now, before the merger, customers looking for Sika's premium brand mortars, do not consider other mortars as a valid alternative."*²⁸

- (42) Therefore, Sika and Saint-Gobain do not generally seem to be close competitors as their offerings are rather complementary in terms of quality and brand perception. In relation to the specialty products, Sika tends to compete more closely with suppliers such as Mapei, BASF and Ardex who are also recognized players in technical mortars. To the extent that the Parties' products are differentiated, the market shares are not necessarily indicative of closeness of competition in this market.

Analysis at national level

- (43) Against the above background, should the market be defined at national level, affected markets arise in 16 Member States while the combined market shares exceed 30% only in Denmark, Estonia, Finland, Norway, Portugal, Spain and Sweden.

- (44) Market shares of the Parties and their main competitors in 2014 by value are indicated in the below table:

Country	Type of mortar	Market shares - Parties			Main competitors					
		SG	Sika	Combined	Competitor 1		Competitor 2		Competitor 3	
Belgium	Dry tile fixing	[20-30%]	[0-5%]	[20-30%]	Mapei	[10-20%]	Omicol	5-10%	PTB	[5-10%]
Czech Republic	Dry overall	[20-30%]	[5-10%]	[30-40%]	Baumit	[10-20%]	Lasselberger	[10-20%]	BASF	[5-10%]
	Dry construction	[10-20%]	[10-20%]	[30-40%]	Mapei	[10-20%]	Baumit	[10-20%]	Lasselberger	[10-20%]
	Dry tile-fixing	[20-30%]	[0-5%]	[20-30%]	Lasselberger	[10-20%]	Henkel	[5-10%]	Baumit	[5-10%]
Denmark	Dry construction	[20-30%]	[10-20%]	[30-40%]	Ardex	[5-10%]	Skalflex	[0-5%]	LIP	[0-5%]
	Dry overall	[10-20%]	[5-10%]	[20-30%]	LIP	[5-10%]	Skalflex	[5-10%]	Alfix	[5-10%]
Estonia	Dry construction	[50-60%]	[0-5%]	[50-60%]	Sakret	[10-20%]	Knauf	[5-10%]	Kiilto	[0-5%]
	Dry overall	[40-50%]	[0-5%]	[40-50%]	Sakret	[10-20%]	Knauf	[10-20%]	Kiilto	[5-10%]
Finland	Dry overall	[30-40%]	[5-10%]	[40-50%]	Fescon	[10-20%]	Kiilto	[10-20%]	Ardex	[5-10%]
	Dry construction	[35-45%]	[0-5%]	[40-50%]	Fescon	[10-20%]	Kiilto	[5-10%]	Lakka	[5-10%]
	Dry tile fixing	[20-30%]	[10-20%]	[30-40%]	Kiilto	[20-30%]	Ardex	[10-20%]	Fescon	[0-5%]
France	Dry overall	[20-30%]	[0-5%]	[20-30%]	Parex Lanko	[20-30%]	PRB	[10-15%]	Mapei	[5-10%]
	Dry construction	[10-20%]	[5-10%]	[20-30%]	Parex Lanko	[10-20%]	Mapei	[5-10%]	STO	[5-10%]
	Dry tile-fixing	[20-30%]	[5-10%]	[20-30%]	Mapei	[10-20%]	Parex Lanko	[10-20%]	Desvres	[10-20%]
	Paste overall	[20-30%]	[0-5%]	[20-30%]	Parex Lanko	[10-20%]	STO	[10-15%]	Mapei	[5-10%]
	Paste tile-fixing	[20-30%]	[0-10%]	[20-30%]	Mapei	[10-20%]	Parex Lanko	[10-20%]	Desvres	[10-20%]
Germany	Dry overall*	[10-20%]	[0-5%]	[20-30%]	Knauf	[5-10%]	PCI Augsburg	[5-10%]	Ardex	[5-10%]
	Dry construction	[10-20%]	[5-10%]	[20-30%]	Knauf	[10-20%]	Quick Mix	[5-10%]	Ardex	[5-10%]
	Paste tile-fixing	[0-5%]	[20-30%]	[20-30%]	PCI Augsburg	[20-30%]	Sopro	[5-10%]	Ardex	[0-5%]
Latvia	Dry construction	[20-30%]	[0-5%]	[20-30%]	Knauf	[30-40%]	Sakret	[10-20%]	Kiilto	[5-10%]
	Dry overall	[10-20%]	[0-5%]	[20-30%]	Knauf	[30-40%]	Sakret	[20-30%]	Kiilto	[5-10%]

²⁸ See agreed minutes of a call with a distributor dated 29 June 2015.

Country	Type of mortar	Market shares - Parties			Main competitors					
		SG	Sika	Combined	Competitor 1		Competitor 2		Competitor 3	
Lithuania	Dry construction	[20-30]%	[0-5]%	[20-30]%	Knauf	[10-20]%	Ceresit	[10-15]%	Sakret	[5-10]%
Netherlands	Dry overall	[10-20]%	[5-10]%	[20-30]%	Knauf	[5-10]	Eurocol	[5-10]	Remix	[5-10]
	Dry construction	[10-20]	[5-10]	[20-30]	Knauf	[10-15]	Remix	[5-10]	Megamix	[5-10]
	Dry tile-fixing	[5-10]	[15-25]	[20-30]	Eurocol	[30-40]	Omnicol	[10-20]	EBC – Coba	[5-10]
Norway	Dry overall	[20-30]	[5-10]	[30-40]	Mapei	[10-15]	Hey'di	[10-15]	STO	[0-5]
	Dry construction	[25-35]	[0-10]	[30-40]	Hey'di	[10-15]	Mapei	[10-15]	Jotun	[0-5]
	Dry tile-fixing	[5-10]	[10-15]	[20-30]	Mapei	[20-30]	Hay'di	[10-15]	Adda	[5-10]
	Paste overall	[40-50]	[0-5]	[40-50]	STO	[30-40]	Jotun	[10-20]	Mapei	[5-10]
Portugal	Dry overall	[20-30]	[5-10]	[30-40]	Fassa Bortolo	[10-15]	Secil Argamassas	[5-10]	Lusomapei	[5-10]
	Dry construction	[5-10]	[10-20]	[20-30]	Fassa Bortolo	[10-15]	Secil Argamassas	[5-10]	IRP	[5-10]
	Dry tile-fixing	[50-60]	[0-5]	[50-60]	Lusomapei	[10-15]	Diera	[5-10]	Secil Argamassas	[5-10]
	Paste overall	[30-40]	[0-5]	[30-40]	CIN/ Sotinco	[10-20]	Robbialac/Vi ero	[10-15]	Fassa Bortolo	[5-10]
	Paste façade	[20-30]	[0-5]	[20-30]	CIN/ Sotinco	[10-20]	Robbialac / Vier	[10-20]	Fassa Bortolo	[5-10]
Slovakia	Dry overall	[10-20]	[10-15]	[20-25]	Baumit	[30-40]	Mapei	[5-10]	BASF	[5-10]
Slovenia	Dry construction*	[0-5]	[20-30]	[20-30]	Jub	[5-15]	Kema	[5-10]	Cinkarnia	[0-5]
Spain	Dry overall	[10-20]	[5-10]	[20-30]	Puma	[5-10]	Cemex	[5-10]	Mapei	[5-10]
	Dry tile-fixing	[30-40]	[0-5]	[30-40]	Puma	[10-20]	Kerakoll	[10-15]	Mapei	[5-10]
Sweden	Dry overall	[30-40]	[5-10]	[30-40]	Finja	[10-20]	STO	[5-10]	Combimix	[5-10]
	Dry construction	[30-40]	[5-10]	[40-50]	Finja	[10-20]	Combimix	[10-15]	STO	[5-10]
	Dry tile-fixing	[5-15]	[10-20]	[20-30]	Bostik	[10-20]	Ardex	[10-15]	Mapei	[5-10]
	Paste overall*	[40-50]	[0-5]	[40-50]	STO	[10-20]	Finja	[10-15]	Combimix	[10-15]
	Paste tile-fixing	[5-10]	[10-20]	[20-30]	Bostik	[10-15]	Knauf	[5-10]	Ardex	[5-10]

* based on volume. Source: Saint-Gobain.

- (45) The data in the above table are estimates provided by the Notifying Party based on the official statistical data, reports of mortar producers, trade associations, publications from other trade associations, published accounts of the competitors and internal market intelligence. Responses obtained in the market investigation, including certain data supplied by Sika, generally confirm these estimates regarding both the Parties' and their competitors' relative positioning on the market. However, in the instances of Denmark, Finland, Norway, Spain, Sweden and the United Kingdom, the market investigation indicated that the Notifying Party might have underestimated the Parties market shares in paste premix mortars overall and paste façade mortars. The Commission took this into account and therefore conducted a more comprehensive qualitative investigation of these markets by means of calls and questionnaires with respondents in these countries. This additional investigation indicated that the expected increments in the market shares of the combined entity would be minimal and in any case not exceed 10%.

A. Belgium

- (46) The only affected market arises in dry tile fixing mortars. The Parties' combined share of supply is moderate ([20-30]%) while the increment resulting from the Transaction is small ([0-5]%). Sika does not have a production plant in Belgium

and all mortars are transported from plants located in other European countries (Sika's closest plants are located in Germany and France).

- (47) In Belgium, the combined entity is the market leader in dry tile fixing mortars, followed by Mapei ([10-20]% market share) and Omnicol ([5-10]% market share). Other competitors include PTB ([5-10]% market share) and Ardex ([0-5]% market share) as well as a number of smaller local producers.
- (48) In view of the small market share increment, the fact that several relatively strong competitors will remain post-transaction, the ease of switching the suppliers and absent concerns brought to the Commission's attention during the market investigation, the Commission considers that the Transaction does not give rise to serious doubts in relation to dry tile fixing mortars in Belgium.

B. Czech Republic and Slovakia

- (49) In Czech Republic, affected markets arise in dry premix mortars overall ([30-40]% combined market share), dry construction ([30-40]%) and dry tile-fixing mortars ([20-30]%). In Slovakia, the affected market arises in dry mortars overall with a combined market share of [20-30]%. Sika operates a dry mortar plant in Czech Republic.
- (50) In Czech Republic, the combined entity is the market leader in all mortar types. In Slovakia Baunit is a market leader in dry mortars overall. The new entity will continue to be constrained by a large number of competing suppliers in both areas such as Baunit ([5-10]-[10-20]% depending on the mortar subcategory in Czech Republic and [30-40]% in dry construction in Slovakia), Lasselsberger ([10-20]% in Czech Republic and [0-5]% in Slovakia), BASF ([5-10]% in Czech Republic and [5-10]% in Slovakia), Mapei ([5-10]-[10-20]% in Czech Republic and [5-10]% in Slovakia) as well as several other smaller mortar producers such as Knauf ([5-10]% in Czech Republic and [0-5]% in Slovakia), Henkel ([0-5]-[5-10]% in Czech Republic and [5-10]% in Slovakia) and Remmers ([0-5]-[5-10]% in Czech Republic).
- (51) In view of the number of competitors remaining post-transaction, the ease of switching suppliers and absent concerns brought to the Commission's attention during the market investigation, the Transaction does not give rise to serious doubts concerns with regards to dry premix mortars overall, dry construction and dry tile-fixing mortars in Czech Republic and dry mortars overall in Slovakia.

C. Denmark

- (52) In Denmark, the affected market arises in the dry premix mortar overall and in the dry construction segments (combined market shares of [20-30]% and [30-40]%). Sika does not operate a plant in Denmark and all of its mortars are imported from other European plants (the closest plant is in Germany).
- (53) In Denmark, the combined entity is the market leader in dry premix mortars overall and in dry construction mortars. The combined entity will continue to be constrained by a large number of competing suppliers such as LIP ([0-5]-[5-10]% depending on the mortar subcategory), Alfix ([0-5]-[5-10]%) and Skalflex ([0-5]-[5-10]%). Other, smaller competitors include Bostik ([0-5]%), and Combimix ([0-

5]%), STO ([0-5]%) and PCI ([0-5]%). A competitor indicated that *"In total there are around 10-12 mortar brands present on the Danish market"*.²⁹

- (54) In view of the presence of many strong local competitors, the ease of switching suppliers and absent concerns brought to the Commission's attention during the market investigation, the Transaction does not give rise to serious doubts in Denmark with regards to dry premix mortars overall and dry construction.

D. Estonia

- (55) The affected markets in Estonia arise in dry premix mortars overall and dry construction mortars ([20-30]% and [50-60]% combined market share respectively with an increment of [0-5]%). Sika does not operate a plant in Estonia and all of its mortars are imported from other European plants (the closest plant is located in Germany).
- (56) The combined entity is a market leader in Estonia in dry mortars overall and in dry construction mortars. There is a strong competitive landscape in Estonia, including Sakret ([10-20]%), Knauf ([10-20]% in Estonia), Mira ([0-5]-[5-10]% in Estonia), Ceresit ([0-5]-[5-10]% in Estonia), and Kiilto ([0-5]-[5-10]% in Estonia).
- (57) In view of the small increment, the strong competitive landscape including an array of local providers, the ease of switching suppliers and absent concerns brought to the Commission's attention during the market investigation, the Transaction does not give rise to serious doubts for dry premix mortars overall and dry construction mortars in Estonia.

E. Latvia and Lithuania

- (58) In Latvia, the affected markets arise in dry construction mortars and dry premix mortars overall ([20-30]% and [20-30]% combined market share with an increment of [0-5]% and [0-5]% respectively). In Lithuania, the affected market arises in dry construction mortars ([20-30]% combined market share with an increment of [0-5]%). Sika does not operate a plant in Latvia or Lithuania and all of its mortars are imported from other European plants (the closest plant is located in Germany).
- (59) In Latvia, the strongest market player in dry premix mortars overall and in dry construction mortars is Knauf. In Lithuania, the combined entity is market leader in dry construction mortars. There is a strong competitive landscape in Latvia and Lithuania, including Sakret ([15-20]% in Latvia, [5-10]-[10-20]% in Lithuania), Knauf ([30-40]% in Latvia, [10-20]% in Lithuania), Mira ([0-5]% in Latvia), Ceresit ([0-5]% in Latvia, [10-20]% in Lithuania), Mapei ([0-5]% in Latvia), Kreisel ([5-10]-[10-20]% in Lithuania), Baumit ([5-10]% in Lithuania) and Kiilto ([5-10]% in Latvia). During market investigation a competitor indicated: *"Typically, in Lithuania, Latvia and Poland there is plenty of local suppliers who offer cheap products, therefore it is harder to be competitive on these markets. In other countries as Sweden and Estonia, products are more expensive"*.³⁰

29 See agreed minutes of a call with a competitor dated 3 June 2015.

30 See agreed minutes of a call with a competitor dated 5 June 2015.

- (60) In view of the small increment, the existence of a number of local suppliers, the ease of switching suppliers and absent concerns brought to the Commission's attention during the market investigation, the Transaction does not give rise to serious doubts for dry construction and dry premix mortars overall in Latvia and dry construction mortars in Lithuania.

F. Finland

- (61) Affected markets arise in dry premix mortars overall ([40-50]% combined market share), dry construction and dry tile-fixing mortars ([40-50]% and [30-40]% combined market share respectively). Sika does not have a local plant in Finland and all of its products are imported from a plant in Germany and transported over 1000km.
- (62) In Finland, the combined entity is a market leader in dry premix mortars overall and in dry construction mortars. Nonetheless, the combined entity will continue to be constrained by a large number of competing suppliers in both both type of mortars, such as Fescon ([10-20]% for dry premix mortars; [10-20]% for dry construction mortars), Kiilto ([10-20]% for dry premix mortars; [5-10]% for dry construction mortars), Ardex ([5-10]% for dry premix mortars; [5-10]% for dry construction mortars) STO ([5-10]% for dry premix mortars; [0-5]% for dry construction mortars), Knauf ([0-5]% for dry premix mortars; [0-5]% for dry construction mortars) among others.
- (63) In the dry tile fixing segment, the Parties' combined share of supply will be moderate ([30-40]%) and the increment resulting from the Transaction will be modest ([10-20]%). Further, the combined entity will continue to be constrained by a large number of competing suppliers such as Kiilto ([20-30]%), Ardex ([10-20]%), Mapei ([10-20]%), as well as a number of other smaller players.
- (64) In dry tile fixing mortars Kiilto is the strongest player. The market investigation confirmed that even though the Parties will have a high combined market share, there are many alternative producers, both local and international. Saint-Gobain is perceived as a very strong player, however Sika is one of the smaller suppliers, even though its market share has been constantly rising since a couple of years.³¹
- (65) Both the average capacity utilisation rate in Finland ([50-60]%) and the Parties' share of capacity are modest ([50-60]%).
- (66) In view of Sika's limited importance on the Finnish market and its lack of local presence, the fact that a significant number of competitors will remain in the market post-transaction, taking into account that switching suppliers appears easy in these markets, and absent concerns brought to the Commission's attention during the market investigation, the Transaction does not give rise to serious doubts in Finland with regards to dry premix mortars overall, dry construction and dry tile-fixing mortars.

31 See agreed minutes of a call with a competitor dated 5 June 2015.

G. France and Germany

- (67) Affected are five markets in France: dry premix mortars overall ([20-30]% combined market share, with an increment of [0-5]%), dry construction ([20-30]% combined market share with an increment of [5-10]%), dry tile-fixing ([20-30]% combined market share with an increment of [5-10]%), paste mortars overall ([20-30]% combined market share with [0-5]% increment) and paste tile-fixing ([20-30]% combined market share with [5-10]% increment).
- (68) In Germany, affected markets arise in dry premix mortars overall ([20-30]% combined market share with an increment of [0-5]%), dry construction ([20-30]% combined market share with an increment of [5-10]%) and paste tile-fixing ([20-30]% combined market share with an increment of [0-5]%). Sika operates three mortar plants in France and two in Germany.
- (69) In France, the combined entity is a market leader in all mortar subcategories. In Germany, the combined entity is the strongest supplier in dry mortars and Sika and PCI Augsburg are market leaders in paste tile fixing mortars. The combined entity will continue to be constrained by a large number of competing suppliers in all markets, including in France Parex Lanko (market share in between [10-20]-[20-30]% depending on the mortar category), PRB ([5-10]-[10-20]%), Mapei ([5-10]-[10-20]%), STO ([5-10]-[10-20]%), VPI ([0-5]-[5-10]%), Desvres ([0-5]-[10-20]%) , STO ([5-10]-[10-20]%), and in Germany Caparol ([0-5]-[5-10]%), Knauf ([5-10]-[10-20]%), PCI Augsburg ([0-5]-[20-30]%), Ardex ([0-5]-[5-10]%), Quick mix ([0-5]-[5-10]%), STO ([0-5]-[5-10]%) and Baumit ([0-5]-[5-10]%) as well as a number of other smaller players.
- (70) In view of the generally small increments in market shares, the strong competitive landscape in both Member States, the ease of switching suppliers and absent concerns brought to the Commission's attention during the market investigation, the Transaction does not give rise to serious doubts with regard to dry premix mortars overall, dry construction, dry tile-fixing, paste mortars overall and paste tile-fixing mortars in France and with regard to dry premix mortars overall and dry construction markets in Germany.

H. The Netherlands

- (71) In the Netherlands the affected market arises in dry premix mortars overall ([20-30]% combined market share), dry construction ([20-30]% combined market share) and dry tile-fixing mortars ([20-30]% combined market share). Sika does not operate a plant in the Netherlands and its mortars are imported from other European plants (the closest mortar plant of Sika is located in Germany).
- (72) In the Netherlands, the combined entity is the market leader in premix mortars overall and dry construction and Eurocol is market leader in dry tile fixing. The combined entity will continue to be constrained by a large number of competing suppliers such as Eurocol ([5-10]% in dry mortars overall, [0-5]% in dry construction, and [30-40]% in dry tile fixing), Omnicol [0-5]%, [0-5]% and [10-20]% respectively), EBC-COBA ([5-10]%, [5-10]% and [5-10]% respectively), Knauf ([5-10]% in dry mortars overall and [10-20]% in dry construction) and Remix ([5-10]% and [5-10]% respectively) as well as many other smaller players.

- (73) Furthermore, the combined capacity of the Parties represents only [20-30]% of the available capacity in the Netherlands and the average utilisation rate in the Netherlands is low ([40-50]%).
- (74) In particular for the Netherlands, the market investigation showed that whereas Saint-Gobain has a wide range of cheaper products, Sika is perceived as a highly specialised producer of mortars. Sika's products are generally not seen as substitutable with Saint-Gobain's mortars and the Parties are therefore not perceived as close competitors.³²
- (75) In view of Sika's limited presence in dry construction and dry premix mortars overall, the limited presence of Saint-Gobain in dry tile-fixing, a large number of competitors, the ease of switching suppliers and given that no concerns were brought to the Commission's attention during the market investigation, the Transaction does not give rise to serious doubts in the Netherlands for dry premix mortars overall, dry construction and dry tile-fixing mortars..

I. Norway

- (76) Affected markets arise in dry premix mortars overall (combined market share [30-40]% with an increment of [5-10]%), dry construction ([30-40]% combined market share and increment of [5-10]%), dry tile-fixing ([20-30]% combined market share with an increment of [5-10]%) and paste mortar overall ([40-50]% with an increment of below [0-5]%). Sika does not operate a plant in Norway, and sources product either from other European plants (the closest mortar plant of Sika is located in Germany) or through a toll manufacturing agreement for the production of mortars.
- (77) In Norway, the combined entity is the market leader in dry premix mortars overall, dry construction and paste mortars overall. In dry tile fixing Mapei has the strongest position ([20-30]%). There are a number of competitors in Norway including Mapei ([5-10%]-[20-30]% market share depending on the mortar category), Hey'di ([10-20]%), STO ([0-5]% – [30-40]%), Jotun ([0-5]% – [10-20]%), Forsand ([0-5]%) and BMC ([0-5]%) and many more smaller players among others.
- (78) Some respondents to questionnaires in the market investigation indicate that Saint-Gobain has a very strong position on the Norwegian market thanks to the location of a production plant allowing Saint-Gobain to transport mortars to the north of the country, where other suppliers have problems delivering due to high transport costs. However, as Sika does not have a production plant in Norway and also experiences problems for delivery into North Norway, the effects of the proposed transaction on the position of Saint-Gobain in the north of the country will be, if at all, limited.
- (79) However, the responses to the market investigation also showed that the Parties have different distribution channels: Saint-Gobain mainly sells via distributors while Sika sells to end-customers directly. Furthermore, while Saint-Gobain is a very strong competitor with a full range of products, a distributor confirmed that

32 See agreed minutes of a call with a distributor dated 29 June 2015.

*Sika offers rather specialist/niche products which also tend to be more expensive.*³³
In this light, in Norway the transaction will seem to have a rather complementary character.

- (80) In view of the limited increments in market shares, the presence of alternative suppliers and the ease of switching suppliers in the relevant product markets, the Transaction does not give rise to serious doubts in Norway with regard to dry premix mortars overall, dry construction, dry tile fixing and paste mortars overall.

J. Portugal

- (81) In Portugal affected markets arise in dry premix mortar overall ([30-40]% combined market share), dry construction ([20-30]% combined market share), dry tile-fixing ([50-60]% combined market share with an increment of [0-5]%), paste mortars overall ([30-40]% with an increment of [0-5]%) and paste façade ([20-30]% combined market share with an increment of [0-5]%).
- (82) The combined entity will be the market leader in all relevant mortar markets in Portugal. Yet, it faces competition from Fassa Bortolo ([5-10]%-[10-20]% market share depending on mortar subcategory), LusoMapei ([0-5]% – [10-20]%), Secil Argamassas ([0-5]-[5-10]%), IRP ([5-10]%) and Diera ([0-5]-[5-10]%) as well as other smaller players.
- (83) Furthermore, the combined capacity of the Parties represents only [10-20]% of the available capacity in Portugal and the average utilisation rate of the remaining competitors is low ([20-30]%).
- (84) In view of the small increments, the significant number of competitors present on the market, the ease of switching suppliers, large spare production capacities in the market and no concerns raised during the market investigation, the Transaction does not give rise to serious doubts in Portugal with regard to dry premix mortars overall, dry construction, dry tile-fixing and paste mortars overall.

K. Spain

- (85) In Spain, affected markets arise in dry premix mortars overall ([20-30]% combined market share) and dry tile-fixing ([30-40]% combined market share with an increment of [0-5]%). Sika operates two dry mortar plants in Spain and one paste mortar plant in Portugal. Dry mortars are imported to Portugal from other European plants (the closest mortar plant of Sika is located in Spain).
- (86) In Spain, the combined entity will be the market leader in dry premix mortars overall and in dry tile-fixing. The competitors in Spain include Puma ([5-10]% and [10-20]% respectively), Mapei ([5-10]% and [5-10]%), Kerakoll ([0-5]% and [10-20]% respectively), Cemento Portland [0-5]% in dry premix mortars overall), Cemex ([5-10]% and [0-5]% in respectively), Parex ([0-5]% and [0-5]%), Gecol ([0-5]% and [0-5]%), Lafarge, Cemerksa and Propamsa.
- (87) The results to the market investigation broadly confirm that the competitors also have spare capacities in Spain.³⁴

33 See agreed minutes of a call with a distributor dated 30 June 2015.

- (88) In view of the small increments, the strong competitive landscape, the ease of switching suppliers, large spare production capacities in the market and as no concerns were brought to the Commission's attention during the market investigation, the Transaction does not give rise to serious doubts in Spain with regard to dry premix mortars overall and dry tile-fixing mortars.

L. Sweden

- (89) Affected markets arise in dry premix mortars overall ([30-40]% combined market share with [5-10]% increment), dry construction ([40-50]% market share with [5-10]% increment), dry tile-fixing ([20-30]% market share), paste mortars overall ([40-50]% with [0-5]% increment) and paste tile-fixing mortars ([20-30]% combined market share). Sika does not have a plant in Sweden and all of its mortars are sourced from its European plants (the closest mortar plant of Sika is located in Germany) or, to a limited extent, from a local toll manufacturer.
- (90) In Sweden, the combined entity will be the market leader in all of the above mortar markets. However, there are many alternative suppliers of mortars in Sweden, including many strong local manufacturers. Competitors in dry mortars include Finja ([0-5]%-[10-20]% market share depending on mortar subcategory), STO ([5-10]%), Combimix ([5-10]%-[10-20]%), Bostik ([5-10]%-[10-20]%), TM Progress ([5-10]%) and Ardex ([0-5]%-[10-20]%) for dry mortars as well as Finja ([10-20]%), Combimix ([10-20]%), STO ([10-20]%), Ardex ([0-10]%) as well as other smaller players in paste mortars.
- (91) Sika does not have a local plant in Sweden and a major part of its mortars are transported from a plant in North Germany. Market investigation confirmed that many competitors supply Sweden from the neighbouring countries. One competitor who has production plants in a neighbouring country explained that *export to other Nordic countries is easier thanks to similar customers' characteristics within the Scandinavian area, and to relatively close distance.*³⁵
- (92) The respondents to the market investigation confirmed that there are many other suppliers present with a broad range of mortars on the market.³⁶ A customer of tile-fixing mortars indicated that *"Sweden is a small market but rather open with many suppliers available, such as Mapei, Ardex, LIP, Alfix or Mira, who all offer tile fixing mortars of similar price and quality".*³⁷
- (93) No concerns were brought to the Commission's attention during the market investigation. In view of small increments in market shares in dry mortars overall, dry construction and paste mortars overall, and considering that the competitive landscape is strong and that Sika's products are predominantly imported from Germany, and with regard to the ease of switching suppliers in these market, the Transaction does not give rise to serious doubts in Sweden with regard to dry premix mortars overall, dry construction, dry tile-fixing, parte mortars overall and paste tile-fixing mortars.

34 See replies to question 28 – Phase I questionnaire to competitors.

35 See agreed minutes of a call with a competitor dated 3 June 2015.

36 See agreed minutes of a call with a distributor dated 3 July 2015.

37 See agreed minutes of a call with a distributor dated 29 June 2015.

Hypothetical regional markets around Sika's plants

- (94) The Notifying Party submitted market share estimates based on three hypothetical regional markets for mortars drawn within certain distance from Sika's plants: (i) comprising an area within a 250km radius around Sika's plants, (ii) an area within a 120km radius around Sika's plant and (iii) an area within a 120km radius from the middle of the line connecting Sika's and Saint-Gobain's plants located closer than 250km from one another (mid-point approach).
- (95) Under these hypothetical approaches, affected markets would arise in one or more mortar subcategories in the regions of Damville (up to [30-40]%), Gournay-en-Bray (up to [30-40]%), Modrice (up to [30-40]%), Leimen (up to [20-30]%), Rosendahl (up to [20-30]%), Capusu Mare (up to [20-30]%), Alcobendas (up to [30-40]%), Burgos (up to [20-30]%) and Welwyn Garden City (up to [30-40]%).
- (96) The competitive assessment for each of these regions would be no different from the analysis on national level. In all of these regions, a number of international and local competitors are present offering a wide portfolio of mortar products and having significant capacity. For instance, the competitors in Modrice include Baunit, Atlas, Cemix, Ceskomoravsky, Hasit and more than 25 small local producers. In Damville and Gournay-en-Bray, the competitors include Bostik, Cantillana, Cermix, Mapei and Parexlanko. In Leimen and Rosendahl the competitors include Baunit, Knauf, Quick-mix, Sakret, Schwenk and more than fifty smaller local producers. In Capusu Mare, the competitors include Baunit, Henkel, Knauf, Adeplast, Hasic and more than ten other local producers. In Alcobendas and Burgos the competitors include Cemex, Hocim, Parex, Portland, Puma and above 15 smaller local producers. In Welwyn Garden City, the competitors include Euromix, Hanson, Ardex, Basf, Henkel and above ten smaller local producers. Equally, the respondents to the market investigation did not raise any merger specific concerns for any of these areas.
- (97) In addition, as explained above, radii-based areas are unlikely to be the appropriate geographic scope for the assessment of the effects of the Transaction as the increment from Sika mostly relates to specialty mortars that tend to be transported over much larger distances.
- (98) Finally, the respondents to the market investigation did not raise any merger specific concerns for any of these areas.

4.1.1.4. Conclusion on mortars

- (99) In view of the above, the Commission concludes that the proposed transaction does not give rise to serious doubts as to its compatibility with internal market with respect to mortars under any plausible market definition set out above.

4.1.2. Construction chemicals and chemical products

- (100) Construction chemicals and chemical products include an array of various chemicals used in construction or other industries.

- (101) In past decisions the Commission dealt with a number of construction chemicals such as concrete and mortar admixtures,³⁸ primers, resin-based injection materials and PU foam-based systems,³⁹ waterproofing foils,⁴⁰ concrete roofing tiles,⁴¹ flooring solutions,⁴² silicone sealants,⁴³ and coatings⁴⁴.
- (102) The activities of the Parties overlap in relation to a number of construction chemicals markets, while affected markets arise only in relation to chemical admixtures for concrete/mortars, concrete works (primers), waterproofing (acrylic liquid waterproofing membranes and liquid bituminous membranes for waterproofing), industrial flooring and automotive glass adhesives.

4.1.2.1. Chemical admixtures for concrete and mortar

Relevant product market

- (103) In previous decisions dealing with concrete and mortar admixtures, the Commission has concluded that chemical-based and mineral-based admixtures belong to distinct product markets due to their different product characteristics, the important price differences, the lower performance of mineral-based admixtures and the difference in technology and quality.⁴⁵
- (104) When analysing chemical concrete admixtures, the Commission considered that it would not be appropriate to make a further distinction based on the individual type of admixtures (such as mortar and concrete admixtures). This is because, as confirmed by the Commission's the market investigation in a specific case, customers typically source the entirety of the admixtures they require from one single supplier, which suggests that there is a high degree of supply side-substitutability between the different types of chemical concrete admixtures.⁴⁶
- (105) In the light of the foregoing, the Commission will consider the following product markets in its assessment of the impact of the Transaction on competition: the market for chemical-based mortar and concrete admixtures and the market for mineral-based admixtures.

Geographic market definition

- (106) The Commission has left open whether the relevant geographic market would be EEA-wide or possibly smaller.⁴⁷ In this light the Commission considers it

38 COMP/M.4177 – BASF/Degussa, paras. 14-18.

39 COMP/M.2854 – RAG/Degussa, paras 23-25 and 39.

40 COMP/M.3946 – Renolit/Solvay, para. 15.

41 COMP/M.2317 – Lafarge/Blue Circle (II), para. 13.

42 IV/M.1253 – Paribas/JDC Sarl/Gerflor, para. 7.

43 COMP/M.4413 – Apollo Group/GE Advanced Materials, para. 9.

44 COMP/M.5745 – AkzoNobel/Rohm and Haas Powder Coating Business, para. 9.

45 COMP/M.4177 – BASF/DEGUSSA, paras. 14-18.

46 COMP/M.4177 – BASF/DEGUSSA, paras. 14-18.

47 COMP/M.4177 – BASF/DEGUSSA, paras. 29-31.

appropriate to carry out the competitive assessment of the Transaction on the basis of national markets as the narrowest plausible market definition.

Competitive assessment

- (107) In chemical admixtures for concrete and mortar, affected markets arise in Belgium and Spain.
- (108) Sika's market share in Belgium and Spain are in the range of 25-35%, whereas Saint-Gobain's market share is well below 1%.
- (109) There is a large number of competitors present in this market, including the large players such as BASF (25-30% market share), Mapei (10-15% market share) and Grace (10-15% market share) as well as a number of smaller players including Ronacrete, Remix Droge Mortel BV, Bruil, Dyckerhoff, Lafarge and Tekom.
- (110) The responses to the market investigation suggest that Saint-Gobain is not known as a supplier of chemical admixtures for mortar and concrete.
- (111) In view of the small increments and the strong competitive landscape in the Belgian and Spanish markets for chemical admixtures for concrete and mortar, and as far as these relevant markets are concerned, the Transaction does not give rise to serious doubts as to its compatibility with the internal market. In addition, no concerns were brought to the Commission's attention during the market investigation in relation to these markets.

4.1.2.2. Concrete works

Relevant product market

- (112) Up to date, the Commission has not analysed the market for concrete works or any of its potential subsegments.
- (113) The Notifying Party submits that the concrete works should be divided along the following lines: injection resins, polymer concrete, resin-based grouts, anchoring resins, bonding agents, primers, impregnations, corrosion protection/control, structural reinforcing/strengthening, ancillaries (cleaners, release agents etc.).
- (114) The Commission will consider each of these categories of concrete works as a distinct product market in the assessment of the Transaction.

Geographic market definition

- (115) Although, the Commission has not investigated the market for concrete works in the past, the Commission considered that the relevant geographic market could be at least EEA-wide in a previous decision on resin-based injection materials and PU foam-based systems.⁴⁸

48 COMP/M.2854 – RAG/Degussa, para. 39.

- (116) However, the Commission considers it appropriate to carry out the competitive assessment of the Transaction on the basis of national markets for concrete works. This appears to be the narrowest plausible market definition in this case.

Competitive assessment

- (117) No affected markets arise at the EEA – wide market. Affected markets arise in a number of subcategories within the concrete works group, however in most categories the market share of Saint-Gobain is well below [0-5]%. The only markets where the share of both Parties is substantial include the supply of primers in Finland, Czech Republic and Slovakia.
- (118) According to the Notifying Party, in Czech Republic, the combined market share amounts to [30-40]%, with an increment of [0-5]%. Main competitors include Baumit ([10-20]% market share), Mapei ([5-10]%), Henkel ([5-10]%), Caparol ([5-10]%), Knauf ([5-10]%), STO ([0-5]%) and BASF ([0-5]%). In Finland, the combined market share amounts to [20-30]% with an increment of [0-5]%. The main competitors include Tikkurila ([30-40]% market share), BASF ([10-20]%), STO ([0-5]%), Henkel ([0-5]%) and Mapei ([0-5]%). In Slovakia, the combined market share is estimated at [20-30]% with an increment of [0-5]%. Main competitors are Baumit ([20-30]% market share), Mapei ([5-10]%), Henkel ([5-10]%), Ardex ([5-10]%), Caparol ([5-10]%), Knauf ([5-10]%), STO ([0-5]%) and Uzin ([0-5]%).
- (119) During the market investigation no competition concerns were brought to the Commission's attention with respect to concrete works and primers in particular.
- (120) In view of the small increments, strong competitive landscape and absent concerns on the part of the respondents to the market investigation, the Transaction does not give rise to serious doubts as to its compatibility with the internal market, in relation to the markets for concrete works and primers in particular, in Finland, Czech Republic and Slovakia.

4.1.2.3. Waterproofing

Relevant product market

- (121) The Notifying Party submits that waterproofing should be divided into following categories: acrylic liquid membrane (under tiling), acrylic liquid membrane (other applications), PU liquid membrane, epoxy liquid membrane, bitumen (liquid), bitumen felts, PVC/TPO bonding sheets, other non-liquid membranes (foils, tapes etc.), PU injection resins, damp proofing injection, epoxy injection system.
- (122) The Commission has to date not assessed in detail the markets including waterproofing products. In Renolit/Solvay⁴⁹ the Commission identified waterproofing foils as a separate segment but ultimately left the market definition open.
- (123) The following distinct product markets appear to be the narrowest plausible for the assessment of the impact of the Transaction on competition: the markets for acrylic

⁴⁹ COMP/M.3946 – Renolit/Solvay, para. 15

liquid membrane (under tiling), acrylic liquid membrane (other applications), PU liquid membrane, epoxy liquid membrane, bitumen (liquid), bitumen felts, PVC/TPO bonding sheets, other non-liquid membranes (foils, tapes etc.), PU injection resins, damp proofing injection, epoxy injection system.

Geographic market definition

- (124) In previous decisions, the Commission concluded that the market for industrial foils and potential sub-segments was at least EEA-wide in scope.⁵⁰ The Notifying Party submits that the same applies for the entirety of waterproofing applications where the Parties' activities overlap.
- (125) However, the Commission considers it appropriate to carry out the competitive assessment of the Transaction on the basis of national markets as this would be the narrowest plausible market definition.

Competitive assessment

- (126) No affected markets arise at the EEA level. The Notifying Party submits that affected markets arise in acrylic liquid membrane (under tiling) in France (combined market share of [20-30]% with an increment of [0-5]%), Sweden (combined market share of [20-30]%) and Finland (combined market share of [30-40]%) as well as in epoxy liquid membrane in Germany ([20-30]% combined market share with an increment of [0-5]%) and Luxembourg (which is estimated to feature a similar market structure to Germany).
- (127) The main competitors in acrylic liquid membrane include Kiilto ([20-30]% market share), Ardex ([10-20]%), Mapei ([5-10]%) and Ceresit-Henkel ([0-5]%) in Finland, Parex ([20-30]%), Desvres ([10-20]%) and Mapei ([10-20]%) in France and Bostik ([20-30]%), Ardex ([10-20]%), Hey'di ([10-20]%), BASF-PCI ([5-10]%) and Mapei ([5-10]%) in Sweden. For liquid bituminous membranes the main competitors include Remmers ([10-20]%), MC Bauchemie ([10-20]%), BASF ([5-10]%), Schomburg ([5-10]%), Baunit ([5-10]%), Henkel ([5-10]%) and Koester ([5-10]%) in Germany. There is no exact market data available for Luxembourg, however the competitors present in Luxembourg in liquid bituminous membranes and their market shares are similar as in Germany.
- (128) During market investigation the respondents did not raise any concerns with respect to any product in the waterproofing category in the affected countries. Furthermore, Saint-Gobain does not appear to be known as an important supplier of waterproofing.
- (129) In view of the strong competitive landscape and given that no concerns were brought to the Commission's attention during the market investigation, the Transaction does not give rise to serious doubts as to its compatibility with the internal market, in relation to the markets for acrylic liquid membranes under tiling in France, Sweden and Finland as well as the markets for epoxy liquid membranes in Germany and Luxembourg.

50 COMP/M.3946 – Renolit/Solvay, paras. 32-33.

4.1.2.4. Industrial flooring

Relevant product market

- (130) The Commission has to date not assessed in detail the product market including industrial resinous flooring solutions. However, in *Paribas/JDC Sarl/Gerflor*,⁵¹ the Commission identified the existence of four main flooring products – parquet, PVC (vinyl), tiles and carpets – and suggested that floor coverings for private and commercial use might constitute separate product markets. In *BASF/Degussa*,⁵² the Commission suggested that indoor and outdoor sports floorings constitute separate product markets due to the different input materials, know-how and producers.
- (131) In the light of the foregoing, the Commission will consider the product markets for various industrial flooring (separately for epoxy, MMA and vinyl ester, PU and others) in its assessment of the impact of the Transaction on competition.

Geographic market definition

- (132) In previous decisions, the Commission has considered that the markets for different flooring products are at least EEA-wide, but it ultimately left the question open.⁵³
- (133) In this light the Commission considers it appropriate to carry out the competitive assessment of the Transaction on the basis of national markets as the narrowest plausible market definition.

Competitive assessment

- (134) Affected markets in industrial flooring arise in Austria, Germany, Netherlands and Spain for the overall category. Whereas Sika's sales in each of those countries exceed [20-30]%, the sales by Saint-Gobain are marginal (well under [0-5]%).
- (135) Further, sales of Saint-Gobain in industrial flooring are exclusively generated by the sale of products that are manufactured by and sourced from third-party suppliers, and only resold by Saint-Gobain under a private label.
- (136) The Notifying Party submits that there is a large number of companies that manufacture and distribute comparable products in the EEA. The main competitors as regards resinous industrial flooring based on epoxy in the EEA are BASF (10-15% market share EEA-wide), MC Bauchemie (10-15% market share) as well as a number of smaller producers: Flowcrete UK Ltd (RPM International), Uzin, Mapei, Schomburg, Altro, Unipro, Eradur AB, Tikkurila, Hesselberg, Remmers and Lena. The main competitors in the area of PU industrial flooring solutions are BASF (10-20% market share-EEA wide), as well as a large number of smaller producers including Flowcrete, Uzin, Mapei, Murexin, Altro, Unipro, Eradur AB, Tikkurila, Hesselberg and Remmers.

51 IV/M.1253 – Paribas/JDC Sarl/Gerflor, para. 7.

52 COMP/M.4177 – BASF/Degussa, paras. 22-24.

53 Most recently in COMP/M.6871 – Mohawk Industries/Spano Invest, paras. 49-50. See also COMP/M.4048 – Sonae Industria/Tarkett/JV, paras. 17-18; COMP/M.4177 – BASF/Degussa, paras. 34-36; COMP/M.2051 – Nordic Capital/HIAG/Nybron/Bauwerk, para.12; and IV/M. 1523 – Paribas/JDC Sarl/Gerflor, para. 8.

- (137) During market investigation the respondents did not express any competition concerns with respect to any product in the industrial flooring category in the affected countries. Furthermore, Saint-Gobain does not appear to be known as an important competitor in industrial flooring.
- (138) In view of the limited increments, the relatively strong competitive landscape and as no concerns were brought to the Commission's attention during the market investigation, the Transaction does not give rise to serious doubts as to its compatibility with the internal market in relation to the markets for industrial flooring and its subcategories in Austria, Germany, Netherlands and Spain.

4.1.2.5. Automotive glass adhesives and surface treatment products

Relevant product market

- (139) Automotive glass adhesives are PU-based and primarily used to fix windscreens and backlights to the car body. Glass surface treatments products are used before the adhesive is applied to the glass in order to improve the adhesive's performance. They include cleaners, surface activators and primers.
- (140) The Notifying Party defines the relevant product market as automotive glass adhesives and surface treatment products including glass cleaners, glass surface activators and glass primers.
- (141) The Commission has at least in some cases looked separately at adhesives used in the automotive industry and more specifically at adhesive systems for automotive glass bonding.⁵⁴ In *Dow/Rohm and Haas*, the Commission found that a sub-segmentation of the overall market for automotive adhesives according to sub-applications and/or adhesive technologies was not appropriate due to the high degree of substitutability of different adhesives and sealants in the automotive end uses.⁵⁵ In *Dow/EniChem*, the Commission assessed glass bonding systems for automotive applications separately distinguishing between Original Equipment Manufacturers ("OEMs") and the independent aftermarket ("IAM").⁵⁶ In *Henkel/Adhesives & Electronic Business*, the Commission looked at industrial surface treatment products at a more general level without distinguishing between individual products such as primers or activators.⁵⁷
- (142) In the light of the foregoing, the Commission will consider the following product markets in its assessment of the impact of the Transaction on competition: the market for glass cleaners, the market for surface activators and the market for primers.

Geographic market definition

- (143) As far as the geographic dimension is concerned, in *Dow/EniChem*, the Commission analysed glass bonding systems looking only at the EEA level due to

54 COMP/M.2355 – Dow Chemicals/EniChem Polyurethanes, para. 14.

55 COMP/M.5424 – Dow/Rohm and Haas, paras. 232-233.

56 COMP/M.2355 – Dow Chemicals/EniChem Polyurethanes, para. 14.

57 COMP/M.4941 – Henkel/Adhesives & Electronic Business, para. 37.

the absence of technical standards or other regulatory barriers to trade within Europe for automotive components and systems.⁵⁸ In *Henkel/Adhesives & Electronic Business* case, the Commission analysed surface treatment products on an EEA-wide basis.⁵⁹

- (144) In this light the Commission considers it appropriate to carry out the competitive assessment of the Transaction on the basis of the EEA market.

Competitive assessment

- (145) Affected markets arise in the automotive glass adhesives and ancillary products for glass surface treatment overall as well as separately on the EEA-wide market. The Notifying Party estimates Sika's market share in either segment at between 25-35%.
- (146) Sika has a broad offering of glass adhesives for automotive applications as well as products for glass surface treatment. Its adhesives for automotive glass bonding are mainly sold in the EEA under the brands *Sikaflex*® and *SikaTack*®. The main Sika brands in the EEA for surface treatment products are (i) for cleaners: *Sika*® *Cleaner* and *Sika*® *Remover*; (ii) for surface activators: *Sika*® *Aktivator*, and (iii) for primers: *Sika*® *Primer*. The Notifying Party estimates Sika's EEA share at around 25%-35%.
- (147) Saint-Gobain does not manufacture automotive glass adhesives and ancillary products for glass surface treatment. Saint-Gobain is thus active in the resale of automotive glass adhesives and glass surface treatment products on the IAM sourced from third-party suppliers. Saint-Gobain's private label sales of automotive glass adhesives, glass primers and glass cleaners in the EEA slightly exceeded EUR [...]m in 2014. Saint-Gobain estimates that its share of supply related to its private label sales at EEA level is negligible whatever the product segmentation (automotive glass adhesives, glass primers and glass cleaners) applied (below [0-5]). On the national level, the Notifying Party estimates to have a substantial market share in Estonia ([10-20]), Finland ([10-20]) and Greece ([5-10]).
- (148) The leading players in glass adhesives for automotive applications as well as products for glass surface treatment in the EEA are Dow Chemical ([30-40] market share), Henkel, particularly with its Teroson range of products ([10-20]) and Dinol ([10-20]) and Sika. Other important EEA producers in this area are EFTEC AG and Le Joint Français (particularly with its Totalseal product range).
- (149) The responses to the market investigation indicated that while Sika is an established manufacturer of automotive glass adhesives and ancillary products for glass surface treatment, Saint-Gobain is not recognized as an important competitor in this market. Furthermore, no competition concerns were brought to the Commission's attention during market investigation.
- (150) In view of Saint-Gobain's marginal presence in the automotive glass adhesives and ancillary products for glass surface treatment, strong competitive landscape and no

58 COMP/M.2355 – Dow Chemicals/EniChem Polyurethanes, paras. 16-17.

59 COMP/M.4941 – Henkel/Adhesives & Electronic Business, para. 37.

concerns raised during the market investigation, the Transaction does not give rise to serious doubts as to its compatibility with the internal market, in relation to the markets for automotive glass adhesives and ancillary products for glass surface treatment EEA-wide.

4.1.2.6. Conclusion on construction chemicals and chemical products

(151) In view of the above, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with internal market with respect to construction chemicals under any plausible product or geographic market definition set out above.

4.2. Vertical effects

(152) The Transaction gives rise to a number of vertically affected markets in the following areas:

(i) the production and supply of gypsum adhesives by Sika (upstream) and the production and supply of plaster and plasterboard by Saint-Gobain (downstream),

(ii) the production and supply of automotive glass surface adhesives and surface treatment products by Sika (upstream) and automotive glass replacement services by Saint-Gobain (downstream),

(iii) the production and supply of insulation glass sealants by Sika (upstream) and the production and supply of insulation glass production by Saint-Gobain (downstream),

(iv) the production and supply of glass fibre veil by Saint-Gobain (upstream) and the production and supply of building chemicals by Sika (downstream) and

(v) the production and supply of glass fibre mesh for mortar reinforcement by Saint-Gobain (upstream) and the production and supply of premix mortars by Sika (downstream).

(153) In addition, the Transaction gives rise to a vertically affected market in the production and supply of mortars and construction chemicals by Sika (upstream) as well as in the market for distribution of building material where Saint-Gobain is active (downstream).

4.2.1. Vertical overlaps between production of various building materials (construction chemicals)

4.2.1.1. Production and supply of gypsum adhesives by Sika (upstream) and production and supply of plaster and plasterboard by Saint-Gobain (downstream)

(i) *Production and supply of chemical adhesives for gypsum*

Product market definition

(154) Gypsum is a mineral composed of calcium, sulphur bound to oxygen, and water. Calcined gypsum is the main constituent in many forms of plaster. As a last production step, the addition of additives is necessary to provide the required

performance of gypsum products (e.g. controlled setting time, good workability, good bond to concrete, brick, plasterboard or tape, and water resistance).

- (155) The Commission has so far not analysed the market for chemical gypsum additives. However, in the *BASF/Degussa* case, when analysing concrete admixtures, the Commission concluded that it would not be appropriate to make a further distinction based on the type of admixture.⁶⁰
- (156) The Commission considers the production and supply of gypsum additives as a distinct product market for the purposes of the assessment of the impact of the Transaction on competition.

Geographic market definition

- (157) In the *BASF/Degussa* case, the Commission left open whether the relevant geographic market for chemical concrete admixtures would be EEA-wide or possibly smaller.⁶¹
- (158) The Commission considers it appropriate to carry out the competitive assessment of the Transaction on the basis of both national markets and an EEA-wide market for the production and supply of gypsum additives.
- (ii) *Production and supply of plaster and plasterboard/building plasters*

Product market definition

- (159) Plaster is a gypsum-based powder that is mixed with water at the construction site to form a paste that is applied to a hard surface to provide a better finish and smooth imperfections. Plasterboard is usually made of a flat sheet of gypsum sandwiched between two pieces of heavy paper.
- (160) In the past, the Commission has found that, in general, plaster is not a substitute for plasterboard, given the latter's costs, handling advantages, and ease and speed of installation.⁶² This position was largely endorsed by the market investigation in *Saint-Gobain/BPB* case, but the market definition was ultimately left open.⁶³ In *Saint-Gobain/Maxit* case, the Commission assessed separately gypsum-based plasters for building applications and for the ceramics industry.⁶⁴
- (161) In the light of the foregoing and for the purpose of assessing the competitive impact of the Transaction, the Commission considers the production and supply of plasterboard and building plasters as two distinct product markets.

60 COMP/M.4177 – BASF/DEGUSSA, paras. 14-18.

61 COMP/M.4177 – BASF/DEGUSSA, paras. 14-18.

62 COMP/E-1/37.152 – Plasterboard, para. 20.

63 COMP/M.3943 – Saint-Gobain/BPB, paras. 9-12.

64 COMP/M.4898 – Saint-Gobain/Maxit, paras. 113-114 and 117-119.

Geographic market definition

- (162) In the *Saint-Gobain/BPB* case,⁶⁵ the Commission defined the markets for the production and supply of plaster-based products as national in geographic scope. This approach was also followed in the *Saint-Gobain/Maxit* case as regards gypsum-based plasters for building applications.⁶⁶
- (163) Also in this case, the Commission considers it appropriate to carry out the competitive assessment on the basis of national markets.

Competitive assessment

- (164) Saint-Gobain is an important producer of plasterboard and building plasters. Affected markets arise in various Member States, with market shares regarding (i) plasterboard ranging from [30-40]% (in Italy) to [60-70]% (in Ireland) and (ii) building plasters ranging from [30-40]% (in Spain/Portugal) to [70-80]% (in Hungary).
- (165) Major suppliers of plasterboard in the EEA are Knauf ([30-40]% market share), Siniat (formerly Lafarge Plasterboard) ([10-20]% market share). Other significant players include Uralita (<5% market share) and Fassa Bortolo (<5% market share). Knauf and Siniat are also major suppliers of building plasters in the EEA ([30-40]% respectively [10-20]% market share), with Uralita and Fassa Bortolo also being active in this market, with markets shares above [5-10]%.
- (166) Sika is a rather minor supplier of gypsum additives with market share below [0-5]%, be it at the level of the EEA or individual Member States.
- (167) The major suppliers of gypsum additives in the EEA are leading chemical groups such as AkzoNobel ([10-20]% market share), BASF ([5-10]% market share), Dow Chemical ([10-20]% market share) and Evonik Degussa ([5-10]% market share).
- (168) Customer foreclosure in the market for the production and supply of gypsum additives appears unlikely, as it is very unlikely that Saint-Gobain would have the incentive or the ability to successfully engage in any such strategy as the gypsum additives used by Saint-Gobain for the production of plaster and plasterboard are mostly standard components used in a large variety of other industries (e.g. food, plastics, cosmetics, paper and clothing) and Saint-Gobain and the manufacturers of plasters/plasterboards in general thus represent only a relatively small outlet for the gypsum additives.

65 COMP/M.3943 – Saint-Gobain/BPB, para. 13.

66 COMP/M.4898 – Saint-Gobain/Maxit, paras. 115-116.

4.2.1.2. Production and supply of automotive glass adhesives and ancillary surface treatment products by Sika (upstream) and automotive glass replacement services of Saint-Gobain (downstream)

(i) *Production and supply of automotive glass adhesives and ancillary surface treatment products*

Product market definition

(169) Automotive glass adhesives are PU-based and primarily used to fix windscreens and backlights to the car body. Glass surface treatment products are used before the adhesive is applied to the glass in order to improve the adhesive's performance. They include cleaners, surface activators and primers.

(170) As explained in section 4.1.2.5. above, the Commission has analysed the adhesives used in the automotive industry (more specifically the adhesive systems for automotive glass bonding) as a distinct market in the past.⁶⁷ Also in its assessment of the competitive impact of the Transaction, the Commission will consider the product market for automotive glass adhesives and ancillary surface treatment as a relevant market.

Geographic market definition

(171) As far as the geographic dimension is concerned, in *Dow/EniChem* case, the Commission analysed glass bonding systems by looking only at the EEA level due to the absence of technical standards or other regulatory barriers to trade within Europe for automotive components and systems.⁶⁸

(172) In this light the Commission considers it appropriate to carry out the competitive assessment of the Transaction on the basis of an EEA-wide market.

(ii) *Production and supply of automotive glass*

Product and geographic market definition

(173) As regards processed automotive glass, the Commission has previously distinguished between automotive glass supplied to OEMs and replacement glass supplied to the IAMs.⁶⁹

(174) With regard to processed automotive glass, the Commission defined the geographic market as EEA-wide both for OEM and IAM automotive glass.⁷⁰

(175) Also in this case, the Commission will consider the following EEA-wide relevant markets: the market for automotive glass supplied to OEMs and the market for automotive glass supplied to IAMs.

67 COMP/M.2355 – Dow Chemicals/EniChem Polyurethanes, para. 14.

68 COMP/M.2355 – Dow Chemicals/EniChem Polyurethanes (2001), paras. 16-17.

69 IV/M.358 – Pilkington-Techint/SIV), paras. 18-19; IV/M.1230 – Glaverbel/PPG, para. 10; COMP/M.6557 – AGC Glass Europe/Interpane International Glass, para. 17.

70 IV/M.358 – Pilkington-Techint/SIV (1993), para. 19; IV/M.1230 – Glaverbel/PPG (1998), para. 15; COMP/M.6557 – AGC Glass Europe/Interpane International Glass (2012), para. 27.

(iii) *Supply of automotive glass repair and replacement services*

Product and geographic market definition

- (176) Glass replacement services involve the use of automotive glass adhesives and ancillary surface treatment products, primarily to bond windscreens and backlights to car bodies. The Notifying Party considers that the geographic scope of the aforementioned market is likely to be determined by a catchment area around each repair/replacement shop. However, there are several large chains, such as Belron/Carglass, and the fact that insurance companies play a role in pricing introduces significant national dynamics. Accordingly, the market should be defined as not larger than national.
- (177) The Commission will consider automotive glass repair and replacement services as a distinct product market for the purposes of the competitive assessment of the Transaction. As regards the geographic scope of the market, the Commission considers it appropriate to carry out the competitive assessment of the Transaction on the basis of national markets.

Competitive assessment

- (178) The share of Sika in the supply of automotive glass adhesives and ancillary surface treatment products ranges between 25% and 35% at EEA level. The leading players in this market in the EEA are Dow Chemical ([30-40]% market share), Henkel ([10-20]% market share), Dinol ([10-20]% market share). Other important EEA producers in this area are EFTEC AG and Le Joint Français (particularly with its Totalseal product range).
- (179) Saint-Gobain's share of supply at EEA level as regards the supply of automotive glass is around [40-50]% in the OEM segment and approximately [10-20]% for the IAM. The main competitors of Saint-Gobain in the OEM segment are AGC (20-25% market share), Pilkington (25-30% market share), Soliver (<5% market share) and Trakya (<5% market share). In the IAM segment, Saint-Gobain faces competition from Asahi (10-15% market share), Pilkington (15-20% market share), Fuyao (10-15% market share) and Nordglass (5-10% market share).
- (180) As far as automotive glass repair and replacement services are concerned, the share of Saint-Gobain at EEA level is estimated to be not more than [0-5]%. Therefore, Saint-Gobain's demand for automotive glass adhesives and surface treatment products represents an only marginal fraction of the overall demand for such products in the EEA. At the national level, the only Member State giving rise to a technically vertically affected market is Portugal, where the supply share of Saint-Gobain is estimated at around [30-40]% and is thus relatively moderate.
- (181) In this area Saint-Gobain is constrained by both multinational and national competitors such as Belron/Carglass (20-25% market share in the EEA) and national competitors such as Windscreens (UK) (<5% market share), France Pare-Brise (France) (<5% market share), Mondial Pare-Brise (France) (<5% market share), A+ Glass (France) (<5% market share) and Junited (Germany) (<5% market share).
- (182) Taking into consideration that the Parties' market shares on the upstream and downstream markets are moderate and numerous competitors exercise constraint

on the Parties, and that Saint-Gobain generates only a marginal fraction of the overall demand of automotive glass adhesives and surface treatment in the EEA, the Parties appear unlikely to be able to successfully engage in vertical foreclosure strategies post-transaction.

4.2.1.3. Production and supply of insulation glass sealants by Sika (upstream) and insulation glass production by Saint-Gobain (downstream)

(i) *Production and supply of glass sealants*

Product market definition

- (183) Primary sealants are typically made of butyl rubber. Secondary sealants are mainly made of polysulphide (“PS”), PU or silicone. The key function of the primary sealant is to reduce water vapour and gas permeability in the edge-of-glass area. The main purpose of the secondary sealant is to unite the glass panes and spacer bar and prevent excessive movement under different environmental stresses.
- (184) The Commission left open in the past whether industrial adhesives could be further segmented by application and/or based on technologies.⁷¹ Looking at the silicone industry generally, the Commission has assessed silicone-based sealants separately.⁷²
- (185) The Commission will consider the following product markets in its assessment of the impact of the Transaction on competition: the market for butyl-based primary sealants, the market for PU-based sealants and the market for silicon sealants.

Geographic market definition

- (186) In the *GE/Bayer* case, the Commission noted that for silicone sealants the narrowest conceivable geographic market would be the EU.⁷³
- (187) For the purposes of the competitive assessment of this Transaction, the Commission considered both national markets and an EEA-wide market for insulation glass sealants.

(ii) *Production and supply of insulation glass*

Product market definition

- (188) In previous decisions, the Commission considered a separate market for the manufacture and supply of insulation glass (“IG”).⁷⁴ Also in this case, the Commission will consider the production and supply of IG as a distinct market.

71 COMP/M.4941 – Henkel/Adhesives & Electronic Business, paras. 8-15.

72 COMP/M.4413 – Apollo Group/GE Advanced Materials, para. 9 and COMP/M.4146 – GE/Bayer/OSi Europe Business, paras. 11 and 17.

73 IV/M.1162 – GE/Bayer, para. 14.

74 COMP/M.6557 – AGC Glass Europe/Interpane International Glass, paras. 18-19.

Geographic market definition

- (189) In Case C 12/05 (ex N 611/03), the Commission considered that the geographic market for processed glass for the building sector, including sealed units, could be defined as EEA-wide, as (i) a large number of IG suppliers were active across the EEA, (ii) the price level for IG was generally fairly homogeneous across the EEA, (iii) there were very low entry barriers in this sector and the proportion of such smaller suppliers in Europe was steadily increasing.
- (190) These considerations appear applicable also in this case. The Commission therefore considers it appropriate to carry out the competitive assessment of the Transaction on the basis of an EEA-wide market for IG.

Competitive assessment

- (191) Sika's share of supply of insulation glass sealants does not exceed [10-20]% in the EEA. Neither does it exceed [20-30]% on national level.
- (192) Sika appears constrained by several multinational competitors offering butyl-based primary sealants with significant shares in this particular market across the EEA: Tremco (>30% market share), IGK (15-25% market share), Kommerling (15-25% market share) and Fenzi ([10-20]% market share). Also in secondary PU-based sealants across the EEA, Sika faces competition from Tremco (15-25% market share), IGK (15-25% market share), Kommerling (15-25% market share) and Fenzi ([5-10]% market share). As regards silicon sealants, Sika's major competitors, active across the EEA, include Dow Corning (35-45% market share), Kommerling (<10% market share), Tremco (<10% market share), Momentive (<5% market share).
- (193) Saint-Gobain's market share in the manufacture and supply of IG units is estimated to be below [20-30]% at EEA level and, on national level ranges from [20-30]% (in the Slovak Republic) to [30-40]% (in France). Saint-Gobain's main competitor in the EEA is notably AGC Glass Europe (with a 5-10% market share EEA-wide). Saint-Gobain's other international competitors include NSG Pilkington, Press Glass, Troesch, Scholl Glas and Interpane Glas Industrie AG. In its "home market" France, Saint-Gobain competes with DevGlass, Caloriver, Riou Glass, AGC Glass Europe and TIV.
- (194) Taking into consideration the Parties' rather moderate markets shares on the upstream and downstream market and the fact that a substantial number of competitors impose competitive constraints on the Parties, it appears unlikely that the Parties could successfully engage in vertical foreclosure strategies post-transaction.
- 4.2.1.4. Production and supply of glass fibre veil by Saint-Gobain (upstream) and production of building chemicals (roofing membranes) by Sika (downstream)
- (195) Glass veil is widely used for a range of construction applications such as the reinforcement of waterproofing membranes (glass veil is compatible with all substrates used in the waterproofing industry), surface mineral wool insulation products, flooring reinforcement and similar applications. It is also used for many industrial applications such as filtration, printed circuit boards (PCBs), battery separators, headliners and composites.

(196) Even though Saint-Gobain does not sell any fibreglass mats to Sika, Sika could potentially use them as an input for the production of certain building chemicals. In this case the only affected market would arise in respect of roofing membranes.

(i) *Production and supply of glass fibre veil*

Product and geographic market definition

(197) In the *Owens Corning/Saint-Gobain Vetrotex* case, the Commission defined a separate market for glass fibre veils. In geographic terms, the Commission found that the market for glass fibre veils was EEA wide in scope, including moreover Serbia, Montenegro and Turkey.⁷⁵

(198) In the light of the foregoing, the Commission will consider a distinct product market for glass fibre veil that is EEA-wide.

(ii) *Production and supply of flexible/thermoplastic polyolefin roofing membranes*

Product and geographic market definition

(199) The Commission has to date not investigated the markets for flexible/thermoplastic polyolefin ("FPO/TPO") roofing membranes. However, concerning roofing, the Commission found in the past⁷⁶ that the market for concrete roofing tiles is national in scope. In the *Umicore/Zinifex/Neptune* case,⁷⁷ the Commission found that the geographic scope for roofing products made of zinc (and other materials) is at least national wide and in any event not wider than the EEA.

(200) The Commission assumes distinct markets for TPO roofing membranes and FPO roofing membranes, as these appear to be narrowest-possible plausible markets in this case. As regards their geographic scope, the Commission considers appropriate to carry out the competitive assessment of the Transaction on the basis of national markets.

Competitive assessment

(201) A vertically affected market arises in the production and supply of TPO roofing membranes by Sika, where the estimated share EEA-wide is between 30 and 40% and possibly also marginally higher than 30% in some Member States.

(202) Saint-Gobain manufactures and supplies a variety of industrial fabrics including fibreglass mat respectively glass veil. Saint-Gobain's share of supply of glass fibre veils across the various application areas is estimated to amount to approximately [20-30]% at EEA level and in any event below [30-40]% at country level. Saint-Gobain's main competitors offering fibreglass mats across the EEA are Johns Manville with an estimated share of [30-40]%, OCV with an estimated share of [20-30]% and Ahlstrom with an estimated share of [5-10]% in the EEA. In addition, there are several alternative products and technologies such as polyester

75 COMP/M.4828 – Owens Corning/Saint Gobain Vetrotex, paras. 41-45 and 56.

76 COMP/M.2317 – Lafarge/Blue Circle (II), para. 13 and case No COMP/M.3415 – CRH/Semapa/Secil JV, para. 16.

77 COMP/M.4450 – Umicore/Zinifex/Neptune, para. 61.

fabrics that can often substitute of glass veil and thus exercise a further competitive constraint on glass veil suppliers.

- (203) Furthermore, glass veil is used in a large variety of construction and industrial applications such as waterproofing, flooring reinforcement, insulation, gypsum and cement boards, wall coverings, filtration, PCB, battery separator, headliners and composites. The quantities that Sika could potentially purchase from Saint-Gobain for the manufacture of certain building chemicals are therefore expected to only represent a very small proportion of the overall consumption of glass veil in the EEA (not more than [0-5]% according to Saint-Gobain).
- (204) Taking into consideration the Parties' moderate market share market shares on the upstream and downstream markets, the competitive constraints upon the Parties imposed by various competitors and the fact that Sika represents a very small outlet for the production and supply of glass fibre veil, the Parties seem unlikely to pursue vertical foreclosure strategies post-transaction.

4.2.1.5. Production and supply of glass fibre mesh for mortar reinforcement by Saint-Gobain (upstream) and production and supply of premix mortars by Sika (downstream)

(i) *Production and supply of glass fibre mesh*

Product market definition

- (205) In the previous decisions, the Commission found that glass fibre mesh fabrics are materials used for various applications but primarily by the construction industry and that it is not relevant to further distinguish glass fibre mesh fabrics market according to the application.⁷⁸
- (206) In the light of the foregoing, the Commission will consider the product market for glass fibre mesh fabrics in the competitive assessment of the Transaction.

Geographic market definition

- (207) As regards the geographic market definition, the Commission previously considered the market including glass fibre mesh fabrics as at least EEA-wide in scope.⁷⁹
- (208) Also in this case, the Commission assumes that the relevant market for the production and supply of glass fibre mesh is EEA-wide in geographic scope.

Competitive assessment

- (209) Saint-Gobain's market share in glass fibre mesh does not exceed 30% in the EEA. The same would apply even if the market were to comprise alternative reinforcement materials which are frequently used for premix mortars or if the glass fibre mesh markets were assumed to be national in geographic scope.

78 COMP/M.4898 – Saint-Gobain/Maxit, paras. 149.

79 COMP/M.4898 – Saint-Gobain/Maxit, paras. 150.

- (210) There are about 30 producers of glass fibre mesh fabrics across Europe. Saint-Gobain's main competitors offering comparable glass fibre based reinforcement materials across the EEA are in particular Dr. Günther Kast GmbH & Co (5-10% market share), Gavazzi Tessuti Tecnici Spa and Keltteks (<5% market share each). Among the suppliers more active on the national level are Valmieras Stikla Skiedra AS with an estimated supply share of 10-15% in Latvia, Masterplast Kft with a share of around 5-10% in Hungary and Technical Textiles s.r.o. with a market share below 5% in the Slovak Republic.
- (211) Glass fibre mesh is used in a large variety of applications. Saint-Gobain's total sales of big window glass fibre mesh fabrics used for mortar applications amounted to only around EUR [...] million in 2014 across the EEA. Sika's purchases of overall glass fibre mesh across the EEA would not exceed more than [0-5]% of the total market.
- (212) Taking into consideration the rather vivid competition on the market of premix mortars at the national level, and given that that the manufacturers of premix mortars represent only a small outlet for the window glass fibre mesh fabrics, the Parties would not have the ability or the incentive to engage in vertical foreclosure strategies post-transaction.

4.2.1.6. Conclusion

- (213) In this light, the Commission concludes that the proposed transaction does not give rise to serious doubts as to its compatibility with internal market with respect to vertical overlaps in the production and supply of various building materials respectively construction chemicals as set out above.

4.2.2. Vertical relationship between the distribution and production of building materials

- (214) Saint-Gobain, through its business division Saint-Gobain Distribution Bâtiment ("SGDB"), is active in the downstream market, for the distribution of building materials, including those manufactured by Sika, and is present in 19 EEA Contracting Parties.⁸⁰ SGDB mainly focuses on the retail sales of building materials to professionals (small or medium-sized building companies) through both generalist and specialist stores. Sika is active in the upstream markets as a producer of various building materials such as mortars, construction chemicals, sealants, adhesives and foams.

4.2.2.1. Product market definition

Distribution of building materials

- (215) In previous cases the Commission considered that the overall market for distribution of building material ought to be divided, by distribution channels, into: (i) the wholesale of building materials (i.e. the sale to distributors); (ii) the retail sale of building materials to professionals ("builders' merchants"); and (iii) the retail sale of building materials to non-professionals ("DIY stores"). Moreover, the

⁸⁰ SGDB is not present in Austria, Bulgaria, Croatia, Cyprus, Greece, Iceland, Liechtenstein, Luxembourg, Malta, Romania, Slovakia or Slovenia.

Commission considered a further segmentation within the builders' merchants channel, into the sub-segments for distribution (a) by generalists and (b) by specialists who primarily focus on one segment of the market such as sanitary, heating and plumbing.⁸¹ However, the Commission also recognised that the boundaries of this segmentation are to some extent blurred as there is some competition between builders' merchants and DIY stores and between generalists and specialists.⁸²

- (216) With regard to subdivision of the market based on the range of products, the Commission's approach in previous cases varied. In some cases, distribution of all building products was taken into consideration, while in other cases the Commission investigated the retail shares of the relevant products concerned by the given transaction (e.g. heavy building materials, light building materials or, more specifically, mortars).⁸³
- (217) The Notifying Party submits that the relevant product market for distribution of building materials comprises both the professional and the non-professional retail channel and that competitive pressure exerted by DIY stores on builders' merchants need to be taken into consideration.
- (218) The market investigation in this case provided indications that generalists, specialists and DIY stores compete with each other for the same customers. In addition, many distributors responded that professionals regularly purchase building materials in DIY stores.⁸⁴
- (219) In the light of the foregoing, the Commission will consider the following product markets in its assessment of the impact of the Transaction on competition: the market for the retail sale of all building materials (i) to professionals and non-professionals ("wider market"), (ii) only to professionals ("narrower market", or "builders' merchants market"), (iii) only to non-professionals (in "DIY stores"), (iv) to professionals by generalists ("generalists") and (v) to professionals by specialists ("specialists"). In addition, the Commission will consider the product markets for retail sale of mortars in particular Member States, where SGDB's position and/or position of the combined entity as regards mortars is more material.

Production and supply of building materials

- (220) Building materials include a wide range of raw and finished materials, such as mortars, aggregates, concrete, tiles, bricks, doors, plasterboard, sanitary products, etc., used for construction purposes. Sika is a producer of various building material such as mortars, sealants, adhesives, foams and other construction chemicals. These materials are sold to the customers (either professionals or non-professionals) via wholesalers or retailers.

81 COMP/M.4898 – Saint-Gobain/Maxit, para. 170, COMP/M.3407 - Saint-Gobain/Dahl, para. 12.

82 COMP/M.6359 – Saint-Gobain/ Build Center, para. 15.

83 COMP/M.4898 – Saint-Gobain/Maxit, para. 172, COMP/M.3142 – CVC/Danske Traelast, para. 22.

84 See replies to question 33, 34, 35 – Phase I questionnaire to distributors and replies to questions 31 - Phase I questionnaire to end – users.

- (221) For the purposes of assessing the vertical relationship defined in this section 4.2.2, the Commission considers the production and supply of the various products manufactured and supplied by Sika.

4.2.2.2. Geographic market definition

Distribution of building materials

- (222) In previous cases, the Commission found that the market for the retail sale of building materials to professional customers could be regarded as national. However, it has also assessed the relevant market on a narrower regional basis.⁸⁵
- (223) The Notifying Party submits that it is sufficient to assess the transaction on national basis as the major players in this market (including many DIY chains) tend to operate national networks of sale points, have a uniform presentation, national purchasing policy, strategy and marketing (including branding).
- (224) The market investigation provided indications that (i) distributors procure their supplies either nationally or on the EEA wide basis, (ii) the geographic area served by the outlets of distributors is national and (iii) many of producers of building materials nationally negotiate the terms of supply with distributors active in several Member States.⁸⁶
- (225) In this light, the Commission considers it appropriate to carry out the competitive assessment of the Transaction on the basis of national markets and regional markets in larger countries such as France, Germany, the United Kingdom and Spain, as these appear to be narrowest-possible relevant markets in this case.

Production and supply of building materials

- (226) As regards geographic scope of the relevant market for the building materials produced by Sika, the Commission considers it appropriate to carry out the competitive assessment of the Transaction on the basis of national markets and/or of the EEA market, depending on the particular building product.

4.2.2.3. Competitive assessment

- (227) On the upstream market for the production and supply of building materials, the Parties would have post-transaction market shares ranging generally between [20-30]% - [50-60]% for mortar products and between [10-20]% - [40-50]% for other building materials, depending on the product and geographic market.
- (228) On the downstream market for distribution of building materials, SGDB is active on the builders' merchants market in 19 Contracting Parties, with material presence mainly in France (and some of its regions), Germany (and some of its regions), the United Kingdom (namely in Northern Ireland) and Scandinavia. In general, Saint-Gobain's market shares at DIY stores level alone seem to be negligible on the

85 COMP/M.4898 – Saint-Gobain/Maxit, para. 176, COMP/M.7107 – Cordes & Graefe/Pompac/Comafranc, para. 19.

86 See replies to question 37 and 38 – Phase I questionnaire to distributors and replies to questions 38 - Phase I questionnaire to competitors.

EEA and national levels as well as on regional levels in the above-mentioned Member States. SGDB's market shares are generally ranging between [0-5] % - [10-20] % regarding wider market (builders' merchants and DIY stores) and [0-5] % - [20-30] % regarding the narrower market (only builders' merchants) on national level.

Input foreclosure

- (229) Given that Saint-Gobain will have a substantial market share in the upstream markets for certain building materials (e.g. mortars), the question arises whether post-transaction it would have the ability and the incentive to foreclose its downstream rivals in the market for distribution of building materials.
- (230) Firstly, taking into consideration the Parties' market shares post-transaction and notably their position upstream, the Parties are unlikely to exercise a substantial influence on the conditions of competition upstream. The increment in market shares regarding particular upstream products (building materials) is rather small. In addition, the Parties will continue to face competition from strong suppliers on national level. If post-transaction the Parties were to refuse supplies to a retailer competing against SGDB, or to supply at less advantageous conditions, competing retailers would still have a number of alternative sources of supply.
- (231) Secondly, competitors downstream distribute a wide range of building products and the market investigation revealed that neither Saint-Gobain nor Sika are seen as suppliers of "must have" products. It seems that distributors could easily turn to alternative suppliers for any building products sourced from Saint-Gobain or Sika in retaliation, should the latter pursue a foreclosure strategy.⁸⁷
- (232) Thirdly, the market investigation indicated that transactions between Saint-Gobain subsidiaries and SGBD are generally conducted at 'arm's length'⁸⁸ and it is unlikely that the Saint-Gobain's incentives in this respect would change.
- (233) Fourthly, responses to market investigation in general indicated that distributors of building materials and end-users (construction companies) do not expect limitation or worsening of access to mortars or construction chemicals supplied by the Parties post-transaction.⁸⁹ Neither did the respondents to the market investigation raise any merger specific concerns.
- (234) Taking into account the rather limited market power of the Parties upstream, the existence of various large producers of building materials imposing significant competitive constraints on the Parties, and the fact that none of the Parties' relevant products are perceived as 'must have', it seems unlikely that the combined entity would have either the incentive or the ability to engage into an input foreclosure of rivals.

87 See replies to question 43 – Phase I questionnaire to distributors.

88 See replies to question 42 – Phase I questionnaire to distributors and replies to question 42 – Phase I questionnaire to competitors.

89 See replies to question 44 – Phase I questionnaire to distributors.

Customer foreclosure

- (235) Given that SGDB is an important distributor of building materials in various EEA Contracting Parties and in certain regions of France, Germany, the United Kingdom and in the Scandinavian countries, it is appropriate to consider whether it would have the ability and incentive to foreclose customer outlets for its rivals in the upstream markets for the production of various building materials.
- (236) Firstly, SGDB's market shares for distribution of building materials (downstream) do not exceed [20-30]% even in the narrower market (builders' merchants) on national level.
- (237) Secondly, it seems appropriate to emphasise that, as Sika is not active in the downstream market(s), there is no increment in the market shares regarding the distribution of building materials.
- (238) Thirdly, the downstream markets in which SGDB operates are highly fragmented and SGDB faces important competitive constraints from large national and regional distributors in the Contracting Parties. Moreover, along the large distributors mostly active in various distribution channels and offering all types of building products, there are also a large number of local distributors, which seem to impose important competitive constraints on SDGB and other large competitors.
- (239) Taking into account the above, that is the Parties' limited market power downstream, SGDB would not have the ability to successfully engage in customer foreclosure strategy, since suppliers would have numerous alternative options for distribution.
- (240) In addition, the Commission considered certain particular characteristics of the relevant markets and the Parties' activities in the following Contracting Parties:

A. Belgium, Lithuania, Portugal, Denmark, Estonia, Finland, Ireland and Italy

- (241) As regards Belgium, Lithuania and Portugal, these are the countries where SGDB (through its specialists builders' merchants) does not sell the types of products manufactured by Sika. Therefore, the Transaction will not have any immediate impact on the competitive landscape in any of these Member States.
- (242) As regards Denmark, SGDB's supply share of [30-40]% in the distribution of all building materials in the segment limited to specialists is primarily triggered by the sale of PHS products⁹⁰ that are in general different from those manufactured by Sika.⁹¹ As regards the distribution of mortar products - on the narrower market, SGDB has a national market share of [0-5]%. Therefore, the Transaction will not have any conceivable impact on the competitive landscape in Denmark.⁹²

90 Specialist stores typically focus on one or a few product categories (e.g. sanitary, heating and plumbing ("PHS")).

91 Dahl (the PHS specialists) accounts for approx. [70-80]% of SGDB's stores and [70-80]% of SGDB's sales, while HBM, LBM and tiling products together only account for approx. [10-20]% of SGDB's sales.

92 Other major builders' merchants involve Stark, Bygma, DITAS, Bauhaus.

- (243) As regards Estonia and Finland, the market share increment in the upstream supply of premix mortars or in dry premix mortars which will result from the Transaction is minimal, i.e. for Estonia [0-5]% in dry premix mortars and for Finland⁹³ [0-5]% and [5-10]% for premix mortars and dry premix mortars respectively. In addition, in Finland, SGDB (via Dahl) is a specialist distributor of PHS products. The vast majority of Dahl's business relates to the distribution of products which are in general not the type which Sika manufactures and in particular, Dahl does not distribute mortars. Furthermore, SGDB does not have any mortar sales in Finland. Therefore, the Transaction seems unlikely to have any impact on the competitive landscape in Estonia or Finland.
- (244) As regards Ireland and Italy, SGDB controls less than 5% of retail distribution in these countries regardless of how the market is segmented. Therefore, the Transaction is unlikely to have any substantial impact on the competitive landscape in Ireland or Italy.

B. France

- (245) In France, where the position of SGDB is the strongest, it has a national distribution market share (for all building materials) ranging from [10-20]% to [20-30]% and regional market shares (for all building materials) ranging from [10-20]% to [50-60]% depending on the type of distribution channels. At a regional level, SGDB's retail share very rarely reaches or marginally exceeds [50-60]%. As regards the distribution of mortar products - on the narrower market, SGDB has a national market share of [10-20]% and the highest regional market share in the Est region, [40-50]%.
- (246) With regard to the likelihood of input foreclosure, it appears clear that the Parties will not be able to stop supplies or increase prices for building materials to other distributors. Indeed, the Parties appear unlikely to gain a substantial market power upstream as a result of the Transaction (production and supply of particular building material). As regards premix mortar, dry premix mortar or paste premix mortar (or narrower categories of these products) an increment of market shares is small, ranging from [0-5]% to [5-10]%, with combined market shares not exceeding [20-30]% on the national level. The supply share of Sika for the category comprising sealants, adhesives & foams (together or separately) amounts to approximately 10-15% and remains in a similar order of magnitude for each particular product. The same applies for the product group including other construction chemicals for which the supply share of Sika in France is approximately 30-35%.
- (247) As to customer foreclosure, SGDB would not have the ability to successfully engage in any such strategy, since suppliers would have numerous alternative options for distribution. The downstream markets in which SGDB operates are highly fragmented and SGDB faces important competitive constraints in France from national and regional distributors (who often form part of large international groups) as well as a large number of local builders' merchants. Distributors belonging to large international groups include Wolseley, Würth Group, Larivière, CRH Distribution France, Comafranc and Chausson-Matériaux.

93 Increment amounting to [10-20]% regards only dry tile fixing mortars.

C. Germany

- (248) In Germany, SGDB has a national distribution market share (downstream, for all building materials) ranging from [5-10]% to [10-20]% and regional distribution market shares (for all building materials) generally even smaller (market share not exceeding [20-30]% depending on the type of distribution channels), with one exception regarding Berlin Brandenburg [30-40]% on the market of generalists. As regards the distribution of mortar products - on the narrower market, SGDB has a national market share of [5-10]% and its regional market shares would not exceed [10-20]%.
- (249) With regard to risks of input foreclosure, the combined entity will not be able to stop supplies or increase prices for building materials to other distributors. Indeed, the combined entity will not gain substantial market power upstream as a result of the Transaction (production and supply of particular building material). As regards premix mortar, dry premix mortar or paste premix mortar (or narrower categories of these products) an increment of market shares is small ranging from [0-5]% to [5-10]% with combined market shares never exceeding [20-30]% on the national level.⁹⁴ The supply share of Sika for the category comprising sealants, adhesives & foams (together or separately) amounts to approximately 10-15% and remains in a similar order of magnitude for each particular product. The same would apply to other construction chemicals for which the supply share of Sika in Germany is approximately 25-30%.
- (250) As to customer foreclosure, SGDB would not have the ability to successfully engage in any such strategy, since suppliers would have numerous alternative options for distribution, irrespective of any plausible market definition. The downstream markets in which SGDB operates are highly fragmented, with over 3,000 distributors selling building materials to professionals, and SGDB faces important competitive constraints in Germany from large international groups, multi-regional chains, and independent suppliers. The key builders' merchants include BayWa, Bauking, Kemmler Baustoffe GmbH, Lüchau Baustoffe GmbH, Union Bauzentrum Hornbach, WeGo.

D. United Kingdom

- (251) In the United Kingdom, SGDB has a national distribution market share at downstream market (for all building materials) ranging from [5-10]% to [10-20]% and regional distribution market shares (for all building materials) not exceeding [20-30]% depending on the distribution channel, with two exceptions in Northern Ireland with the market share (for all building materials distributed through generalists) amounting to [40-50]% and in South West (for all building materials) amounting to [30-40]%. As regards the distribution of mortar products - on the narrower market, SGDB has a national market share [5-10]% and the highest regional market shares in South East (excl. London) - [10-20]%.
- (252) With regard to risks of input foreclosure, the combined entity will not be able to stop supplying or supply at higher prices other distributors with its building

⁹⁴ In dry paste tile fixing mortar Saint – Gobain has 0% market share, however Sika's market share is [20-30]%.

materials. Indeed, the combined entity will not gain any market power upstream as a result of the Transaction (production and supply of particular building material). As regards premix mortar, dry premix mortar or paste premix mortar (or narrower categories of these products) an increment of market shares is small ranging from 0% to [0-5]% with combined market shares not exceeding [15-20]% on the national level.⁹⁵ The supply share of Sika for (i) sealants, adhesives and foams (together or separately) is approximately 5-20% and (ii) other construction chemicals approximately is 25-30% in the UK.

- (253) As to customer foreclosure, SGDB would not have the ability to successfully engage in any such strategy, since suppliers would have numerous alternative options for distribution, irrespective of any plausible market definition. The downstream markets in which SGDB operates are highly fragmented and SGDB faces important competitive constraints in the UK from various builders' merchants. The key builders' merchants include Travis Perkins, Wolseley UK, Grafton, SIG, Topps Tiles.

E. Norway and Sweden

- (254) As regards Norway and Sweden, in general, the market shares of SGDB at the national distribution (downstream) market do not exceed [30-40]% with the exceptions related to distribution of all building materials by specialists, where market shares amount to [30-40]% and [30-40]% respectively. As regards the distribution of mortar products, SGDB has a market share of [5-10]% in Norway (on the narrower market) and a market share of [0-5]% in Sweden (on the wider market).⁹⁶
- (255) With regard to risks of input foreclosure, the combined entity will not be able to stop supplying or supply at higher prices other distributors with its building materials. Indeed the combined entity will not gain substantial market power upstream as a result of the Transaction (production and supply of particular building material). As regards premix mortar, dry premix mortar or paste premix mortar (or narrower categories of these products) an increment of market shares is small (i) ranging from [0-5]% to [10-20]% with combined market shares never exceeding [40-50]% in Sweden and (ii) ranging from [0-5]% to [10-20]% with combined market shares never exceeding [40-45]% in Norway. The supply share of Sika for (i) sealants, adhesives and foams (together or separately) is between 35-40% in Norway and 10% - 20% in Sweden, and (ii) other construction chemicals between 10% - 15% in both countries.
- (256) As to customer foreclosure, SGDB would not have the ability to successfully engage in any such strategy, since suppliers would have numerous alternative options for distribution, irrespective of any plausible market definition. The downstream markets in which SGDB operates are highly fragmented and SGDB faces important competitive constraints in the UK from various builders' merchants. The key builders' merchants (i) in Norway include Byggmakker (Kesko), LV/Maxbo, XL-Bygg/Nordek, Byggern (EA Smith, Byggeriet

95 In dry façade mortar Saint – Gobain has [30-40]% market share, however Sika's market share is 0%.

96 The Notifying Party submitted that in Sweden, the generalist segment is characterised by mixed retailing and it is not possible to distinguish between sales to professionals and DIY sales.

(Mestergruppen), the Würth Group and (ii) in Sweden include XL Bygg, Interpares (Woody Bygghandel AB), Beijer, Ahlsell, Swedol, CC Höganäs.

F. The Czech Republic

- (257) In Czech Republic, SGDB's national distribution market shares (downstream) do not exceed [5-10]% under any plausible product market definition.
- (258) With regard to risks of input foreclosure, the combined entity will not be able to stop supplying or supply at higher prices other distributors with its mortar products. Indeed, the combined entity will not gain substantial market power upstream as a result of the Transaction (the particular product as set out above production and supply of particular building material). As regards premix mortar, dry premix mortar or paste premix mortar (or narrower categories of these products) an increment of market shares is small ranging from [0-5]% to [10-20]% with combined market not exceeding [30-40]%. The supply share of Sika for sealants, adhesives, foams (together or separately) and other construction chemicals do not exceed [10-20]%.
- (259) As to customer foreclosure, SGDB would not have the ability to successfully engage in any such strategy, since suppliers would have numerous alternative options for distribution, irrespective of any plausible market definition. The downstream markets in which SGDB operates are highly fragmented and SGDB faces important competitive constraints in the Czech Republic from various builders' merchants. The key builders' merchants include Dektrade, Pro-doma, Siko Koupelny, Izomat, Rabat + Stavmat, Stavospol.

G. Spain

- (260) In Spain and/or its regions, the market shares of SGDB at downstream market do not exceed [10-20]% under any plausible product market definition.
- (261) With regard to risks of input foreclosure, the combined entity will not be able to stop supplying or supply at higher prices other distributors with its mortar products and construction chemicals. Indeed, the combined entity will not gain substantial market power upstream as a result of the Transaction (production and supply of particular building material). As regards premix mortar, dry premix mortar or paste premix mortar (or narrower categories of these products) an increment of market shares is small ranging from [0-5]% to [5-10]% with combined market shares never exceeding [30-40]%. The supply share of Sika for the other construction chemicals is approximately 30-35% and for sealants, adhesives, foams (together or separately) and other construction chemicals does not exceed [10-20]% in Spain.
- (262) As to customer foreclosure, SGDB would not have the ability to successfully engage in any such strategy, since suppliers would have numerous alternative options for distribution, irrespective of any plausible market definition. The downstream markets in which SGDB operates are highly fragmented and SGDB faces important competitive constraints in Spain from various builders' merchants. The key builders' merchants include Adeo, Kingfisher, Porcelanosa, the Würth Group, Azulejos Peña, Segura e Hijos, Hnos Barral, Mause.
- (263) In view of the above, the Commission concludes that the proposed Transaction does not give rise to serious doubts as to its compatibility with internal market with

respect to vertical overlaps between manufacturing of building materials (upstream) and distribution of building material (downstream) under any plausible market definition set out above.

5. CONCLUSION

- (264) 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 and Article 57 of the EEA Agreement.

*For the Commission
(Signed)
Margrethe VESTAGER
Member of the Commission*