EUROPEAN COMMISSION
DG Competition

Case M.7737 - HONEYWELL / ELSTER

Only the English text is available and authentic.

REGULATION (EC) No 139/2004
MERGER PROCEDURE

Article 6(1)(b) in conjunction with Art 6(2)
Date: 21/12/2015

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EUROPEAN COMMISSION

Brussels, 21.12.2015
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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus […]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE

To the notifying party:

Dear Madam(s) and/or Sir(s),

Subject: **Case M.7737 - Honeywell/Elster**
Commission decision pursuant to Article 6(1)(b) in conjunction with Article 6(2) of Council Regulation No 139/2004[1] and Article 57 of the Agreement on the European Economic Area[2]

(1) On 04.11.2015, the European Commission ("Commission") received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Honeywell International Inc. ("HON", USA) will acquire sole control of Teaford GmbH ("Teaford", Germany), the holding company of the Elster division of Melrose PLC ("Elster", Germany) via purchase of shares ("Transaction").[3] HON, Teaford and Elster are collectively referred to as the "Parties" and HON as the "Notifying Party".

(2) The same Transaction was already notified to the Commission on 09.10.2015, but subsequently withdrawn on 03.11.2015.

I. THE PARTIES

(3) HON is a diversified technology and manufacturing company active worldwide. It is active in a wide array of fields including aerospace, turbochargers, control, sensing and security technologies for buildings, homes and industry, specialty chemicals and electronics. HON manages its business operations through three businesses that are reported as operating segments: (i) Aerospace, (ii) Automation and Control Solutions (ACS), and (iii) Performance Materials and Technologies (PMT). The HON business concerned by this Transaction is the ACS segment.

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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 Publication in the Official Journal of the European Union No C 374, 11.11.2015, p. 4.

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(4) Teaford is the holding company of Elster, a division of Melrose PLC ("Melrose").

(5) Elster manufactures gas, electricity and water meters and related communications, networking and software solutions, which are designed to measure and improve the flow of natural gas, electricity and water. Elster supplies its products to industrial customers around the world.

(6) Melrose is a wholly-owned subsidiary of Melrose Industries PLC ("Melrose"), and is the ultimate parent company of Elster.

II. THE CONCENTRATION

(7) The Transaction consists in the acquisition by HON of the entire share capital of Teaford. Therefore, the proposed transaction consists in the acquisition by HON of sole control over Teaford and therefore over Elster.

(8) In light of the above, the Transaction constitutes a concentration according to Article 3(1)(b) of the Merger Regulation.

III. EU DIMENSION

(9) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million[4] (HON EUR 30 300 million, Elster EUR 1 300 million). Each of them has an EU-wide turnover in excess of EUR 250 million (HON EUR […], Elster EUR […]), but does not achieve more than two-thirds of its aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension within the meaning of Article 1(2) of the Merger Regulation.

IV. MARKET DEFINITION

(10) The Transaction concerns three business sectors: 1) residential heating products, 2) industrial burners and 3) gas up/mid-stream.

IV.1. Residential Heating Products

IV.1.1. Gas valves

(11) In boilers for residential heating systems, gas valves moderate the combustion of the gas-fired boiler by controlling the flow of gas and the gas/air ration in the boiler.

IV.1.1.1. Relevant product market definition

The Notifying Party's view

(12) The Notifying Party submits that gas valves for gas-fired residential boiler systems are part of a distinct product market. As regards a possible distinction between gas valves that are used in high efficiency ("HE") and in standard efficiency ("SE") residential boilers, the Notifying Party takes the view that both types of gas valves form part of the same product market. While there are some differences related to design, materials used and price, the Notifying Party submits that these differences are minor. Moreover, they argue that there is a sufficient degree of supply-side substitutability.

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4 Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.04.2008, p1).

Finally the Notifying Party takes the view that pneumatically controlled gas valves and electronically controlled gas valves are substitutable as they principally perform the same function. According to the Notifying Party, they therefore form part of the same product market.

Results of the market investigation and Commission's assessment

(13) The market investigation results support the view that gas valves for residential boiler systems are part of a distinct product market. The majority of respondents to the market investigation stated that the tasks performed by gas valves for residential boiler systems cannot be performed by any other piece of equipment (for instance by gas valves for other purposes).[5]

(14) Regarding the possible distinction between HE and SE gas valves for residential boiler systems, the market investigation indicate that – contrary to the Notifying Party's view – there is limited demand-side substitutability between HE and SE gas valves. While the majority of responding customers stated that both types of gas valves are generally comparable in terms of their technical characteristics,[6] the majority of responding customers also stated that HE and SE gas valves are not comparable in terms of price[7] and cannot be used interchangeably in their residential boiler systems.[8] Moreover, the majority of responding customers explained that they would not switch from one type of gas valves to the other in case of a permanent price increase by 5-10%.[9]

(15) With regard to supply-side substitutability, the results of the market investigation are inconclusive regarding the timeframe in which a switch of production could be implemented. While all responding competitors consider switching production from SE to HE gas valves to be profitable in case of a permanent price increase for HE by 5-10%, half of the responding competitors stated that switching production from SE to HE gas valves is easy, quick and economically profitable while the other half stated that switching is technically more complex and requires some time.[10]

(16) Regarding the possible distinction between pneumatically controlled gas valves and electronically controlled gas valves, the market investigation results indicate that there is limited demand-side substitutability between pneumatically controlled gas valves and electronically controlled gas valves. The majority of responding customers considers pneumatically and electronically controlled gas valves not to be comparable in terms of product characteristics[11] and price.[12] Furthermore, the majority of responding customers does not use pneumatically and electronically controlled gas valves interchangeably in their residential boiler systems.[13]

(17) With regard to supply-side substitutability, the results of the market investigation are inconclusive regarding the timeframe in which a switch of production from

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5 Q2 – Questionnaire to customers, replies to question 14; Q1 – Questionnaire to competitors, replies to question 8.

6 Q2 – Questionnaire to customers, replies to question 6.

7 Q2 – Questionnaire to customers, replies to question 7.

8 Q2 – Questionnaire to customers, replies to question 8.

9 Q2 – Questionnaire to customers, replies to question 9.

10 Q1 – Questionnaire to competitors, replies to question 6.

11 Q2 – Questionnaire to customers, replies to question 10.

12 Q2 – Questionnaire to customers, replies to question 11.

13 Q2 – Questionnaire to customers, replies to question 12.

pneumatically controlled valves to electronically controlled gas valves could be implemented. While all responding competitors consider switching production from pneumatically controlled valves to electronically controlled gas valves in case of a permanent price increase for pneumatically controlled gas valves by 5-10%, half of the responding competitors stated that switching production from pneumatically controlled valves to electronically controlled gas valves is easy, quick and economically profitable while the other half stated that switching is technically more complex and needs some time.[14]

(18) In view of the results of the market investigation, the Commission finds that gas valves for residential boiler systems constitute a separate relevant product market. For the purpose of the assessment of the Transaction it can be left open whether the market is to be further segmented by SE and HE gas valves and pneumatically and electronically controlled gas valves as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market definition.

IV.1.1.2. Relevant geographic market definition

The Notifying Party's view

(19) The Notifying Party submits that the relevant market is at least EEA-wide in scope as most customers source gas valves on an EEA-wide scale, products are homogenous across various EEA countries, there are no local preferences and most suppliers sell their products EEA-wide.

Results of the market investigation and Commission's assessment

(20) The market investigation results suggest that the market is EEA-wide in scope. The majority of responding customers stated that they source gas valves within the EEA[15] and that prices for gas valves are different inside and outside the EEA.[16] On the other hand, all responding competitors stated that they supply gas valves on a worldwide basis from their facilities in the EEA.[17] Half of the responding customers indicated that gas valves for the use in the EEA are technically different from gas valves used outside the EEA. In the EEA, mainly HE gas valves are used, whilst in the rest of the world mostly SE gas valves are used in residential boiler systems.[18] Moreover, half of the responding competitors indicated that the prices for gas valves in the EEA are around 30% higher than the prices outside the EEA[19] and that products have different technical characteristics according to the different regulatory standards[20]. Nevertheless, all of the responding competitors stated that transportation costs do not limit their ability to sell gas valves from their production facilities inside the EEA to customers outside the EEA.[21]

14 Q1 – Questionnaire to competitors, replies to question 6.
15 Q2 – Questionnaire to customers, replies to question 19.
16 Q2 – Questionnaire to customers, replies to question 20.
17 Q1 – Questionnaire to competitors, replies to question 12.
18 Q1 – Questionnaire to competitors, replies to question 12.
19 Q1 – Questionnaire to competitors, replies to question 13.
20 Q1 – Questionnaire to competitors, replies to question 14.
21 Q1 – Questionnaire to competitors, replies to question 15.

(21) In the light of the results of the market investigation, the Commission finds that the scope of the geographic market(s) for gas valves for residential boiler systems is at least EEA-wide. For the purpose of the assessment of the Transaction it can be left open whether the market(s) could also be wider than the EEA given that the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible geographic market definition, the narrowest being EEA-wide.

IV.1.2. Electronic boards

(22) Electronic boards are small circuit boards that control certain functions of a boiler system such as ignition, timing of heating, temperature levels. Electronic boards are usually tailored to the boiler requirements of the Original Equipment Manufacturer (OEM).

IV.1.2.1. Relevant product market definition

The Notifying Party's view

(23) The Notifying Party submits that the relevant product market is the market for electronic boards and does not need to be further segmented. It considers that from a demand side perspective there could be limited substitutability between electronic boards for HE and SE boiler systems as HE boiler systems have certain functions that SE boiler systems do not have, while from a supply side perspective there appears to be substitutability since all manufacturers offer both types of electronic boards.

Results of the market investigation and Commission's assessment

(24) Electronic boards cannot be substituted with any other component.[22] The market investigation results gave some indication that there is limited demand-side substitutability regarding electronic boards for HE and SE residential boiler systems. The majority of customers that have responded to the market investigation stated that electronic boards for HE and SE residential boiler systems are not comparable in terms of product characteristics[23] and price[24] and are not used interchangeably.[25] However, all responding customers also explained that switching production from electronic boards for SE residential boiler systems to electronic boards for HE residential boiler systems and vice versa is easy, quick and economically profitable in case of a permanent price increase of 5-10%.[26]

(25) In the light of the above, the Commission considers that electronic boards for residential boiler systems constitute a distinct product market that can possibly be further segmented into electronic boards for SE and HE boiler systems. For the purpose of the assessment of the Transaction, it can be left open whether a further distinction exists between electronic boards for HE boiler systems and electronic boards for SE residential boiler systems as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market definition.

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22 Form CO, para. 83.
23 Q2 – Questionnaire to customers, replies to question 16.
24 Q2 – Questionnaire to customers, replies to question 17.
25 Q2 – Questionnaire to customers, replies to question 18.
26 Q1 – Questionnaire to competitors, replies to question 10.

IV.1.2.2. Relevant geographic market definition

The Notifying Party's view

(26) The Notifying Party submits that the scope of the market(s) for electronic boards is at least EEA-wide.

Results of the market investigation and Commission's assessment

(27) The market investigation results suggest that the market is at least EEA-wide if not larger in scope. The majority of responding customers in the EEA stated that while transportation costs do not limit their ability to source from customers outside the EEA[27], they nevertheless source electronic boards within the EEA[28] and that there are price differences[29] and differences in product characteristics[30] between electronic boards inside and outside the EEA – such as design, reliability and quality. Furthermore, according to a customer a key differentiator for products used in the EEA is the required compliance with the European gas safety regulation.[31] While all responding competitors stated that they sell electronic boards on a worldwide basis[32] and transportation costs are not a factor limiting sales to the EEA[33], half of the responding customers indicated that price differences[34] and different product characteristics[35] exist between electronic boards sold inside and outside the EEA.

(28) In the light of the results of the market investigation, the Commission considers that the market for electronic boards for residential boiler systems is at least EEA-wide in scope. For the purpose of the assessment of the Transaction it can be left open whether the market could also be wider than EEA-wide as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible geographic market definition, the narrowest being EEA-wide.

IV.1.3. Gas control systems

(29) Instead of purchasing gas valves and electronic boards as separate components and integrating them into a residential boiler system, a boiler OEM can purchase a gas control system. A gas control system is a combination of a gas valve and an electronic board which are specifically configured and calibrated.

IV.1.3.1. Relevant product market definition

The Notifying Party's view

(30) The Notifying Party submits that the relevant product market is the market for gas control systems without a further segmentation into SE and HE gas control systems. They submit that such a further segmentation would not be meaningful for the reasons given with respect to the two components – gas valve and electronic board.

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27 Q2 – Questionnaire to customers, replies to question 26.
28 Q2 – Questionnaire to customers, replies to question 23.
29 Q2 – Questionnaire to customers, replies to question 24.
30 Q2 – Questionnaire to customers, replies to question 25.
31 Q1 – Questionnaire to competitors, reply of a competitor to question 25.
32 Q1 – Questionnaire to competitors, replies to question 16.
33 Q1 – Questionnaire to competitors, replies to question 19.
34 Q1 – Questionnaire to competitors, replies to question 17.
35 Q1 – Questionnaire to competitors, replies to question 18.

Results of the market investigation and Commission's assessment

(31) Gas control systems cannot be substituted with any other component – unless a residential boiler manufacturer decides to assemble it itself based on the two components gas valve and electronic board.[36]

(32) The market investigation results gave no clear indication that, within the market for gas control systems, a further distinction should be made between SE and HE gas control systems. The responding competitors stated that switching from producing SE to HE gas control systems is economically profitable and a real option in case of a permanent price increase of 5-10%. However, only half of the responding customers indicated that switching would be quick and easy.

(33) In view of the results of the market investigation, the Commission finds that gas control systems for residential boiler systems constitute a distinct product market that could possibly be further segmented into gas control systems for SE and HE residential boiler systems. For the purpose of the assessment of the Transaction, it can be left open whether a further distinction exists between SE and HE gas control systems as the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market definition.

IV.1.3.2. Relevant geographic market definition

The Notifying Party's view

(34) As regards the geographic market definition, the Notifying Party claims that the market is at least EEA-wide in scope.

Results of the market investigation and Commission's assessment

(35) The market investigation results supported the view that the relevant market is at least EEA-wide. In fact, while half of the responding competitors state that gas control systems are supplied EEA-wide, the other half consider them to be supplied worldwide.[37] Similarly, half of the responding competitors consider there to be price differences[38] and technical differences[39] between inside and outside the EEA, while the other half does not observe such differences.

(36) Based on the above, the Commission considers that the market for gas control systems for residential boiler systems is at least EEA-wide in scope. For the purpose of the assessment of the Transaction it can be left open whether the market could also be wider than EEA-wide as the Transaction does not give raise to competition concerns under any plausible geographic market definition considered, the narrowest being the EEA.

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36 Form CO, para. 85.

37 Q1 – Questionnaire to competitors, replies to question 20.

38 Q1 – Questionnaire to competitors, replies to question 21.

39 Q1 – Questionnaire to competitors, replies to question 22.

IV.2. Industrial heating products

(37) In the industrial heating products segment the Parties overlap in production of 1) industrial burners, 2) valves, 3) electronic board controls and 4) industrial burner systems.[40]

IV.2.1. Industrial burners

IV.2.1.1. Relevant product market definition

The Notifying Party's view

(38) According to the Notifying Party, industrial burners could be segmented according to several criteria – by temperature, by technology and by application.

(39) In relation to the segmentation by temperature, there are three types of burners that could be differentiated according to the temperature level. Low-temperature burners are burners that can generate heat below 300 C. Medium-temperature burners are burners that can generate heat between 300 C and 900 C. High-temperature burners are burners that can generate heat above 900 C.[41] The Notifying Party claims that such distinction is not justified as suppliers usually are able to configure a burner system that can be used in a broad range of temperature applications.[42]

(40) The Notifying Party submits that a distinction by technology is not justified either as industrial burners of different technologies could be used by the same industries. Moreover, sometimes it is very difficult to distinguish between different burner technologies.[43]

(41) The Notifying Party further submits that a distinction by application is not justified as burners of a similar technology and temperature level could be used in various industries.[44]

Results of the market investigation and Commission's assessment

(42) The market investigation results suggest that customers do not see different temperature burners as substitutable with each other. The majority of customers responding to the market investigation indicated that they would not be able to interchangeably use low, medium and high temperature burners.[45] However, the market investigation results indicated that in case of increase in demand for a specific temperature burner (low, medium or high), the suppliers would be able to switch their production to that temperature burner. The market investigation results in addition indicated that the ability to switch to a different temperature burner also depends on the supplier. For example, it would be easier to switch for suppliers that already produce industrial burners for all temperature levels, whereas it would be more difficult to switch for other suppliers.[46]

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40 Industrial burner systems are assemblies of industrial burners, valves and electronic board controls.
41 Form CO, para 111.
42 Form CO, paras 112-124.
43 Form CO, paras. 125-131.
44 Form CO, paras 132-137.
45 Q4 – Questionnaire to customers, replies to question 4.
46 Q3 – Questionnaire to competitors, replies to question 5-7.

(43) Industrial burners can also be segmented by technology. These different technologies have been developed over time to address a specific application, for example, in the most efficient or the most eco-friendly manner. The four most common technologies are (i) direct heat; (ii) indirect air-to-air; (iii) steam-based; and (iv) radiant heat.

(44) The market investigation results indicated that suppliers use different types of industrial burner technology in their manufacturing facility.[47] In addition, customers stated that suppliers from whom they source industrial burners are able to offer burners of various types of industrial technology.[48]

(45) Another possible way of segmenting the market for industrial burners is by end-use application. As described above, industrial burners are used in a variety of applications, including in metallurgy, food, oil and gas, chemical, textile, automotive and waste industries.

(46) The market investigation results did not indicate that there is a specific industry that requires a particular type of industrial burner that is only used for that industry. Suppliers that responded to the market investigation indicated that they are able to produce industrial burners for several industries – metallurgy, food, oil and gas, chemicals, textile, automotive and waste.[49] However, several customers indicated that the manufacturing of industrial burners for chemicals might require special know-how.[50]

(47) As the Transaction does not raise doubts as to its compatibility with the internal market under any plausible product market definition, the exact product market definition in relation to industrial burners can be left open.

IV.2.1.2. Relevant geographic market definition

The Notifying Party's view

(48) According to the Notifying Party the geographic scope for the sale of all types of industrial burners is at least EEA-wide and possibly even global.[51] Concerning the demand side, the Notifying Party claims that some large OEM source industrial burners worldwide. In addition, as industrial burners are homogenous products, customers can source burners from any EEA country. Concerning the supply side, many of the main industrial burner suppliers compete worldwide and there is nothing that prevents suppliers from competing in a particular region. In addition, transportation costs are limited.[52]

Results of the market investigation and Commission's assessment

(49) The market investigation results indicate that the majority of suppliers sell their industrial burners worldwide.[53] Half of the customers responding to the market

47 Q3 – Questionnaire to competitors, replies to question 8.
48 Q4 – Questionnaire to customers, replies to question 8.
49 Q4 – Questionnaire to customers, replies to question 9.
50 Q4 – Questionnaire to customers, replies to question 9.1.
51 Form CO, para. 165.
52 Form CO, paras 141-144.
53 Q3 – Questionnaire to customers, replies to question 11.

investigation stated that they source their burners worldwide and half of the customers indicated that they buy their burners at the EEA level.[54]

(50) In the light of the results of the market investigation, the Commission finds that the scope of the geographic market(s) for industrial burners is at least EEA-wide. For the purpose of the assessment of the Transaction it can be left open whether the market(s) could also be wider than the EEA given that the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible geographic market definition, the narrowest being EEA-wide.

IV.2.2. Industrial combustion components and integrated burners

IV.2.2.1. Relevant product market definition

(51) In addition to industrial burners, the Parties sell industrial combustion components: industrial combustion valves (valves) and electronic control boards (controls). These components are sold on a standalone basis or as integrated industrial burner systems (burner, valves and controls). Based on this the market could be segmented into – a) valves, b) electronic control boards and c) integrated burner systems.

a) Valves

The Notifying Party's view

(52) According to the Notifying Party, industrial combustion valves are components that direct or channel the flow of fuel and heat by opening, closing, or partially obstructing the piping within a fuel control line. Valves could be differentiated further in relation to their technology (valve could be opened or shut electro-mechanically or electro-pneumatically), the type of fuel they are using (oil valves or gas valves), the fuel inlet pressure (low gas pressure or high pressure) or the function of the valves (safety shut valves or flow control valves).

(53) The Notifying Party submits that the relevant product market should be a market for all types of valves for industrial burners.[55]

The Commission's assessment

(54) As the Transaction does not raise serious doubts as to its compatibility with the internal market under any product market definition considered the exact product market definition in relation to valves can be left open.

b) Electronic control boards

The Notifying Party's view

(55) According to the Notifying Party, electronic control boards are devices to safely start, stop, control, regulate, direct and moderate the flow of fuel and in some cases air, within the burner. The electronic control boards could be differentiated based on different safeguard devices they are designed for. There are board controls for leak detection, for pilot start-up, for continuous or intermittent operation, for flame

54 Q4 – Questionnaire to customers, replies to question 10.

55 Form CO, paras 151.

sensing. In relation to flame sensing, control boards could be UV-scanner or flamerod.[56]

(56) The Notifying Party submits that the market should comprise the sale/supply of all types of electronic control boards used in industrial burners and it should not be further segmented.[57]

The results of the market investigation and the Commission's assessment

(57) During the market investigation the Commission identified a specific electronic control board, namely the Burner Control Unit (BCU) manufactured by Elster. Customers and competitors responding to the market investigation indicated that the BCU produced by Elster is not substitutable with other conventional electronic control boards. In comparison with a conventional electronic control board the application of a BCU is equipped with the Profibus system which enables a significant reduction of the installation cost of the burner system. Additionally, Elster's BCU performs flame control and provides switchover to an external temperature monitoring system in the case of very high furnace wall temperatures (high-temperature bypass of the flame signal at furnace temperatures above 750°C). These singular features are neither separately nor combined available on any other burner control device for high-temperature burners.[58]

(58) 90% of BCUs are sold for integration with high temperature industrial burners. HON does not manufacture and sell electronic control boards that are comparable with Elster's BCU.

(59) As the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible product market definition, the exact product market definition in relation to electronic control boards can be left open.

c) Integrated burner systems

The Notifying Party's view

(60) The Parties sell valves and controls assembled into burners as integrated burner systems (burner, valves and controls) to OEM customers in the auto, food, textile, printing or paper industries and to end-user manufacturing companies. Due to an existing demand from the customers' side the Notifying Party consider that industrial burner systems should constitute a separate product market.[59]

The Commission's assessment

(61) As the Transaction does not raise serious doubts as to its compatibility with the internal market under any product market definition considered, the exact product market definition for integrated burner systems with or without segmentation by end-application can be left open.

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56 The Notifying Party's reply to the RFI of 16 October 2015.

57 Form CO, paras 153-154.

58 Agreed minutes of the call with a competitor, 23 October 2015.

59 Form CO, paras 146-149.

IV.2.2.2. Relevant geographic market definition

The Notifying Party's view

(62) The Notifying Party claims that the geographic scope of the markets for industrial combustion products and integrated burner systems is at least EEA-wide or possibly even global. The main combustion components suppliers are global players and compete across the globe. Transport is a minor cost for the above mentioned products. Therefore customers tend to source their productions in the whole EEA and probably wider.[60]

The Commission's assessment

(63) In the light of the results of the market investigation, the Commission finds that the scope of the geographic markets for valves, electronic control boards and integrated burner systems is at least EEA-wide. For the purpose of the assessment of the Transaction it can be left open whether the markets could also be wider than the EEA given that the Transaction does not raise serious doubts as to its compatibility with the internal market under any plausible geographic market definition, the narrowest being EEA-wide.

IV.3. Gas up/mid-stream products

(64) In the gas up/mid-stream the Transaction gives rise to a number of horizontally affected markets with regard to 1) gas meters, 2) gas flow computers, 3) electronic volume correctors, 4) gas chromatographs and 5) gas stations.

IV.3.1. Relevant product market definition

IV.3.1.1. Gas meters

(65) Gas meters are used to measure the volume and flow of gas as it is pumped through the pipelines. Gas meters determine how much gas is being generated and/or transferred in different stages of the gas distribution chain. Each gas meter used in the up/mid-stream gas industry is designed to measure the mass or volumetric flow rate of gas. Gas meters measure a defined volume regardless of the pressurized quantity or quality of the gas flowing through the meter.

(66) Gas meters can be used for two categories of applications: fiscal applications (also commonly referred to as “custody transfer” applications); and non-fiscal applications. "Fiscal" or "custody transfer" refers to the measurement of the volume and flow of gas as it is pumped through pipes and transferred from one owner to another. The figures recorded by fiscal meters are used for billing purposes and thus require a high level of accuracy concerning the volume of gas transferred. "Non-fiscal" is negatively defined and refers to meters that are not certified for fiscal applications; therefore non-fiscal meters cannot be used for accounting/billing purposes.

(67) Furthermore, even though all gas meters have the same function, which is to measure/report the volume of gas, they may rely on different technologies to do so. There are many available technologies for metering purposes (such as rotary gas

60 Form CO, paras 165-168.

meters, Coriolis gas meters, orifice meters) but the Parties' activities overlap only with regard to turbine gas meters and ultrasonic gas meters.

IV.3.1.1.a. Segmentation by application

The Notifying Party's view

(68) The Notifying Party claims that the product market can be segmented in markets by application and that it is appropriate to consider gas meters for fiscal application and gas meters for non-fiscal applications as part of separate relevant product markets.

(69) The Notifying Party claims that this is the case because a non-fiscal meter is not certified for fiscal applications and therefore cannot be sold for such applications unless the manufacturer obtains the required certification.[61]

The results of the market investigation and the Commission's competitive assessment

(70) The Commission considers that it is appropriate to segment the product market by application and that gas meters for fiscal applications and gas meters for non-fiscal application are part of separate product markets.

(71) First, gas meters for fiscal applications need to be certified by independent public bodies, which is not the case for gas meters for non-fiscal applications. The main certification requirement is for the meter to comply with the Measuring Instruments Directive[62] ("MID"). The certification process generally takes between 6 and 12 months and its cost varies depending on whether the certification is sought for an existing product line or for a new product line. Obtaining certification for a new generation of an established product line generally costs below EUR 100 000. Obtaining a certification for a completely new product generally costs approximately EUR 500 000 to EUR 1 000 000.

(72) Second, the market investigation results indicated that gas meters for fiscal applications are not substitutable by gas meters for non-fiscal applications. The vast majority of customers responding to the market investigation results indicated that gas meters for non-fiscal applications cannot be used in fiscal applications.[63]

(73) Third, the vast majority of customers responding to the market investigation indicated that gas meters for fiscal applications and gas meters for non-fiscal applications are not comparable in terms of price and in terms of reliability.[64] The market investigation results indicated that gas meters for non-fiscal applications are on average 20% cheaper than gas meters for fiscal applications.[65]

(74) Finally, the market investigation results indicated that, notwithstanding the fact that turbine meters for fiscal application and turbine meters for non-fiscal applications are broadly comparable in terms of general product characteristics,[66] the lack of

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61 Form CO, para 174.

62 Directive 2004/22/EC of the European Parliament and of the Council of 31 March 2004 on measuring instruments, OJ L 135, 30.4.2004, p. 1.

63 Q6 – Questionnaire to customers, replies to question 5.

64 Q6 – Questionnaire to customers, replies to question 9.

65 Q6 – Questionnaire to customers, replies to question 7.

66 Q6 – Questionnaire to customers, replies to question 8.

certification of turbine meters for non-fiscal applications is a clear differentiating factor between the two products.[67]

(75) For the reasons above, the Commission concludes that separate relevant product markets exist for gas meters according to application, that is for fiscal and non-fiscal applications.

IV.3.1.1.b. Segmentation by technology

The Notifying Party's view

(76) The Notifying Party states that it is inappropriate to further segment the product market by technology. According to the Notifying Party this is because whilst some gas metering types/technologies may be better suited for certain applications or functions, there is a high degree of substitutability at the demand level between the various gas metering technologies.

(77) With particular reference to turbine meters and ultrasonic meters, the Notifying Party claims that both technologies can be, and in fact frequently are, used for the same higher flow rate / higher pressure applications and both are used for fiscal applications given their high accuracy. Both technologies can also be used for non-fiscal applications.[68]

The results of the market investigation and the Commission's assessment

(78) Contrary to the Notifying Party's claims, the Commission considers that a segmentation of the product market by technology is justified and that turbine gas meters and ultrasonic gas meters (the only technologies where there is an overlap between the activities of the Parties) are part of two distinct relevant product markets.[69] This is because of both technical and economic considerations.

(79) As to the technical substitutability, the majority of customers responding to the market investigation results indicated that turbine gas meters and ultrasonic gas meters cannot be used interchangeably in the same applications.[70] This is because each of the two technologies is better suited to serve applications for which the other technology has a distinct disadvantage. While ultrasonic gas meters are generally used in the upstream segment with higher pressure, higher capacity and bigger pipeline diameters, turbine gas meters are rather used for lower pressure and lower capacity.[71] Moreover, the very nature of the ultrasonic gas meters renders it not suitable to be installed close to a pressure regulator as the frequencies emitted by the regulator can interfere with the ultrasonic gas meter.[72]

(80) The lack of technical substitutability between turbine gas meters and ultrasonic gas meters further follows from the fact that customers typically replace an existing turbine meter with a new turbine meter rather than with an ultrasonic gas meters. A

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67 Q6 – Questionnaire to customers, replies to question 9.4.

68 Form CO, para 182.

69 The market investigation results did not provide indications that other technologies (rotary gas meters, Coriolis gas meters, orifice meters) are substitutable with turbine and ultrasonic meters respectively.

70 Q6 – Questionnaire to customers, replies to question 10.

71 Agreed minutes of the conference calls held with competitors, 13 November 2015; 11 November 2015; 28 October 2015.

72 Agreed minutes of the call held with a competitor, 11 November 2015.

customer responding to the market investigation indicated that when replacing a gas meter they usually stick to the same technology.[73]

(81) The fact that customers tend to replace turbine meters with a new turbine meter can be explained by technical reasons. Ultrasonic gas meters need access to a power supply and therefore when replacing an existing turbine with an ultrasonic gas meter some electrical adaptations must be performed. Replacing a turbine meter with an ultrasonic gas meter may require additional engineering work on the whole installation, as stated by one customer.[74]

(82) In addition to the above, competitors to the Parties indicated that in any event replacing a turbine meter with an ultrasonic gas meter requires some significant adaptations of the metering station. In fact, "*turbine meters have shorter inlet pipes (4dn typically) whereas ultrasonic meters have longer inlet pipes (10dn)*" and to accommodate this difference the piping and the layout of the gas station generally need to be rearranged.[75]

(83) Therefore, the replacement of turbine gas meter with an ultrasonic gas meter generally does not occur and in the limited number of occasions it is generally done by larger customers active in gas transportation with large metering stations.[76]

(84) In light of the above, the Commission takes the view that from a demand side perspective are turbine gas meters and ultrasonic gas meters hardly substitutable.

(85) As to the economic substitutability between turbine meters and ultrasonic gas meters, the market investigation results indicated that purchase price and cost of ownership of a turbine meter and of an ultrasonic gas meter are not comparable. According to the Notifying Party's submission, an ultrasonic gas meter is significantly more expensive than a turbine gas meter both in terms of purchase price and in terms of total cost of ownership, as shown in the table below.

Technology	**Purchase price (in EURO)**	**Estimated ownership cost (10y) (in EURO)**
Turbine	[…]	[…]
Ultrasonic	[…]	[…]

Table 1: Source: Notifying Party's submission and Commission's market investigation.

(86) The vast majority of customers responding to the market investigation results also indicated that ultrasonic gas meters are significantly more expensive than turbine gas meters (in terms of purchase price) and indicated the average price difference to be between 20% and 40%.[77] As to the total cost of ownership, a competitor responding to the market investigation indicated the price difference might be smaller but still significant.[78] According to the same competitor responding to the market investigation, aside from the difference in purchase price, this difference in total cost

73 Replies to RFI "Follow up questions on gas meters" dated 13 November 2015 and 18 November 2015.

74 Reply to RFI "Follow up questions on gas meters" dated 13 November 2015.

75 Agreed minutes of the call held with a competitor, 23 November 2015.

76 Agreed minutes of the call held with a competitor, 23 November 2015.

77 Q6 – Questionnaire to customers, replies to question 11 and 12.

78 Agreed minutes of the call held with a competitor, 23 November 2015.

of ownership is mainly due to the fact that ultrasonic gas meters need recalibration more frequently.[79]

(87) Finally, the tender documents submitted by the Parties for both HON and Elster also suggest that there is a lack of demand side substitutability. The tender documents show that customers always specify the metering technology and that for some projects turbine meters and ultrasonic gas meters are sourced together. A competitor explained that using the two technologies in the same installation allows the end customer to profit from the specificity of each of them to get a more precise measurement. This tender practice supports the view that turbine meters and ultrasonic gas meters are perceived as complementary rather than substitutable products.

(88) From a supply side perspective, the market investigation results also gave indications that turbine meters and ultrasonic gas meters are not substitutable. The vast majority of competitors responding to the market investigation indicated that switching production from one technology to the other is technically complex, disruptive to the business and requires a significant time.[80]

(89) On the basis of the results of the market investigation, the Commission concludes that the product market for gas meters should be segmented according to the metering technology, and that turbine and ultrasonic technology form part of separate relevant product markets.

IV.3.1.1.c. Conclusion

(90) In view of the above, the Commission considers that the product market for gas meters should be segmented by application (fiscal and non-fiscal) and by metering technology (turbine and ultrasonic).

IV.3.1.2. Gas flow Computers

(91) Gas flow computers are electronic computers which implement algorithms using signals received from flow meters, temperature, pressure and density transmitters to which they are connected. Gas flow computers are used for custody or fiscal transfer, and they also audit changes that have been made to any of the measurement parameters.

The Notifying Party's view

(92) The Notifying Party claims that gas flow computers constitute a distinct product market and that this market should not be further segmented. At the demand level, customers can easily switch from one gas flow computer to another given the standards present in the industry. As gas flow computers need to be connected with various metering tools (e.g., gas chromatograph, gas meters, etc.), standards have been imposed so as to allow the tools to be compatible with gas flow computers.

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79 Agreed minutes of the call held with a competitor, 23 November 2015.

80 Q5 – Questionnaire to competitors, replies to question 6.

The results of the market investigation and the Commission's assessment

(93) The market investigation results indicated that gas flow computers perform a specific task that is not performed by any other piece of equipment.[81] Therefore, the Commission considers that gas flow computers constitute a separate product market.

(94) Gas flow computers communicate with other electronic devices used by customers using a "communication protocol" which is the "language" used by the device. Some of these communication protocols, such as Modbus, IEC1107, DLMS COSEM, FTP, or IEC 60870-5-104, are commonly used in the industry whereas others have a more limited sphere of application as they are requested only by customers or customers in certain geographic areas. One of these communication protocols is the "DSFG" (*Digitale Schnittstelle für Gasmessgeräte*) communication protocol which is the industry standard data exchange for metering equipment only in German speaking countries.

(95) The market investigation results indicated that in the German speaking part of the EEA and in particular in Germany and Austria all customers ask for gas flow computers (and other devices as will be discussed below) to implement the DSFG communication protocol and, albeit this not being a legal requirement, do not accept gas flow computers not implementing such protocol.

(96) The Notifying Party claims that it is not appropriate to consider DFSG compliant gas flow computers as a separate product market. Contrary to the Notifying Party's submission, the Commission considers that DFSG gas flow computers constitute a separate product market. This is mainly because of a lack of demand side substitutability. All customers requiring DSFG products responding to the market investigation results indicated that, for their applications requiring DSFG compliant gas flow computers, they only accept DSFG compliant equipment and are not prepared and willing to waive this requirement.[82]

(97) From a supply side perspective, competitors replying to the market investigation indicated that implementing the DSFG protocol into an existing gas flow computer does not entail only a firmware change (from the existing communication protocol to DSFG) but rather also requires hardware modification.[83] Also, producers of DSFG compliant gas flow computers as well as other DSFG compliant equipment indicated that developing the software itself is a difficult task and entails significant cost and time (up to 9 months).[84]

(98) For the above reasons, the Commission finds that DSFG compliant gas flow computers constitute a separate relevant product market that is distinct from any product market for gas flow computers operating on other protocol.

IV.3.1.3. Gas chromatographs

(99) Gas chromatographs are analytical instruments that measure the content of various components in a sample. The sample solution injected into the instrument enters a gas

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81 Q6 – Questionnaire to customers, replies to question 15.

82 Replies to RFI – Follow up questions.

83 Agreed minutes of the call held with a competitor, 13 November 2015; agreed minutes of the call held with a competitor, 11 November 2015.

84 See for example the agreed minutes of the call held with a competitor, 11 November 2015.

stream which transports the sample into a separation tube known as the 'column'.[85] The various components are separated inside the column. The detector measures the quantity of the components that exit the column. To measure a sample with an unknown concentration, a standard sample with known concentration is injected into the instrument. The standard sample peak retention time (appearance time) and area are compared to the test sample to calculate the concentration. Gas chromatographs perform a versatile analytical technique that separates a sample gas stream into its individual components for measurement purposes.

The Notifying Party's view

(100) The Notifying Party claims that gas chromatographs constitute a distinct product market and that this market should not be further segmented as the products used throughout the industry perform the same functions and are technologically similar. Moreover, suppliers can easily supply the various gas chromatographs that customers may require. Further, the Notifying Party claims that it is not appropriate to consider DFSG compliant gas chromatographs as a separate product market as it is easily replicable by any supplier that does not yet offer DSFG compliant gas chromatographs.

The results of the market investigation and the Commission's assessment

(101) The market investigation results support the view that gas chromatographs constitute a separate product market.[86] As for all other electronic equipment in the metering sector, gas chromatographs need a communication protocol to communicate with other equipment and the Commission finds that DSFG compliant gas chromatographs constitute a separate product market. This distinction is justified for the same demand and supply side considerations explained above for DSFG compliant gas flow computers.

IV.3.1.4. Electronic Volume Correctors

(102) Electronic volume correctors ("EVC") are devices used for the calculation of the quantity of gas via the measurement of pressure and temperature or density. They take this input from flow meters, pressure and temperature transmitters to calculate the standard volume for, inter alia, custody transfer applications.

The Notifying Party's view

(103) The Notifying Party claims that EVC constitute a distinct product market and that this market should not be further segmented. This is because all available electronic volume correctors perform the same function. There is not one type of electronic volume corrector that performs a specific function or relies on a specific technology in such a way that it would form on its own a separate product market.

The results of the market investigation and the Commission's assessment

(104) The market investigation results indicated that it is plausible to consider that EVC constitute a distinct relevant product market. The majority of customers responding to

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85 Helium or nitrogen is used as the so-called carrier gas.

86 Q6 – Questionnaire to customers, replies to question 15.

the market investigation in fact indicated that the tasks carried out by EVC cannot be carried out by another piece of equipment.[87] For example, a customer indicated that "*Volume correctors are drafted for the special application. Only a volume corrector can do that*" and another customer indicated that "*there is no other equipment to replace electronic volume correctors*".[88]

(105) The market investigation results also indicated that likely there are no technical differences between the volume correctors which could justify a segmentation of that product market according to specific applications served. According to one respondent "*The main function of volume correctors is the calculation of corrected volume and energy based on uncorrected volume from meter, gas quality, pressure and temperature. Most of the volume converters fulfil this function*".[89]

(106) As explained above for gas flow computers, also EVCs need a communication protocol to communicate with other devices. As for gas flow computers, as well as for all electronic devices used in the metering space, EVC can rely on different communication protocols. However, customers in the German speaking area request that the EVC they procure operates by the DSFG protocol.

(107) Contrary to the Notifying Party claims, the market investigation results suggest that DSFG compliant EVC should be considered as constituting a separate product market. As explained above in relation to DSFG compliant gas flow computer, there is neither demand side substitutability nor supply side substitutability.[90]

(108) For the reasons above, the Commission takes the view that it is plausible that DSFG compliant EVC is a separate product market that is distinct from any market for EVC on any other protocol. However, the exact product market definition with regard to EVC can be left open as the Transaction does not raise serious doubts as to its compatibility with the internal market even under the narrowest plausible market definition (DSFG compliant EVC).

IV.3.1.5. Gas Stations

(109) Gas stations are control stations for regulating the delivery and transportation of compressed natural gas, fuels and biogas. As pressure regulating stations with safety features they ensure reliable gas control and supply in domestic and industrial environments.

(110) A gas station essentially consists of metal pipes put together with a number of tools integrated in them. Those tools include flow meters, regulators, gas flow computers, etc. The gas goes through the pipelines and the metering tools measure the flow/pressure and report the data. Gas stations can either be assembled by the end-customers themselves, by so-called station builders or by companies like the Parties who oversee the assembling process and outsource the services that they cannot provide themselves (e.g., the assembly of pipelines).

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87 Q6 – Questionnaire to customers, replies to question 18.

88 *Ibid.*

89 Q6 – Questionnaire to customers, replies to question 19.

90 The market investigation indicated that firmware and hardware adaptions required to make electronic devices used in the metering sector DSFG compliant are very similar. Therefore, the analysis for gas flow computers applies *mutatis mutandis* to EVCs.

The Notifying Party's view

(111) The Notifying Party claims that gas stations constitute a separate product market and that this market should not be further segmented. According to the Notifying Party this is for both supply and demand side considerations: from a supply-side perspective, the Notifying Party claims that there is a high degree of substitutability given the great variety of manufacturers who can assemble these gas stations. As to the demand side substitutability, the Notifying Party claims that while each station is designed in a way that meets the end-customer requirements, each gas station operates in the same way, relies on the same underlying principle, and fulfils the same function.

The results of the market investigation and the Commission's assessment

(112) The market investigation results indicated that it is plausible to consider that gas stations constitute a distinct product market. All customers responding to the market investigation in fact confirmed that the tasks performed by gas stations cannot be performed by any other piece of equipment.[91]

(113) The market investigation results also suggest that the product market should not be further segmented. The vast majority of respondents to the market investigation indicated that gas stations are generally suitable for all type of applications and that they are highly customised products made to comply with specific customer requirements.[92]

(114) For the above reasons, the Commission takes the view that gas stations constitute a separate relevant product market.

IV.3.2. Relevant geographic market definitions

The Notifying Party's view

(115) For all product markets discussed above – gas meters, gas flow computers, gas chromatographs, electronic volume correctors and gas stations –, the Notifying Party claims that they should be regarded as being at least EEA wide in scope. According to the Notifying Party, customers tend to source at an EEA level. There are no barriers that prevent metering products[93] manufacturers from supplying across the various EEA countries. Moreover, the customers are large, sophisticated players that can source at least EEA-wide. Furthermore, metering products all need to be approved under the European Measuring Instrument Directive (2004/22/EC; "MID"), which confirms the harmonization on an EEA-wide level. This means that all metering products which receive an MID approval may be used in all countries across the EEA.

The results of the market investigation and the Commission's assessment

(116) The market investigation results support the view that the geographic scope of the market is EEA-wide. The vast majority of customers responding to the marker investigation indicated that they currently source metering products used in the EEA

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91 Q6 – Questionnaire to customers, replies to question 21.

92 Q6 – Questionnaire to customers, replies to question 22.

93 Metering products is a broad category encompassing gas meters, gas flow computers, EVCs and gas chromatographs.

inside the EEA.[94] Also, the vast majority of customers indicated that they would not look for suppliers in different geographic areas in response to a small but significant and non-transitory increase in price.[95]

(117) Some customers have also indicated that the quality of these products significantly changes in geographic areas other than the EEA. For instance, a customer responding to the market investigation results indicated that "*We source our gas meters within the European union because the quality of meters elsewhere cannot be accepted by our customers*."[96] Therefore, the conditions of competition are unlikely to be homogenous at a worldwide level.

(118) In addition to the above, all metering products sold in the EEA have to comply with the MID which imposes compliance to strict technical standards. All metering products certified to be MID compliant can be sold in all Member States. In terms of design, compliance with MID entails that some metering products are specifically designed for the EEA market.

(119) In view of the results of the market investigation, the Commission finds that all relevant plausible markets for gas meters, gas flow computers, gas chromatographs, EVC and gas stations are EEA wide in scope.

V. COMPETITIVE ASSESSMENT

V.1. Introduction

(120) Under Articles 2(2) and (3) of the Merger Regulation, the Commission must assess whether a proposed concentration would significantly impede effective competition in the internal market or in a substantial part of it, in particular through the creation or strengthening of a dominant position.

(121) As regards the assessment of horizontal overlaps, the Commission guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings (the “Horizontal Merger Guidelines”) distinguish between two main ways in which mergers between actual or potential competitors on the same relevant market may significantly impede effective competition, namely non-coordinated and coordinated effects. Non-coordinated effects may significantly impede effective competition by eliminating important competitive constraints on one or more firms, which consequently would have increased market power, without resorting to coordinated behaviour. In that regard, the Horizontal Merger Guidelines consider not only the direct loss of competition between the merging firms, but also the reduction in competitive pressure on non-merging firms in the same market that could be brought about by the merger.

(122) The Horizontal Merger Guidelines list a number of factors which may influence whether or not significant non-coordinated effects are likely to result from a merger, such as the large market shares of the merging firms, the fact that the merging firms are close competitors, the limited possibilities for customers to switch suppliers, or the fact that the merger would eliminate an important competitive force. Not all of these factors indicated in the Horizontal Merger Guidelines as relevant to the analysis of

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94 Q6 – Questionnaire to customers, replies to questions 24, 26, 27 and 28.

95 Q6 – Questionnaire to customers, replies to questions 25 and 29.

96 Q6 – Questionnaire to customers, replies to question 26.

non-coordinated effects need to be present to make significant non-coordinated effects likely. Also, the list of factors is not exhaustive.

(123) As regards the assessment of vertical relationships, the Commission guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings (the "Non-Horizontal Merger Guidelines") distinguish between two main ways in which mergers between actual or potential competitors on the a vertically related relevant market may significantly impede effective competition, namely through input or customer foreclosure.

V.2. Residential heating products

V.2.1. Horizontal overlaps

(124) The competitive conditions on the markets for gas valves, electronic boards and gas control systems are similar.[97] Therefore, in the following they will be assessed in one and the same section.

Market shares

(125) On the market for *gas valves* and its possible segmentations the Parties' and their main competitors' market shares are provided in table 2 below. The Parties' combined market share is [40-50]% in the overall market for gas valves and [40-50]% in the market for HE gas valves. The Parties' main competitor SIT has a market share of around [40-50]% in the overall market for gas valves and [40-50]% in the market for HE gas valves. If the geographic scope of the possible markets were to be worldwide in scope, the Parties' market shares would be lower as their activities focus mainly on the EEA.[98] Regarding SE gas valves and electronically controlled gas valves, the Parties' activities do not overlap as Elster does not produce SE gas valves and HON does not produce electronically controlled gas valves.

EEA	**Gas valves**	**HE gas valves**
HON	[30-40]%	[30-40]%
Elster	[5-10]%	[10-20]%
Combined	***[40-50]%***	***[40-50]%***
SIT	[40-50]%	[40-50]%
B&P	[5-10]%	[0-5]%
Siemens	[0-5]%	[5-10]%
Others	[5-10]%	[0-5]%

Table 2: Source: Form CO and Commission's market investigation.

(126) On the market for *electronic boards* and its possible segmentations, the Parties' combined market share is [30-40]% in the overall market for electronic boards and [30-40]% in the plausible market for electronic boards for HE boiler systems. As Elster does not manufacture electronic boards for SE boiler systems, the Parties' activities do not overlap in this possible market. The Parties' main competitors are B&P, SIT and Siemens. Moreover, the Parties claim to compete with their customers' captive production of electronic boards. If the geographic scope of the market were to

97 Form CO, para. 245.

98 Form CO, para. 240.

be worldwide, the Parties' market shares would be lower as their activities focus mainly on the EEA.[99]

EEA	**Electronic boards**	**HE electronic boards**
HON	[10-20]%	[10-20]%
Elster	[10-20]%	[20-30]%
Combined	***[30-40]%***	***[30-40]%***
B&P	[10-20]%	[10-20]%
SIT	[5-10]%	[10-20]%
Siemens	[5-10]%	[5-10]%
Others	[30-40]%	[30-40]%

Table 3: Source: Form CO and Commission's market investigation

(127) On the market for *gas control systems*, the Parties' combined market share is [30-40]% in the overall market for gas control systems (HON [10-20]%; Elster [20-30]%). Their main competitors are B&P ([20-30]%) and Siemens ([5-10]%). The Parties' activities do not overlap on the plausible narrower markets for SE gas control systems and HE gas control systems as HON only produces SE gas control systems and Elster only HE gas control systems. If the geographic scope of the possible market(s) for gas control systems were to be worldwide, the Parties' market shares would be lower as their activities focus mainly on the EEA.[100]

EEA	**Gas control system**
HON	[10-20]%
Elster	[20-30]%
Combined	***[30-40]%***
B&P	[20-30]%
Siemens	[5-10]%
Others	[20-30]%

Table 4: Source: Form CO and Commission's market investigation

(128) While in all three markets – gas valves, electronic boards and gas control systems – or its putative segments post-Transaction the Parties will become the market leader with combined market shares in the range of [30-40]% to [40-50]%, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to each of these markets.

(129) First, with regard to gas control systems the market investigation supported the strong presence of other suppliers such as B&P, SIT, Siemens, EBM Papst and Bertelli that were considered as alternative suppliers by the responding customers and that would exert a competitive constraint on the merged entity.[101] Furthermore, two responding customers confirmed that they have or had an in-house production of electronic boards and thereby a supply alternative.[102] The reason why some customers prefer developing and producing electronic components of a boiler system in-house is that the electronic components define the "user experience" of a boiler system. Thus boiler

99 Form CO, para. 240.

100 Form CO, para. 240.

101 Agreed minutes of the calls with two customers, 05 and 16 October 2015.

102 Agreed minutes of the calls with two customers, 05 and 07 October 2015.

manufacturers consider the electronic components as a means to differentiate their products from those of competitors.[103] Finally, none of the responding competitors ranked Elster as one of their top four competitors for electronic boards and gas control systems.[104]

(130) With regard to electronic boards and gas control systems the market investigation supported the strong presence of other suppliers such as B&P, SIT, Siemens, EBM Papst and Bertelli that were considered as alternative suppliers by the responding customers.[105] Furthermore, two customers confirmed that they have or had an in-house production of electronic boards and thereby a supply alternative.[106] The reason why some customers prefer developing and producing electronic components of a boiler system in-house is that the electronic components are seen as the interface to the customer and define the user experience of boiler system. Thus residential boiler system manufacturers consider the electronic components as a means to differentiate their products from those of competitors.[107] Finally, none of the responding competitors ranked Elster as one of their top four competitors for electronic boards and gas control systems.[108]

(131) Second, the market investigation results indicated that HON and Elster are not close competitors for gas valves, electronic boards or gas control systems. Regarding gas valves, a customer indicated that HON is an important supplier while Elster is only a "niche" player.[109] Another customer indicated that EBM Papst and SIT are the closest competitors to HON while Elster was not mentioned as a close competitor.[110] Another customer explained that, while it receives supplies from HON, it delisted Elster as a supplier because it failed to comply with the customer's quality standards.[111] Furthermore, the majority of customers that have responded to the market investigation ranked HON as a top supplier of gas valves, electronic boards and gas control systems, while Elster was ranked several positions below HON.[112]

(132) Third, the market investigation results indicated that even though some of the competitors have only a limited market presence with market shares below 10%, they are able to immediately supply additional quantities and serve switching customers. All responding competitors state that they have a level of spare capacity of 10-20%[113] which they consider sufficient to accommodate additional orders from large boiler manufacturers for all three products on short notice.[114] Similarly, the majority of responding customers considered that the main suppliers on the market – including the

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103 Agreed minutes of the call with a customer, 05 October 2015. As the customer explained that is a general trend in the industry.

104 Q1 – Questionnaire to competitors, replies to questions 26 and 27.

105 Minutes of the calls with two customers, 05 and 16 October 2015.

106 Minutes of the calls with two customers, 05 and 07 October 2015.

107 Minutes of the call with a customer, 05 October 2015. As the customer explained that is a general trend in the industry.

108 Q1 – Questionnaire to competitors, replies to questions 26 and 27.

109 Agreed minutes of the call with a customer, 05 October 2015.

110 Agreed minutes of the call with a customer, 07 October 2015.

111 Agreed minutes of the call with a customer, 07 October 2015.

112 Q2 – Questionnaire to customers, replies to question 31 to 33.

113 Q1 – Questionnaire to competitors, replies to question 30.

114 Q1 – Questionnaire to competitors, replies to question 31.

Parties, SIT, Bertelli, EBM Papst and Siemens – have sufficient spare capacity to accommodate additional orders.[115]

(133) Fourth, it is likely that the possibility of entry would maintain effective competition in the relevant markets. The market investigation results confirmed that EBM Papst entered the market in 2011 and is now an established competitor to the Parties. More specifically, the market investigation results indicated that EBM Papst entered the markets for gas valves and electronic components through the acquisition of Karl Dungs GmbH & Co. KG of Germany. Most responding customers and competitors named EBM Papst as a viable supplier / competitor that is ranked at a similar level as HON or Elster.[116] One of the competitors[117] considered EBM Papst even as one of its main rivals whereas several customers of the Parties considered EBM Papst as an alternative supplier for each of the three products.[118]

(134) Fifth, the market investigation results indicated that the demand side – i.e. boiler manufacturing – is concentrated and that customers have some degree of buyer power. The four leading boiler manufacturers in the EEA account for more than […]% of the total demand.[119] HON achieves about […]% of its turnover with residential heating products with just one customer and HON's top four customers account for almost […]% of HON's total turnover with residential heating products. Similarly, Elster's top four customers account for more than […]% of Elster's total turnover with residential heating products. Thus, the loss of any of these main customers would result in a significant loss of sales that could not easily replaced by sales to another customer and therefore to a loss for HON and Elster.

(135) Furthermore, as outlined above (see paragraph 131), the market investigation results indicated that customers can and do switch suppliers and customers have a number of alternative suppliers to which they can turn (see paragraphs 128 and 129). This gives customers the ability in negotiations with suppliers to threaten changing suppliers should certain supply conditions not be met. In fact, the market investigation results indicated that customers make use of such countervailing power. All responding competitors reported situations in which customers threatened to switch and did so following failed negotiations.[120] As one competitor explained, in most cases customers do not switch because they were able to obtain better commercial conditions from their suppliers.[121]

(136) In addition, customers can credibly threaten to vertically integrate and start producing components in-house. As the market investigation results indicated, some residential boiler system manufacturers already have their own in-house production of electronic boards.[122] Furthermore, the market investigation results indicated that large customers usually have a sufficient boiler output to make the development and production of electronic boards profitable.[123] Thus, regarding electronic boards large customers can

115 Q2 – Questionnaire to customers, replies to question 34.
116 Q2 – Questionnaire to customers, replies to question 32; Q1 – Questionnaire to competitors, replies to question 25.
117 Agreed minutes of the call with a competitor, 06 October 2015.
118 Agreed minutes of the call with two customer, 07 and 16 October 2015.
119 Form CO, para. 272.
120 Q1 – Questionnaire to competitors, replies to question 40.
121 Q1 – Questionnaire to competitors, reply of a competitor to question 40.
122 Agreed minutes of a call with a competitor, 16 Octiber 2015.
123 Q1 – Questionnaire to competitors, replies to question 40.

already credibly threaten to start in-house production and therefore are in a strong negotiation position. While the market investigation results suggest that starting in-house production of gas valves – and thereby having the basis for also producing gas control systems – could be more complex and requires more resources, customers require and suppliers usually offer gas valves as well as electronic boards. Nevertheless, having a strong negotiation position with respect to electronic boards vis-à-vis a supplier, improves a customer's negotiation position vis-à-vis that same supplier also with respect to gas valves.[124]

(137) For the reasons above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to gas valves, electronic boards and gas control systems for residential boiler systems as a result of horizontal effects.

V.2.2. Vertical relationships

(138) As described above in section IV.2.2.1, gas valves and electronic boards are an input product for gas control systems. Thus, there is a vertical link between gas valves and electronic boards (upstream) and gas control systems (downstream). However, the Commission considers that this vertical link does not give rise to any input or customer foreclosure concerns.

Risk of input foreclosure

(139) The merged entity would not have the ability or incentive to engage in *input* foreclosure and input foreclosure would not have any significant detrimental effect on competition.

(140) First, while the merged entity would have a relatively high combined market share of [40-50]% for gas valves and [30-40]% for electronic boards, any competing manufacturer of gas control systems would have a sufficient number of alternative supply sources if the merged entity were to decide to stop supplying. SIT, the Parties' largest competitor in gas valves ([40-50]%) and the second largest competitors in electronic boards ([5-10]%) is not vertically integrated and would be available as an alternative supplier regardless of any input foreclosure strategy of the merged entity.

(141) Second, all major suppliers of electronic boards are themselves vertically integrated and have their own in-house production of gas valves and electronic boards and are a supplier of these components to third parties. Some of those suppliers do not source gas valves or electronic boards from the Parties.[125]

(142) Third, the Commission considers on the basis of the market investigation results that boiler manufacturers are in a position to counter a foreclosure strategy. Most of them already produce gas control systems in-house by combining gas valve and electronic board into a gas control system. It is therefore unlikely that an input foreclosure related to manufacturers would have any significant detrimental effect on competition.

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124 Q2 – Questionnaire to customers, replies to question 40.

125 Agreed minutes of a call with a competitor, 06 October 2015.

Risk of customer foreclosure

(143) The merged entity would not have the ability and the incentive to engage in *customer foreclosure*. The major manufacturers of gas control systems have their own are active suppliers of gas valves and electronic boards and therefore have in-house production of gas valves and gas control systems and do not source these components from the Parties. Moreover, the largest part of gas valves and electronic boards are sold as stand-alone products to boiler manufacturers that themselves integrate the two components into their residential boiler systems.[126] Thus, manufacturers of gas control systems cannot be considered important customers for suppliers of gas valves and electronic boards so that these would not be foreclosed from access to important customers.

(144) For the reasons above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to the vertical link between gas valves and electronic boards on the one hand and gas control systems on the other hand.

V.3. Industrial heating products

V.3.1. Horizontal overlaps

V.3.1.1. Industrial burners

(145) The Parties' market shares according to the segmentation based on different temperatures are provided in Table 5 (2014) below:

Market (EEA)	**HON**	**Elster**	**Combined**
All temperature burners	[10-20]%	[5-10]%	[10-20]%
Low temperature burner	[20-30]%	[10-20]%	[30-40]%
Mid/high temperature burner	[5-10]%	[0-5]%	[10-20]%
Mid-temperature burner	[10-20]%	-	[10-20]%
High-temperature burner	[0-5]%	[5-10]%	[10-20]%

Table 5: Source: Form CO, para 305, and Commission's market investigation.

(146) The EEA-wide markets for industrial burners, the markets for industrial burners for all temperature levels, mid/high temperature burners and high-temperature burners would not constitute affected markets. With regard to mid-temperature burners the activities of the Parties do not overlap.

(147) On the market for low temperature burners, the combined market share of the Parties (HON [20-30]%, Elster [10-20]%) would amount to [30-40]%.

(148) The Commission considers that a number of other competitors are and remain active on that market. This includes Dungs with a market share of [5-10]%, Comthern [0-5]% as well as IBS, Loesche and Saacke which would each have [0-5]% market share.

(149) If the market were to be segmented by different types of technology the Parties' activities overlap only for direct and radiant heat technology industrial burners. The market structure and market shares of the Parties in the EEA are provided in Table 6 below.

126 Form CO, para. 342 to 346.

Company name	Direct heat	Radiant heat
HO	[10-20]%	[10-20]%
Elster	[5-10]%	[5-10]%
Combined	[20-30]%	[10-20]%
Bloom	[5-10]%	[0-5]%
John Zink Hamworthy	[5-10]%	[0-5]%
Loesche	[5-10]%	[0-5]%
IBS	[0-5]%	[0-5]%
SBM	[0-5]%	[20-30]%
Pyronics (Selas)	[0-5]%	[10-20]%
Red-Ray (Selas)	[0-5]%	[10-20]%
Others	[50-60]%	[20-30]%
Total	100 %	100 %

Table 6: Source: Notifying Party's Reply to RFI of 25.9.2015, and Commission's market investigation.

(150) On a market for industrial burners with direct heat the combined market share of the Parties is [20-30]%. There is one competitor with a higher market share than Elster's (John Zink Hamworthy) that therefore is likely to exert a stronger competitive constraint that Elster. Moreover, a number of other competitors are active on this market.

(151) On the possible market for industrial burners with radiant heat the combined share of the Parties would be only [10-20]%. Pursuant to paragraph 18 of the Horizontal Merger Guidelines a market share that does not exceed 25% is an indication that a concentration is not liable to impede effective competition.

(152) If the market were to be segmented by end-application, the Parties' activities would overlap for industries of textile, paper, food, automotive and printing. The Notifying Party notes that it is not possible to provide precise estimates of its and the Parties' competitors' market shares, but it states that the market structure with regard to end-applications and any combination of end-application and temperature differentiation would be broadly similar compared to the market structure based on temperature range or technology type.[127]

(153) With regard to textile the Parties face competition from Ecoflam, Brox, Pyronics, Oxilon and ACE. With regard to paper, the Parties face competition from IBS, Pyronics, Hamworthy and L.Lair. With regard to food the Parties face competition from IBS, Tecflam, Pyronics and L.Lair. With regard to automotive the Parties face competition from Atec Combustion, Comtherm, L.Lair, Mader and Nordluft. With regard to printing the Parties face competition from IBS, Tecflam, L.Lair and Pyronics.

(154) The Commission concludes that the barriers to entry and expansion are low. The Commission services visited the HON industrial burner manufacturing facility in Vilvoorde, Belgium, on 15 October 2015. During the site visit it was confirmed that setting up an industrial burner manufacturing facility does not require significant investment. It was explained that not all the industrial burner parts are manufactured at the site, but instead they are being purchased from different suppliers based on customers' demands. Therefore a large part of industrial burner manufacturing is assembly work which requires rather limited investment.

127 The Notifying Party's reply to the RFI of 8 December 2015.

(155) Furthermore, the majority of customers responding to the market investigation indicated that there are a number of alternative suppliers and that it would be easy to switch to them.[128]

(156) Moreover, the market investigation results support the view that the customers have strong buyer power. Industrial burners, including low-temperature burners, are sourced by industrial OEM customers in the metallurgy, auto, food, textile, printing and paper industries. These customers include large global and regional companies such as Andritz, Windmoeller & Hoelscher, and Brueckner.[129]

(157) For the reasons above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to industrial burners.

V.3.1.2. Industrial combustion components – valves and electronic control boards

(158) On the EEA-wide market for industrial burner valves Elster has a [30-40]% market share. The Commission considers that the increment resulting from the Transaction would be limited as HON has only a market share of [0-5]%. The combined entity would face competition from a number of other competitors including Dungs with a market share of [20-30]%, Uni Geräte [10-20]% as well as Madas and Siemens each with [5-10]%. There are therefore four other competitors on this market which have a market share that is larger than the increment resulting from the Transaction. If the market for industrial valves were to be defined more narrowly, the Parties' market share and competitive landscape would not differ significantly.[130] The Parties have stated that competitors including Dungs, Siemens, Uni Geräte, Madas and Brahma supply all types of valves.

Market (EEA)	HON	Elster	Combined
Industrial components - valves	[0-5]%	[30-40]%	[30-40]%
Industrial components – control boards	[5-10]%	[20-30]%	[20-30]%

Table 7: Source: Form CO, para 305, and Commission's market investigation.

(159) On the EEA-wide market for industrial burner control boards Elster has a [20-30]% market share. The Commission considers that the increment resulting from the Transaction would be limited as HON has only a market share of [5-10]%. The combined entity would face competition from Siemens which has a market share that is twice as large as that of HON ([10-20]%). Furthermore, also Dungs is active on this market ([0-5]%). If the market were to defined more narrowly, the Parties' market share and competitive landscape would not differ significantly. The Parties have stated that competitors including Dungs, Siemens, and Brahma supply all types of control boards. Moreover, in relation to BCU there is no overlap between the Parties as HON does not produce BCU products.

(160) For the reasons above, the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to industrial burner components markets (valves and control boards).

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128 Q4 – Questionnaire to customers, replies to question 25.2.

129 Q4 – Questionnaire to customers, replies to question 25.

130 Form CO, para. 323.

V.3.1.3. Integrated burner systems

(161) On the EEA-wide market for integrated burner systems, the combined market share of the Parties would be only [20-30]% (HON [5-10]%; Elster [10-20]%). The market is fragmented with a large number of competitors including Dungs ([5-10]%), Saacke ([0-5]%), Siemens ([0-5]%), Uni Geräte ([0-5]%) and other companies including Comtherm, IBS and Loesche. Pursuant to paragraph 18 of the Horizontal Merger Guidelines a market share that does not exceed 25% is an indication that a concentration is not liable to impede effective competition.

(162) Regarding a segmentation by end application, the Parties were not able to provide precise market share information. However, given the fact that industrial burner systems mainly consist of an industrial burner and auxiliary equipment (such as valves and controls), there is no indication that the competitive conditions for the different end-applications are significantly different from the ones for industrial burner.[131]

(163) For these reasons above, the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to integrated burner systems.

V.3.2. Vertical relationships

(164) During the market investigation one customer raised a concern in relation to BCUs manufactured by Elster. The complainant claimed that after the Transaction Elster would stop supplying BCU to the customers that integrate this product into their industrial burner system. In that respect the BCU is an input into a burner control system.[132]

(165) The Commission considers that even if Elster was the only supplier of BCU and therefore had the ability to foreclose competing industrial burner manufacturers from access to the BCU as an input product, the combined entity would not have an incentive to stop supplying BCUs to competing manufacturers of industrial burners.

(166) Elster's profit margin on BCU is […]% and amounts to […] EUR. The Parties' profit margin on high-temperature industrial burners is […]% and on average amounts to […] EUR. Therefore, the upstream margin in BCU is higher than the downstream margin for industrial burner systems in relative as well as in absolute terms. This means that, if Elster stopped supplying a BCU to an industrial burner competitor to foreclose him from supplying a downstream customer it would incur a loss of profit that it would not be able to compensate even if it gained the downstream customer. Therefore, Elster does not have an incentive to stop supplying BCU to competing industrial burner manufacturers. This conclusion is reinforced by the fact that on the market for high temperature burners on which there is significant demand for BCUs, HON is a rather small player (market share of [0-5]%). It would therefore be difficult for the combined entity to recoup the profit loss upstream.

(167) For the reasons above, the Commission considers that it is unlikely that the Transaction would lead to a foreclosure strategy. The Commission therefore concludes that the Transaction does not raise serious doubts as to its compatibility

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131 See section V.3.1.1 and V.3.1.2 above.

132 Agreed minutes of the call with a competitor, 23 October 2015. See definition of BCU in para. 56 above.

with the internal market with regard to the vertical relationship between the supply of BCU and the supply of industrial burners.

V.4. Gas up- / mid-stream products

V.4.1. Horizontal assessment

V.4.1.1. Turbine gas meters for fiscal applications

The Notifying Party's view

(168) The Notifying Party claims that the Transaction will not raise any competitive concern on the market for gas meters and any plausible sub-segment thereof because: (i) the Parties face, and the merged entity will continue to face, competition from a number of strong players; (ii) customers can easily switch suppliers; (iii) there are no capacity constraints in the industry; (iv) customers are generally large and very sophisticated and have significant buyer power; and, finally (v) the market has witnessed entry in the past and entry of new players is expected in the future.

(169) With regards to the EEA wide market for turbine gas meters for fiscal applications, the Notifying Party claims that the structure of the market is the following:

Parties and competitors	**Market share**
HON	[5-10]%
Elster	[20-30]%
Combined	**[30-40]%**
Itron	[20-30]%
Emerson	1-5%
GE	1-5%
Arzamas	1-5%
Sensus	1-5%
Omega FMA	1-5%
Metreg	1-5%
Vemmtec	1-5%
Common	1-5%
FERP-Italy	1-5%
Stream Measurement	1-5%
Raychem	1-5%
TOTAL	100%

Table 8: Source: Form CO and Commission's market investigation

(170) The market reconstruction exercise carried out by the Commission in the course of the market investigation did not support the Notifying Party's claim about the market structure. The presence of a number of players indicated by the Notifying Party was not confirmed by the market investigation. As a consequence, the Commission considers that the market for turbine gas meters for fiscal applications in the EEA is significantly more concentrated than depicted by the Notifying Party. The estimated

combined market share of the Parties is also higher than estimated by the Parties. The Commission' market reconstruction indicated the following market structure:

Parties and competitors	Market share[133]
HON	[5-10]%
Elster	[30-40]%
Combined	**[40-50]%**
Itron	[40-50]%
Vemmtec	[0-5]%
FMG	[0-5]%
Common	[0-5]%
GE	[0-5]%
TOTAL	**100.0%**

Table 9: Source: Commission's market investigation.

Removal of an important competitive constraint

(171) The Commission considers that the Transaction removes an important competitive constraint on the EEA-wide market for turbine gas meters for fiscal applications.

(172) Pre-Transaction only three main competitors are active on this market: HON, Elster and Itron, whereas the other competitors are smaller in size and do not achieve significant sales in the EEA.

(173) The Parties have a high combined market share which exceeds [40-50]%. Apart from the merged entity, there will be only Itron with a similar market share and as such, the Transaction will lead to a duopoly which has about 80-90% of the market.

(174) The increment brought about by the Transaction is significant. HON is pre-Transaction the third largest competitor on the market with a market share of [5-10]%. This market position is almost double in size compared to the remaining competitors on the market.

(175) The Commission finds that the smaller players would not be able to impose a significant competitive constraint on the Parties (and Itron). This finding is supported by the analysis of the win-loss data submitted by the Parties in the course of the investigation. The analysis of this data suggests that the Parties, to the extent that they are able to identify their competitors for a given project, meet Itron and each other significantly more often than any other player (in 7 instances out of 9 where competitors were identified)[134]. Also, the win-loss data provided by the Parties identified competitors other than Itron only in three instances and all in tenders which took place before 2012. In the last three years Elster was able to identify only RMG and Itron as competitors.

133 Market share of third parties are indicated in ranges for confidentiality reasons.

134 This data refer only to the win-loss analysis of Elster for the past 5 years. HON did not identify any competitor in the win-loss database provided.

(176) The market investigation results also indicated that, contrary to the Parties' claim, customers have only a limited possibility of switching suppliers. The majority of customers responding to the market investigation consistently indicated that they consider as viable suppliers only Itron and the Parties.[135] Hence, their ability of switching would for a large proportion of respondents be limited to these undertakings. In addition, the smaller competitors responding to the market investigation indicated that they face significant barriers to expansion due to the lack of calibration facilities. This means that for larger tenders they are not able to effectively compete with the Parties and Itron, further reducing the customers' ability to switch suppliers.

(177) Finally, as explained above,[136] customers have a limited possibility to switch to alternative suppliers active on the ultrasonic gas meter market due to the technical and economic difficulties which they would have to incur to do so.

Closeness of competition

(178) The Commission considers that HON and Elster are close competitors with regard to their geographic activity and their production facilities.

(179) HON and Elster both have manufacturing facilities for turbine gas meters in Germany and they have a European wide presence. Furthermore, the smaller competitors identified in the course of the market investigation results indicated that their geographic reach is limited to a number of Member States and that they do not compete across the EEA. Also, only few of them target Germany which is an important market for HON as its activity on these markets derives from the past acquisition of RMG, a German company active in the metering sector.

(180) Another element of closeness of competition is that both HON and Elster have in-house calibration facilities for their gas meters which the smaller competitors do not have (explained in more detail below).

(181) This consideration on closeness is also supported by the market investigation results: the vast majority of customers responding to the market investigation in fact indicated as suppliers of turbine gas meters for fiscal applications only the Parties and Itron, whereas only a marginal number of them indicated other players as possible suppliers.[137]

Barriers to expansion

(182) The Commission considers that there are significant barriers to expansion on the market for turbine gas meters for fiscal applications.

(183) The market investigation results indicated that having in-house calibration capabilities is very important for a competitor to be able to expand. In this respect the Commission notes that the Parties unlike their smaller competitors own high pressure in-house calibration facilities. As also indicated by the Notifying Party, calibration is a

135 Q6 – Questionnaire to customers, replies to questions 30 and 31.

136 See section IV.3.1.1.b.

137 Q6 – Questionnaire to customers, replies to question 30.

necessary step in the production process of fiscal turbine gas meters that must be completed before a meter can be supplied.[138]

(184) Calibration means verifying the accuracy of the gas meter which is done by adjusting the accuracy of the meter by comparing the meter with a reference meter. As far as fiscal applications are concerned, calibration is required for the product in order to be MID-certified. As the calibration is a pre-requirement of the MID approval process, calibration has to be performed for each turbine gas meter before it can be shipped to the customer.[139]

(185) In order to calibrate the meters produced, manufacturers either have an in-house calibration facility or they need to turn to an independent provider of calibration services (so called "calibration house"). A calibration facility consists of a test rig with several reference meters (depending on flow range to cover) which is installed in a temperature-controlled environment. There are different types of calibration processes depending on whether air (compressed or at atmospheric pressure) or gas is used and on what pressure range the meter needs to be tested. Depending on these variables, the assets used in these calibration processes differ.

(186) The calibration activity can be broadly divided according to the pressure rating achieved. The Notifying Party explained that:

a. Usage up to 4 bar. A calibration with air at atmospheric pressure is sufficient for these low pressure gas meter;

b. Usage between 4 and 24 bar. Gas meters can be calibrated with compressed air or gas.

c. Usage above 24 bar. At pressures above 24 bar, calibration needs to be done with gas.

(187) The market investigation results indicated that developing an in-house calibration facility requires a high investment and time. According to one competitor, developing a calibration facility would cost around EUR 3 to 4 million for the smaller, lower pressure calibration facilities and up to EUR 10 million for the high pressure gas calibration facilities. This is also stated by other competitors, for example one competitor indicated that "*building and planning high pressure facility is a high investment in high pressure air about 1.5 mil[l]ion € investment. For NG a multiple of that (all depending on size and pressure) time to built 1-2years*".[140]

(188) As regards the possibility of having the gas meters calibrated by calibration houses, the market investigation results indicated that this is unpractical and in any event a viable solution only for a limited number of meters. According to a competitors responding to the market investigation, calibration houses can deal with only a limited number of meters per day and the cost of calibrating each meter can be as high as

138 Reply to RFI of 17 November 2015.

139 *Ibid.*

140 Reply to RFI Case M.7737 - Honeywell/Elster - Additional questions of 19 November 2015.

EUR 1 000 per meter.[141] Also, calibration houses have long lead times, estimated by competitors at around 3 months.[142]

(189) The market investigation results indicated that not having in house calibration capabilities, especially high pressure calibration capabilities (that is a pressure rating above 4 bars), is a significant disadvantage and that players who do not have such in-house capabilities cannot significantly expand production. One respondent indicated that "*Not having a high pressure facility in the next few years is a complication*".[143]

(190) Finally, the market investigation results indicated that some smaller competitors have only limited spare capacity and cannot significantly expand production in the coming years.[144]

(191) In light of the above, the Commission takes the view that existing smaller players face significant barriers to expansion and that they will not be able to significantly increase their presence on the market in the coming years.

Barriers to entry

(192) As to entry into this market, the market investigation results indicated that this is unlikely and that therefore the merged will likely not have to face any new and significant competitive force in the future.[145]

(193) First, the publically available information regarding the metering sector indicate that the demand of turbine gas is expected to grow by about 3.8% in the period from 2014 to 2019 whereas the expected growth in demand is significantly higher for other technologies, such as ultrasonic gas meters (expected 7.9%).

(194) Second, the vast majority of customers responding to the market investigation results indicated that no significant entry was experienced in the past 3 years.[146] Competitors responding to the market investigation indicated this as well.[147] In this respect it must be observed that a company, Metreg, just entered the market having obtained the MID certification for its products in the course of 2015 but had only very limited sales. The Commission however considers that even if Metreg were to significantly expand, it would not become of a size comparable to that of HON and Elster.

(195) Third, customers responding to the market investigation also indicated that they do not expect new entry into the market in the foreseeable future.[148] The same was indicated by competitors responding to the market investigation.[149]

(196) In light of the above, the Commission takes the view that entry of new players in the market is unlikely, and in any event it would not be timely and of a sufficient magnitude to defeat the anti-competitive effects of the Transaction.

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141 Agreed minutes of the conference call held with a competitor, 17 November 2015.

142 Reply to RFI Case M.7737 - Honeywell/Elster - Additional questions of 19 November 2015.

143 *Ibid.*

144 Replies to RFI - Additional questions of 19 November 2015.

145 Q6 – Questionnaire to customers, replies to question 43 and Q7 – Questionnaire to competitors, replies to question 32.

146 Q6 – Questionnaire to customers, replies to question 42.1.

147 Q5 – Questionnaire to competitors, replies to question 31.1.

148 Q6 – Questionnaire to customers, replies to question 43.1.

149 Q5 – Questionnaire to competitors, replies to question 32.1.

Absence of countervailing buyer power

(197) Contrary to the Parties' claim, the market investigation results indicated that customers have only a limited degree of countervailing buyer power.

(198) First, as explained above (see paragraph 176), customers have a limited possibility to switch suppliers: only Itron can be considered a viable alternative for the customers as the other smaller competitors have limited sales and limited capacity to expand in the future. Also, the market investigation results indicated that these players do not have an EEA-wide reach but, rather focus on specific Member States.[150]

(199) Second, the vast majority of customers responding to the market investigation results indicated that they would not sponsor new entry into the market to increase their bargaining power. The customers responding to the market investigation also indicated that they could not threaten suppliers to stop purchasing other related products from the Parties and thereby leverage their negotiating position.[151]

(200) Finally, the market is already very concentrated and will be even more concentrated with only two significant competitors including the Parties post-Transaction, which limits any buyer power of the customers.

(201) Therefore, the Commission takes the view that customers do not have sufficient buyer power to counteract the likely negative competitive effects of the Transaction.

Conclusion on market for turbine gas meters for fiscal applications

(202) For the above reasons, the Commission considers that the Transaction raises serious doubts as to its compatibility with the internal market with regard to the market for turbine gas meters for fiscal applications in EEA as a result of non-coordinated horizontal effects.

V.4.1.2. Turbine gas meters for non-fiscal applications

(203) On the EEA-wide market for turbine meters for non-fiscal applications the merged entity will have a combined market share of only [20-30]%. On this market HON has a very limited market share which the Parties estimate at around [0-5]%. The increment resulting from the Transaction is therefore rather limited.

(204) In addition, customers responding to the market investigation indicated that they perceive that on this market there are sufficient alternative suppliers to HON and Elster and that this market is highly fragmented.[152]

(205) The market investigation results also indicated that on this market HON and Elster are not particularly close competitors,[153] which can also be inferred from the sales figures. Elster is about seven times larger than HON in this market.

(206) Finally, the market investigation results indicated that, albeit no significant entry was recorded in the past years, entry on this market is more likely compared to entry on

150 Agreed minutes of calls with competitors, 28 October 2015, 11 November 2015 and 12 November 2015.

151 Q6 – Questionnaire to customers, replies to question 46.

152 Q6 – Questionnaire to customers, replies to question 38.2 and 39.

153 Q6 – Questionnaire to customers, replies to question 45.

the market for turbine gas meters for fiscal applications.[154] The Commission considers that this may also be attributable to the less stringent regulatory requirements applicable to turbine gas meters for non-fiscal applications.

(207) For the reasons mentioned above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to the market for turbine gas meters for non-fiscal applications. In any event the commitments proposed by the Notifying Party include the total activity of HON in the turbine gas meter sector and therefore also eliminate any overlap of the Parties' activities on the market for turbine gas meters for non-fiscal applications in the EEA.

V.4.1.3. Ultrasonic gas meters for fiscal applications

(208) The market for ultrasonic gas meters for fiscal applications[155] is characterised by a larger number of players compared to the market for turbine gas meters for fiscal applications, as shown in table 10 below. According to the Notifying Party, the structure of this market is as follows:

Parties and competitors	**Market share**
HON	[20-30]%
Elster	[10-20]%
Combined	[30-40]%
Sick	[20-30]%
Emerson Daniel	[10-20]%
FMC Technologies	[5-10]%
GE	[5-10]%
Sensus	[5-10]%
Krohne	[0-5]%
Omega FMA	[0-5]%
Others	[5-10]%

Table 10: Source: Form CO and Commission's market investigation.

(209) The Commission notes that the Parties would become, with a combined share of [30-40]%, the largest competitor on this market. The Parties face, and the merged entity will continue to face, competition from important players such as Emerson Daniel Sick, GE and Sensus.

(210) The Commission also takes into account that customers responding to the market investigation indicated that on this market there are sufficient alternative suppliers to HON and Elster and that this market is fragmented.[156]

154 Q6 – Questionnaire to customers, replies to question 43.

155 HON does not sell ultrasonic gas meters for non-fiscal applications and Elster has an estimated market share of less than [0-5]%, Form CO, para. 330.

156 Questionnaire to customers, replies to question 38.3 and 39.

(211) The market investigation also indicated that on this market HON and Elster are not particularly close competitors: according to a significant proportion of the customers responding to the market investigation, the Parties are not each other's closest alternative.[157] Also, the majority of customers responding to the market investigation indicated Sick as the closest competitor to HON.[158]

(212) Finally, the market investigation results indicated that entry has occurred in the past, albeit no significant entry was recorded in the past years, and that customers on this market expect further entry in the foreseeable future.[159] This may also be triggered by the higher expected growth of the demand of ultrasonic gas meters in the next years.[160]

V.4.1.4. Gas flow computers

The Notifying Party's view

(213) The Notifying Party claims that the EEA market for all gas flow computers (irrespective of the communication protocol) is highly competitive and very fragmented and that the Parties have been facing, and the merged entity will continue to face, several strong competitors in this market. The Notifying Party submits that the main competitors on this market are players such as ABB, Emerson and OMNI. According to the Notifying Party, aside from these main players the Parties face competition from other players such as Krohne, Fiorentini and Thermo Scientific.[161]

The Commission's assessment

(214) On the EEA-wide market for gas flow computers, the Parties do not have a significant market share and face competition from at least two competitors of comparable size as well as a number of other competitors, as shown in the following table:

Parties and competitors	Market share
HON	[10-20]%
Elster	[5-10]%
Combined	**[20-30]%**
Emerson	[20-30]%
OMNI	[20-30]%
ABB	[5-10]%
Fiorentini	[5-10]%
Krohne	[0-5]%
Thermo Scientific	[0-5]%
Others	[10-20]%
TOTAL	**100.0%**

Table 11: Source: Form CO and Commission's market investigation.

157 Questionnaire to customers, replies to question 45.3.

158 Questionnaire to customers, replies to question 32.

159 Questionnaire to customers, replies to question 42.3 and 43.3.

160 See Annex 3b to the Form CO: report "GAS SENSORS AND GAS METERING: APPLICATIONS AND MARKETS" of August 2014 by BCC Research.

161 Form CO, paras 393 to 396.

(215) The Commission takes the view that on an EEA wide market for all gas flow computers (irrespective of the communication protocol) sufficient competition would remain post Transaction.

(216) However, on the market for DSFG compliant gas flow computers the competitive conditions are significantly different as only HON, Elster and Krohne are active on that market.

Removal of an important competitive constraint

(217) The market investigation results indicated that on the market for DFSG compliant gas flow computers the market is already very concentrated with only three companies which are active: HON, Elster and Krohne. All other players indicated that they do not produce gas flow computers incorporating the DSFG communication protocol.[162] The Transaction would reduce the number of competitors from three to two and thereby lead to a further concentration of an already very concentrated market. Post-Transaction there would be only two available suppliers of DSFG compliant gas flow computers in the EEA.

(218) The Commission considers that the Transaction leads to the removal of an important competitive constraint. Both HON and Elster have been active on the market for several years with well-established brands. The only other competitor Krohne launched its DSFG compatible gas flow computer only in 2015. It therefore still does not have an established track record comparable to the one of the Parties who have been active on this market for a significantly longer time.

Barriers to entry

(219) The Commission considers that the barriers to entry are high on the market for DSFG compliant gas flow computers. The market investigation results indicated that developing a DSFG compliant gas flow computer, and the same is true also for gas chromatographs and EVCs, requires a significant investment in both time and resources. As the market investigation results indicated and the Notifying Party explained, the development of a DSFG compliant products requires the development of both a specific hardware and of the firmware (i.e. the software) which implements the DSFG protocol.[163]

(220) The market investigation indicates that this process requires an estimated investment in excess of EUR 250 000 to 300 000 and one competitor indicated that the investment may be in excess of EUR 500 000.[164] The required time to develop a DSFG compliant product requires one year for both development and testing of the new product.[165] All these figures refer to the development of a DSFG compliant product on the basis of an existing non-DSFG compliant gas flow computer. Developing a green field solution of a DSFG compliant gas flow computer would require significantly more investment and time. Finally, the newly developed product would have to obtain the MID certification.

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162 Replies to RFI "M.7737 - Honeywell/Elster: Request for Information" of 9 November 2015.

163 Agreed minutes of the call held with a competitor, 13 November 2015.

164 Agreed minutes of the call held with a competitor, 11 November 2015.

165 Agreed minutes of the call held with a competitor, 11 November 2015.

(221) The Commission takes the view that the required cost and time constitutes a significant barrier to entry. This is because the market for DSFG compliant gas flow computers is small, with HON achieving a turnover of only EUR […] (2014) and Elster less than EUR […] (2014).[166] In this respect, the investment required to develop a product which can serve this market is in relative terms quite significant and there is a high likelihood that this will be a major disincentive for suppliers of non DSFG-compliant gas flow computers to enter this market.

(222) Finally, the market for DSFG compliant equipment is limited mainly to German and Austrian customers, who historically implemented this protocol. Customers from most other Member States do not use this protocol and there is no indication that they will implement it in the future.[167] Therefore, the Commission takes the view that the conditions and size of this market will not change significantly in the future.

(223) In light of the above, the Commission considers that, also given the size of the market for DSFG compliant gas flow computers, it is unlikely that new players will enter this market.

Use of DSFG Gateways

(224) The Notifying Party claims that the requirement for a DSFG compliant gas flow computer (and all other gas metering electronic devices) can be easily overcome by using a so called DSFG Gateway. According to the Parties, a DSFG gateway is a rather inexpensive and uncomplicated piece of equipment which can be externally attached to the gas flow computer which then "translates" the communication protocol used by the gas flow computer into DSFG.

(225) According to the Parties, DSFG gateways are widely available on the market as stand-alone products and are advertised specifically for converting DSFG communications in gas stations. The Parties also claim that both price, estimated in EUR […], and the production cost, estimated in EUR […] per unit, of these devices is limited. According to the Parties, the price of a DSFG gateway is so limited that – even adding it without raising the cost of the gas flow computer to the end customer – still allows manufacturers to extract a significant profit margin from each gas flow computer sold. Finally, the Parties claim that DSFG gateways are widely available on the market and indicate players such as Tritschler, NZR, Froeschl, ClickWare and Marquis as suppliers.[168]

(226) For the reasons set out below, the Commission finds that DSFG Gateways cannot be considered as a viable solution to overcome the lack of DSFG compliance of a gas flow computer.

(227) First, the Commission during its market investigation did not identify any supplier of DSFG gateways, except for Elster. The Commission contacted all alleged suppliers indicated by the Parties. None of the alleged suppliers confirmed that they supply DSFG gateways. Also, all the customers contacted to investigate the issues relating to

166 Krohne, the only other existing players launched its DSFG compliant gas flow computer only in 2015 and therefore did not achieve any sale in 2014 (and previous years).

167 Form CO, para. 404.

168 "*M.7737 HONEYWELL / ELSTER Additional Thoughts on DSFG*" of 6 November 2015.

DSFG[169] indicated that they are not aware of the existence of such solution.[170] The Commission therefore takes the view that, contrary to the Parties' claim, DSFG gateways are not a widely available and commonly used solution on the market place.

(228) Second, the only manufacturer of DSFG gateways that the Commission was able to identify ceased to manufacture these products as this was not a commercially viable business.[171]

(229) Third, customers responding to the market investigation indicated that, even if available, they would likely not accept the use of a DSFG gateway for use in those applications requiring a DSFG compliant gas flow computer (or other gas metering electronic equipment).

(230) It is also unlikely that the solution of using a DSFG gateway will become more attractive, widely spread and accepted by customers in the future. This conclusion is supported by the fact that customers in the oil and gas industry are generally regarded as being very conservative.[172] Hence, customers are very cautious when faced with technical solution they are not familiar with and that potentially adds a further layer of complexity (and risk of failure) to the products they intend to purchase.

The absence of countervailing buyer power

(231) First, the vast majority of customers responding to the market investigation results indicated that they would not sponsor new entry into the market to increase their bargaining power. The customers responding to the market investigation also indicated that they could not threaten suppliers to stop purchasing other related products from the Parties and thereby leverage their negotiating position.[173]

(232) Second, the market is already very concentrated and will be even more concentrated with only two significant competitors including the Parties post-Transaction, which limits any buyer power of the customers.

(233) Therefore, the Commission takes the view that customers do not have sufficient buyer power to counteract the likely negative competitive effects of the Transaction.

Conclusion on DSFG compliant gas flow computers

(234) For the reasons above, the Commission concludes that the Transaction raises serious doubts as to its compatibility with the internal market on the EEA wide market for DSFG compliant gas flow computers.

V.4.1.5. Gas chromatographs

(235) On an EEA wide market for gas chromatographs (regardless of the communication protocol), the Transaction would not raise serious doubts as to its compatibility with

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169 DSFG is a communication protocol used mainly in Germany and Austria, therefore the customer contacted to investigate these issues are a sub-set of all the customers contacted in the course of the market investigation.

170 Replies to RFI "*Follow up questions to customers*", agreed minutes of the call held with a customer, 29 October 2015.

171 Agreed minutes of the call held with a competitor, 11 November 2015.

172 Agreed minutes of a conference call with a competitor, 9 December 2015.

173 Q6 – Questionnaire to customers, replies to question 46.

the internal market. On that market the Parties have an estimated combined market share of less than 20% and it is therefore not considered an affected market.[174]

(236) The Commission considers that the competitive situation is significantly different on the EEA-wide market for DSFG compliant gas chromatographs.

(237) First, the market investigation results indicated that on the market for DFSG compliant gas flow computers only three companies are active: HON, Elster and Marquis. All other companies indicated that they do not produce gas chromatographs incorporating the DSFG communication protocol.[175] The Transaction would reduce the number of competitors from three to two and thereby lead to a further concentration of an already very concentrated market. Post-Transaction there would be only two available suppliers of DSFG compliant gas flow computers in the EEA. Based on the estimates of a market participant the HON and Elster will have a combined market share of [70-80]% while Marquis has a market share of [20-30]% on that market.[176]

(238) Second, as mentioned above for gas flow computers, the market investigation results indicated that developing a DSFG compliant gas chromatograph requires a significant investment in both time and resources. The development of a DSFG compliant product requires the development of both a specific hardware and a firmware (i.e. the software) which implements the DSFG protocol.[177]

(239) The Commission takes the view that the time and cost required to develop a DSFG gas chromatograph constitutes a significant barrier to entry. This is because of the limited size of this market for DSFG compliant gas chromatographs. HON achieved turnover of EUR […] in gas chromatographs (regardless of the communication protocol), and only a proportion of that is of DSFG compliant gas chromatographs.[178] Elster achieved sales of EUR […] in 2014 and of EUR […] in 2015.[179]

(240) This conclusion is also supported by the fact that a supplier of gas chromatographs developed a DSFG compliant gas chromatograph in the past but had to exit this market because of its very limited size which did not allow it to recoup the cost incurred. In this context, it should be noted that the DSFG protocol is constantly being further developed and improved by the DVGW and therefore suppliers of DSFG compliant equipment need to constantly keep their firmware up to date. This entails significant additional and continuous development costs which further decreases the profitability – and therefore attractiveness – of entry into this market.[180]

(241) Finally, as explained above (see section V.4.1.4), the market for DSFG compliant equipment is limited in terms of customers to those who historically implemented this protocol, and is particularly limited to German and Austrian customers. Customers from other Member States do not use this protocol and will not implement it in the future. Therefore, the Commission takes the view that the conditions and size of this market will not change in the future.

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174 Form CO, para. 330.

175 Replies to RFI "M.7737 - Honeywell/Elster: Request for Information" of 09 November 2015.

176 Agreed minutes of a conference call with a competitor, 12 November 2015.

177 See section IV.3.3.5 above.

178 Additional submission on sections 6 to 8 relating to gas chromatographs.

179 Note submitted by the Parties on 23 November 2015.

180 Agreed minutes of the call held with a competitor, 11 November 2015.

(242) In light of the above, the Commission takes the view that it is unlikely that new players will enter this market.

(243) For the reasons expressed above, the Commission concludes that the Transaction raises serious doubts as to its compatibility with the internal market on the EEA wide market for DSFG compliant gas chromatographs.

V.4.1.6. Electronic volume correctors

(244) On an EEA wide market for EVC (regardless of the communication protocol), the combined market share of the Parties would be [20-30]%, with a minimal increment of [0-5]% brought about by HON.

(245) On this market a number of competitors are active, such as Elgas (estimated market share [20-30]%), Logika (estimated market share [5-10]%), Fiorentini (estimated market share [5-10]%), GE (estimated market share [5-10]%), Itron (estimated market share [5-10]%), as well as other smaller competitors.

(246) The Commission takes the view that, given the limited sales achieved by HON on this market, the Transaction would not significantly change its structure.

(247) For the reasons above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to the EEA wide market for electronic volume correctors.

(248) Furthermore, on the plausible EEA wide market for DSFG compliant EVC, the Parties activities do not overlap as Elster is not active on this market.[181]

V.4.1.7. Gas Stations

(249) On an EEA wide market for gas stations, the combined market share of the Parties would be of [20-30]%, with a minimal increment of [0-5]% brought about by HON.

(250) On this market a number of competitors are active, such as Emerson (estimated market share [10-20]%), Sick (estimated market share [10-20]%), Fiorentini (estimated market share [5-10]%), Krohne (estimated market share [5-10]%), Itron (estimated market share [5-10]%), as well as other local system integrators.

(251) In addition, customers responding to the market investigation indicated that post-Transaction there will be a sufficient number of alternative suppliers to the merged entity[182], that the Parties are not close competitors[183] and that HON is a relatively marginal player on this market.

(252) Also, albeit indicating that no significant entry has occurred in the past, customers responding to the market investigation indicated that they do not exclude the entry of new players on this market.[184]

(253) Given the limited sales achieved by HON, the Transaction would not significantly change the structure of the EEA wide market for gas stations.

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181 According to the Parties Elster did not achieve any turnover on this market in 2014 .

182 Questionnaire to customers, replies to question 38.7.

183 Questionnaire to customers, replies to question 45.7.

184 Questionnaire to customers, replies to question 43.7.

(254) For the reasons mentioned above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to the EEA wide market for gas stations.

V.4.2. Vertical relationships

(255) The Transaction gives rise to vertical relationships since gas meters (both turbine and ultrasonic), gas flow computers, gas chromatographs and EVC are input components for gas stations.

The Notifying Party's view

(256) The Parties claim that the Transaction will not lead to any foreclosure concerns. As to input foreclosure, the Notifying Party claims that on each of the components market they face a number of competitors and do not have any market power, and hence gas station builders (and ultimately the end-customers themselves) will have a significant number of suppliers.

The Commission's assessment

(257) The Commission considers that the merged entity may have the ability to foreclose access to inputs to competing gas stations builder.

(258) First, the metering products including turbine gas meters for fiscal applications, DSFG compliant gas flow computers and DSFG compliant gas chromatographs, represent an essential input for the gas stations as they are the very core of each gas station without which the gas station cannot function.

(259) Second, as described above in section V.4.1.1 above, the merged entity would have significant market power with regard to turbine gas meters for fiscal applications, DSFG compliant gas flow computers and DSFG compliant gas chromatographs. This would likely allow it to significantly affect prices and supply conditions in the downstream market.

(260) However, the Commission considers that it can be left open whether the Transaction would lead to the ability and incentive to foreclose competitors as the proposed commitments (see section V.) will eliminate any overlap with regard to the activities of the Parties on the upstream markets, i.e the markets for turbine gas meters for fiscal applications, DSFG compliant gas flow computers and DSFG compliant gas chromatographs.

V.4.3. Conclusion on up/mid stream sector

(261) The Transaction raises serious doubts as to its compatibility with the internal market with regard to the EEA-wide markets for turbine gas meters for fiscal applications, DSFG compliant gas flow computers and DSFG complaint gas chromatographs as a result of non-coordinated horizontal effects.

VI. PROPOSED REMEDIES

(262) In order to render the concentration compatible with the internal market, the undertakings concerned have modified the notified concentration by entering into the following commitments, which are annexed to this decision and form an integral part thereof.

VI.1. Proposed commitments

VI.1.1. Description of the initially proposed commitments

(263) The Parties submitted as a remedy ("Initial Commitments") to divest HON's subsidiary RMG Meßtechnik GmbH in Germany ("Divestment Business"). The Divestment Business consists essentially of a plant in Butzbach (Germany) which includes all of HON's activities in the fields of:

a) Turbine gas meters for both fiscal and non-fiscal applications;

b) Gas flow computers (both DSFG compliant and non-DSFG compliant);

c) Gas chromatographs (both DSFG compliant and non-DSFG compliant).

d) Ultrasonic gas meters for both fiscal and non-fiscal applications;

e) Electronic volume correctors (both DSFG compliant and non-DSFG compliant).

(264) Even though no competition concerns were raised with regard to ultrasonic gas meters and electronic volume correctors, both types of product are produced at the Butzbach plant and will be included in the Divested Business. However, for one specific ultrasonic meter model, the "USM GT400 model", the purchaser has to grant a non-exclusive license back for the intellectual property to HON.

(265) Furthermore, HON has committed to divest all the:

a) intangible assets (including IP rights, blue prints and Standard Operating Procedures),

b) "RMG" brand in the form of a license for all present and future metering products (turbine gas meters, ultrasonic gas meters, gas flow computers, electronic volume correctors and gas chromatographs),

c) tangible assets (including all production facilities),

d) marketing material,

e) customers and competitors list,

f) personnel (including manufacturing and key personnel),

g) licences, permits and authorizations

relating to the Divestment Business.

VI.1.2. The results of the market test of the initially proposed commitments

(266) The Commission launched a market test of the Initial Commitments on 1 December 2015. Overall, the market test was positive as to the scope and general suitability of the Initial Commitments to remedy the serious doubts identified by the Commission as to the compatibility of the Transaction with the internal market. However, the market test identified a specific element of the Initial Commitments that was subsequently improved by the second and final version of the Commitments ("Final Commitments") submitted on 14 December 2015.

(267) The responding competitors and customers generally considered that the Divestment Business includes all necessary assets and would be able to compete effectively with the merged entity, with the exception of the fact that the "RMG" will not be owned and exclusively used by the Divestment Business but HON will continue to use the "RMG" brand for its gas regulator business.[185] Several responding customers and competitors explained that a brand name is an important competitive parameter and the use of the same brand name for different products by different suppliers could create confusion in the market.[186] The market test indicated that the products of the Divestment Business and HON's regulating product are often sold by the same customers, the same procurement personnel and occasionally even through the same tender.[187] As the merged entity will remain a competitor of the Divestment Business, customers could become confused as to which company supplies which products under the brand "RMG". Furthermore, responding customers indicated that using the same brand for different products that are installed in the same installation could create confusion as regards the service, maintenance and warranty issues.[188] Furthermore, competitors indicated that the brand licence agreement could create uncertainty as regards litigation which could reduce the incentives to invest into or to protect the brand due to spillover effects.[189] Finally, according to market participants there are no prior examples in the industry that the same brand is used by different suppliers for different products.[190]

VI.1.3. Final Commitments

(268) The Notifying Party took note of the issues expressed during the market test and on 14 December 2015 submitted Final Commitments addressing these issues in the following way:

(269) The Divestment Business will include the full transfer of HON's "RMG" brand, As HON currently uses the "RMG" brand also to market its regulator products (e.g. gas regulators and gas trains, the latter being gas regulators combined with a valve)), the Divestment Business will grant a temporary, exclusive, world-wide, royalty-free and non-revocable licence back to HON to use the RMG brand exclusively for regulators and gas trains for re-branding purposes. The licence will be limited to […] following the completion of the sale of the Divestment Business and can be extended by another […] by the Commission upon a reasoned request by HON and subject to a positive opinion by the Monitoring Trustee. This transition period will be followed by a black-out period during which neither HON nor the Divestment Business will be allowed to use the "RMG" brand for the marketing of regulator products. This black-out period will last for […] for any products that are not currently produced for the regulator market (i.e. *de novo* entry only) and […] for a regulator product that is already supplied in the market (be it by the Purchaser or another company).

185 Q7 – Questionnaire to competitors, replies to question 7; Q8 – Questionnaire to competitors, replies to question 4.

186 Q7 – Questionnaire to competitors, replies to question 7; Q8 – Questionnaire to competitors, replies to question 4.

187 Agreed minutes of a conference call with a competitor, 09 December 2015.

188 Q7 – Questionnaire to competitors, replies to question 7; Q8 – Questionnaire to competitors, replies to question 4; agreed minutes of a conference call with a competitor, 09 December 2015.

189 Agreed minutes of a conference call with a competitor on 9 December 2015.

190 Agreed minutes of conference calls with two competitor on 9 and 10 December 2015.

VI.2. Assessment of the proposed remedies

VI.2.1. Framework for the assessment of Commitments

(270) Where a notified concentration raises serious doubts as to its compatibility with the internal market, the Parties may modify the notified concentration so as to remove the grounds for the serious doubts identified by the Commission with a view to having it declared compatible with the internal market pursuant to Article 6(1)(b) in conjunction with Article 6(2) of the Merger Regulation.

(271) As set out in the Commission Notice on Remedies,[191] commitments have to eliminate the Commission's serious doubts entirely, they have to be comprehensive and effective from all points of view and they must be capable of being implemented effectively within a short period of time, as the conditions of competition on the market will not be maintained until the commitments have been fulfilled.[192]

(272) In assessing whether or not commitments will restore effective competition, the Commission considers their type, scale and scope by reference to the structure and the particular characteristics of the market in which the Commission has identified serious doubts as to the compatibility of the notified concentration with the internal market.[193]

(273) Divestiture commitments are the best way to eliminate serious doubts resulting from horizontal overlaps of the merging parties' activities.[194] The divested activities must consist of a viable business that, if operated by a suitable purchaser, can compete effectively with the merged entity on a lasting basis and that is divested as a going concern.[195]

(274) The business to be divested must include all the assets which contribute to its current operation or which are necessary to ensure its viability and competitiveness and all personnel which are currently employed or which are necessary to ensure the business' viability and competitiveness. Personnel and assets which are currently shared between the business to be divested and other businesses of the Parties, but which contribute to the operation of the business or which are necessary to ensure its viability and competitiveness, must also be included. Otherwise, the viability and competitiveness of the business to be divested would be endangered. Therefore, the business to be divested must contain the personnel providing essential functions for the business, at least in a sufficient proportion to meet the on-going needs of the business to be divested.[196]

(275) Furthermore, the intended effect of the divestiture will only be achieved if and once the business is transferred to a suitable purchaser with proven relevant expertise and ability to maintain and develop the business to be divested as a viable and active competitive undertaking.

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191 Commission Notice on remedies acceptable under Council Regulation (EC) No 139/2004 and under Commission Regulation (EC) No 802/2004 (2008/C 267/01), (the "Commission Notice on Remedies").

192 Commission Notice on Remedies, paragraph 9.

193 Commission Notice on Remedies, paragraph 12.

194 Commission Notice on Remedies, paragraph 17.

195 Commission Notice on Remedies, paragraph 23.

196 Commission Notice on Remedies, paragraphs 25 and 26.

VI.2.2. The Commission's market test and assessment of the Commitments

Suitability of the Final Commitments to remove the serious doubts

(276) The Final Commitments, consisting in the divestiture of the Butzbach production facility and associated assets, constitute a structural measure. The sale of the Divestment Business to an independent and suitable purchaser will dissipate the serious doubts identified by the Commission as to the compatibility of the Transaction with the internal market and will not require medium or long-term monitoring measures. The new commercial structure resulting from the implementation of the Final Commitments will be sufficiently workable and lasting to ensure that a significant impediment to effective competition will not materialise.[197]

(277) The proposed divestment will eliminate the Parties' overlap in the markets for turbine gas meters for fiscal applications, DSFG compliant gas flow computers and DSFG compliant gas chromatographs and is therefore considered suitable to remove any serious doubts as to the compatibility of the concentration with the internal market.

Viability of the Divestment Business

(278) The Butzbach plant and all related assets are profitable. In fiscal years 2014 and 2015 the Divestment Business achieved significant gross profit profits. In 2014 it generated revenues of EUR […] and gross profits of EUR […]; in 2015 revenues and gross profit are forecasted to grow to EUR […] and EUR […]. While in 2014 the year ended with a slightly negative operating income of EUR […] due to significant R&D expenses (without the ultrasonic meters the operating profit would have been positive), in 2015 the operating income is forecasted at EUR […]. Operating profit for 2016 is forecasted to grow further.

(279) The Divestment Business includes all the products currently sold by the Divestment Business and is not subject to any carve out.

(280) In the market test, some market participants explained that the provision regarding the licencing of the IP rights on the USM GT400 model may affect the viability of the Divestment Business. Several respondents considered that the USM GT400 is one of the most valuable products and technologies of the divestment business.[198] Licencing the intellectual property would give a competitive advantage to the merged entity in the ultrasonic metering business and would therefore significantly reduce the value of the divestment business.[199]

(281) The Commission considers that the back-licence of the GT400 to HON does not endanger the viability of the Divestment Business. [This relates to future product development and commercial strategy. It also contains product-specific turnover data.]

(282) In the light of the above, the Commission considers that the Divestment Business is a viable business.

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197 See also Commission Notice on Remedies, paragraphs 10 and 15.

198 Agreed minutes of a conference call with a competitor on 9 December 2015.

199 Agreed minutes of conference calls with two competitor on 9 and 10 December 2015.

Purchaser criteria and potential buyers

(283) The market test revealed that the Divestment Business is perceived as an attractive offer for a purchaser.

(284) The market test revealed two interested buyers and two other possibly interested buyers subject to an improvement of the provisions in the Commitment. These improvements are reflected in the second and final version of the Commitments. The Commission therefore considers that there are at least four interested buyers. All of these interested companies are competitors to the Divestment Business.

(285) […][200][…]

(286) A competitor indicated that the Divestment Business product offering needs to be complemented with a wider product portfolio to enable the purchaser to replicate the competitive constraint currently imposed on the market.[201] The Commission does not consider a wider product portfolio necessary. First, the products included in the Divestment Business include not only the products for which the Commission raised serious doubts (turbine meters for fiscal application, DSFG compliant gas flow computers, DSFG compliant gas chromatographs), but the complete metering business of HON, which includes also ultrasonic meters and electronic volume correctors. Second, other competitors on the markets have a product portfolio comparable to that of the Divestment Business.

VI.3. Conclusion on the Final Commitments

(287) On the basis of the above, the Commission concludes that the Final Commitments are suitable and sufficient to remedy the serious doubts raised by the Transaction in the potential markets for turbine gas meters for fiscal applications, DSFG compliant gas flow computers and DSFG compliant gas chromatographs. Moreover, the Final Commitments are comprehensive and effective from all points of view, and are capable of being implemented effectively within a short period of time.

VII. CONDITIONS AND OBLIGATIONS

(288) Pursuant to the first sentence of the second subparagraph of Article 6(2) of the Merger Regulation, the Commission may attach to its decision conditions and obligations intended to ensure that the undertakings concerned comply with the commitments they have entered into *vis-à-vis* the Commission with a view to rendering the concentration compatible with the internal market.

(289) The achievement of the measure that gives rise to the structural change of the market is a condition, whereas the implementing steps which are necessary to achieve this result are generally obligations on the Parties. Where a condition is not fulfilled, the Commission's decision declaring the concentration compatible with the internal market and the EEA Agreement no longer stands. Where the undertakings concerned commit a breach of an obligation, the Commission may revoke the clearance decision in accordance with Article 8(6)(b) of the Merger Regulation. The undertakings

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200 Q7 – Questionnaire to competitors, replies to question 12; Q8 – Questionnaire to competitors, replies to question 10.

201 Q7 – Questionnaire to competitors, reply of a respondent to question 2.

concerned may also be subject to fines and periodic penalty payments under Articles 14(2) and 15(1) of the Merger Regulation.

(290) In accordance with the basic distinction between conditions and obligations, the decision in this case is conditional on full compliance with the requirements set out in Section B of the Final Commitments, which constitute conditions. The remaining requirements set out in the other Sections of the said commitments are considered to constitute obligations.

(291) The full text of the Final Commitments is annexed to this Decision as Annex I and forms an integral part thereof.

VIII. CONCLUSION

(292) For the above reasons, the Commission has decided not to oppose the notified operation as modified by the Final Commitments and to declare it compatible with the internal market and with the functioning of the EEA Agreement, subject to full compliance with the conditions in section B (as well as the associated Schedule) of the Final Commitments annexed to the present decision and with the obligations contained in the other sections of the said commitments. This decision is adopted in application of Article 6(1)(b) in conjunction with Article 6(2) of the Merger Regulation and Article 57 of the EEA Agreement.

For the Commission

(Signed)
Margrethe VESTAGER
Member of the Commission

14 December 2015

CASE COMP/M.7737 – HONEYWELL / ELSTER

COMMITMENTS TO THE EUROPEAN COMMISSION

Pursuant to Article 6(2) of Council Regulation (EC) No 139/2004 (the "***Merger Regulation***"), Honeywell International Inc. (the "***Notifying Party/Honeywell***") hereby enters into the following Commitments (the "***Commitments***") vis-à-vis the European Commission (the "***Commission***") with a view to rendering the proposed acquisition of sole control of Teaford GmbH, the holding company of the Elster Division of Melrose PLC ("***Elster***") (the "***Concentration***") compatible with the internal market and the functioning of the EEA Agreement.

This text shall be interpreted in light of the Commission's decision pursuant to Article 6(1)(b) of the Merger Regulation to declare the Concentration compatible with the internal market and the functioning of the EEA Agreement (the "***Decision***"), in the general framework of European Union law, in particular in light of the Merger Regulation, and by reference to the Commission Notice on remedies acceptable under Council Regulation (EC) No 139/2004 and under Commission Regulation (EC) No 802/2004 (the "***Remedies Notice***").

Section A. Definitions

1. For the purpose of the Commitments, the following terms shall have the following meaning:

   Affiliated Undertakings: undertakings controlled by the Parties and/or by the ultimate parents of the Parties, whereby the notion of control shall be interpreted pursuant to Article 3 of the Merger Regulation and in light of the Commission Consolidated Jurisdictional Notice under Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings (the "***Consolidated Jurisdictional Notice***").

   Assets: the assets that contribute to the current operation or are necessary to ensure the viability and competitiveness of the Divestment Business as indicated in Section B, paragraph 6 (a), (b) and (c) and described more in detail in the Schedule.

   Closing: the transfer of the legal title to the Divestment Business to the Purchaser.

   Closing Period: the period of […] from the approval of the Purchaser and the terms of sale by the Commission.

   Confidential Information: any business secrets, know-how, commercial information, or any other information of a proprietary nature that is not in the public domain.

   Conflict of Interest: any conflict of interest that impairs the Trustee's objectivity and independence in discharging its duties under the Commitments.

Divestment Business: the business or businesses as defined in Section B and in the Schedule which the Notifying Party commits to divest.

Divestiture Trustee: one or more natural or legal person(s) who is/are approved by the Commission and appointed by Honeywell and who has/have received from Honeywell the exclusive Trustee Mandate to sell the Divestment Business to a Purchaser at no minimum price.

Effective Date: the date of adoption of the Decision.

First Divestiture Period: the period of […] from the Effective Date.

Hold Separate Manager: the person appointed by Honeywell for the Divestment Business to manage the day-to-day business under the supervision of the Monitoring Trustee.

Honeywell: Honeywell International Inc., a company incorporated under the laws of the State of Delaware with its seat in Morris Plains, New Jersey, having its business address at 115 Tabor Road, Morris Plains, NJ, 07950 United States of America.

Key Personnel: all personnel necessary to maintain the viability and competitiveness of the Divestment Business, as listed in the Schedule, including the Hold Separate Manager.

Monitoring Trustee: one or more natural or legal person(s) who is/are approved by the Commission and appointed by Honeywell, and who has/have the duty to monitor Honeywell's compliance with the conditions and obligations attached to the Decision.

Parties: the Notifying Party and the undertaking that is the target of the concentration.

Personnel: all staff currently employed by the Divestment Business, including staff seconded to the Divestment Business, shared personnel as well as the additional personnel listed in the Schedule.

Purchaser: the entity approved by the Commission as acquirer of the Divestment Business in accordance with the criteria set out in Section D.

Purchaser Criteria: the criteria laid down in paragraph 16 of these Commitments that the Purchaser must fulfil in order to be approved by the Commission.

Schedule: the schedule to these Commitments describing more in detail the Divestment Business.

Trustee(s): the Monitoring Trustee and/or the Divestiture Trustee as the case may be.

Trustee Divestiture Period: the period of […] from the end of the First Divestiture Period.

Section B. The commitment to divest and the Divestment Business

Commitment to divest

2. In order to maintain effective competition, Honeywell commits to divest, or procure the divestiture of the Divestment Business by the end of the Trustee Divestiture Period as a going concern to a purchaser and on terms of sale approved by the Commission in accordance with the procedure described in paragraph 17 of these Commitments. To carry out the divestiture, Honeywell commits to find a purchaser and to enter into a final binding sale and purchase agreement for the sale of the Divestment Business within the First Divestiture Period. If Honeywell has not entered into such an agreement at the end of the First Divestiture Period, Honeywell shall grant the Divestiture Trustee an exclusive mandate to sell the Divestment Business in accordance with the procedure described in paragraph 29 in the Trustee Divestiture Period.

3. Honeywell shall be deemed to have complied with this commitment if:

   (a) by the end of the Trustee Divestiture Period, Honeywell or the Divestiture Trustee has entered into a final binding sale and purchase agreement and the Commission approves the proposed purchaser and the terms of sale as being consistent with the Commitments in accordance with the procedure described in paragraph 17; and

   (b) the Closing of the sale of the Divestment Business to the Purchaser takes place within the Closing Period.

4. In order to maintain the structural effect of the Commitments, the Notifying Party shall, for a period of 10 years after Closing, not acquire, whether directly or indirectly, the possibility of exercising influence (as defined in paragraph 43 of the Remedies Notice, footnote 3) over the whole or part of the Divestment Business, unless, following the submission of a reasoned request from the Notifying Party showing good cause and accompanied by a report from the Monitoring Trustee (as provided in paragraph 43 of these Commitments), the Commission finds that the structure of the market has changed to such an extent that the absence of influence over the Divestment Business is no longer necessary to render the proposed concentration compatible with the internal market.

Structure and definition of the Divestment Business

5. The Divestment Business consists of Honeywell's subsidiary, RMG Meßtechnik GmbH, Otto-Hahn-Str. 5, 35510 Butzbach, Germany, which currently operates Honeywell's entire business concerning the design, development, manufacturing and sale in the EEA of turbine and ultrasonic meters, gas chromatographs, and flow computers, and electronic volume correctors. The legal and functional structure of the Divestment Business as operated to date is described in the Schedule. The Divestment Business, described in more detail in the Schedule, includes all assets and staff that contribute to the current operation or are necessary to ensure the viability and competitiveness of the Divestment Business, in particular:

   (a) all tangible and intangible assets (including intellectual property rights);

   (b) all licences, permits and authorisations issued by any governmental organisation for the benefit of the Divestment Business;

   (c) all contracts, leases, commitments and customer orders of the Divestment Business; all customer, credit and other records of the Divestment Business; and

   (d) the Personnel.

6. Even though the Divestment Business currently operates as a largely stand-alone business, certain corporate functions such as IT, book-keeping, procurement and order management, HR and similar back-office functions are handled centrally by Affiliated Undertakings with the Honeywell group. Therefore, in order to facilitate the seamless transition of the Divestment Business to the Purchaser, the Divestment Business includes also the benefit, for a transitional period of up to 12 months after Closing and on terms and conditions equivalent to those at present afforded to the Divestment Business, of all current arrangements under which Honeywell or its Affiliated Undertakings supply products or services to the Divestment Business, as detailed in the Schedule, unless otherwise agreed with the Purchaser. Strict firewall procedures will be adopted so as to ensure that any competitively sensitive information related to, or arising from such supply arrangements (for example, product roadmaps) will not be shared with, or passed on to, anyone outside the Honeywell companies or businesses, providing the relevant back-office functions.

Section C. Related commitments

Preservation of viability, marketability and competitiveness

7. From the Effective Date until Closing, the Notifying Party shall preserve or procure the preservation of the economic viability, marketability and competitiveness of the Divestment Business, in accordance with good business practice, and shall minimise as far as possible any risk of loss of competitive potential of the Divestment Business. In particular Honeywell undertakes:

   (a) not to carry out any action that might have a significant adverse impact on the value, management or competitiveness of the Divestment Business or that might alter the

nature and scope of activity, or the industrial or commercial strategy or the investment policy of the Divestment Business;

(b) to make available, or procure to make available, sufficient resources for the development of the Divestment Business, on the basis and continuation of the existing business plans;

(c) to take all reasonable steps, or procure that all reasonable steps are being taken, including appropriate incentive schemes (based on industry practice), to encourage all Key Personnel to remain with the Divestment Business, and not to solicit or move any Personnel to Honeywell's remaining business. Where, nevertheless, individual members of the Key Personnel exceptionally leave the Divestment Business, Honeywell shall provide a reasoned proposal to replace the person or persons concerned to the Commission and the Monitoring Trustee. Honeywell must be able to demonstrate to the Commission that the replacement is well suited to carry out the functions exercised by those individual members of the Key Personnel. The replacement shall take place under the supervision of the Monitoring Trustee, who shall report to the Commission.

Hold-separate obligations

8. The Notifying Party commits, from the Effective Date until Closing, to keep the Divestment Business separate from the businesses it is retaining and to ensure that unless explicitly permitted under these Commitments: (i) management and staff of the businesses retained by Honeywell have no involvement in the Divestment Business; (ii) the Key Personnel and Personnel of the Divestment Business have no involvement in any business retained by Honeywell and do not report to any individual outside the Divestment Business.

9. Until Closing, Honeywell shall assist the Monitoring Trustee in ensuring that the Divestment Business is managed as a distinct and saleable entity separate from the businesses which Honeywell is retaining. Immediately after the adoption of the Decision, Honeywell shall appoint a Hold Separate Manager. The Hold Separate Manager, who shall be part of the Key Personnel, shall manage the Divestment Business independently and in the best interest of the business with a view to ensuring its continued economic viability, marketability and competitiveness and its independence from the businesses retained by Honeywell. The Hold Separate Manager shall closely cooperate with and report to the Monitoring Trustee and, if applicable, the Divestiture Trustee. Any replacement of the Hold Separate Manager shall be subject to the procedure laid down in paragraph 8(c) of these Commitments. The Commission may, after having heard Honeywell, require Honeywell to replace the Hold Separate Manager.

10. To ensure that the Divestment Business is held and managed as a separate entity the Monitoring Trustee shall exercise Honeywell's rights as shareholder in the legal entity that constitutes the Divestment Business (except for its rights in respect of dividends that are due before Closing), with the aim of acting in the best interest of the business, which shall be determined on a stand-alone basis, as an independent financial investor, and with a view to fulfilling Honeywell's obligations under the Commitments. Furthermore, the Monitoring Trustee shall have the power to replace members of the supervisory board or non-executive directors of the board of directors, who have been appointed on behalf of Honeywell. Upon request of the Monitoring Trustee, Honeywell shall resign as a member of the boards or shall cause such members of the boards to resign.

Ring-fencing

11. Honeywell shall implement, or procure to implement, all necessary measures to ensure that it does not, after the Effective Date, obtain any Confidential Information relating to the Divestment Business and that any such Confidential Information obtained by Honeywell before the Effective Date will be eliminated and not be used by Honeywell. This includes measures vis-à-vis Honeywell's appointees on the supervisory board and/or board of directors of the Divestment Business. In particular, the participation of the Divestment Business in any central information technology network shall be severed to the extent possible, without compromising the viability of the Divestment Business. Honeywell may obtain or keep information relating to the Divestment Business which is reasonably necessary for the divestiture of the Divestment Business or the disclosure of which to Honeywell is required by law.

Non-solicitation clause

12. The Parties undertake, subject to customary limitations, not to solicit, and to procure that Affiliated Undertakings do not solicit, the Key Personnel transferred with the Divestment Business for a period of […] after Closing.

Due diligence

13. In order to enable potential purchasers to carry out a reasonable due diligence of the Divestment Business, Honeywell shall, subject to customary confidentiality assurances and dependent on the stage of the divestiture process:
    (a) provide to potential purchasers sufficient information as regards the Divestment Business;
    (b) provide to potential purchasers sufficient information relating to the Personnel and allow them reasonable access to the Personnel.

Reporting

14. Honeywell shall submit written reports in English on potential purchasers of the Divestment Business and developments in the negotiations with such potential purchasers to the Commission and the Monitoring Trustee no later than 10 days after the end of every month following the Effective Date (or otherwise at the Commission's request). Honeywell shall submit a list of all potential purchasers having expressed interest in acquiring the Divestment Business to the Commission at each and every stage of the divestiture process, as well as a copy of all the offers made by potential purchasers within five days of their receipt.

15. Honeywell shall inform the Commission and the Monitoring Trustee on the preparation of the data room documentation and the due diligence procedure and shall submit a copy of any information memorandum to the Commission and the Monitoring Trustee before sending the memorandum out to potential purchasers.

Section D. The Purchaser

16. In order to be approved by the Commission, the Purchaser must fulfil the following criteria:
    […]

17. The final binding sale and purchase agreement (as well as ancillary agreements) relating to the divestment of the Divestment Business shall be conditional on the Commission's approval. When Honeywell has reached an agreement with a purchaser, it shall submit a fully documented and reasoned proposal, including a copy of the final agreement(s), within one week to the Commission and the Monitoring Trustee. Honeywell must be able to demonstrate to the Commission that the purchaser fulfils the Purchaser Criteria and that the Divestment Business is being sold in a manner consistent with the Commission's Decision and the Commitments. For the approval, the Commission shall verify that the purchaser fulfils the Purchaser Criteria and that the Divestment Business is being sold in a manner consistent with the Commitments including their objective to bring about a lasting structural change in the market. The Commission may approve the sale of the Divestment Business without one or more Assets or parts of the Personnel, or by substituting one or more Assets or parts of the Personnel with one or more different assets or different personnel, if this does not affect the viability and competitiveness of the Divestment Business after the sale, taking account of the proposed purchaser.

Section E. Trustee

I. <u>Appointment procedure</u>

18. Honeywell shall appoint a Monitoring Trustee to carry out the functions specified in these Commitments for a Monitoring Trustee. The Notifying Party commits not to close the Concentration before the appointment of a Monitoring Trustee.

19. If Honeywell has not entered into a binding sale and purchase agreement regarding the Divestment Business one month before the end of the First Divestiture Period or if the Commission has rejected a purchaser proposed by Honeywell at that time or thereafter, Honeywell shall appoint a Divestiture Trustee. The appointment of the Divestiture Trustee shall take effect upon the commencement of the Trustee Divestiture Period.

20. The Trustee shall:
    (i) at the time of appointment, be independent of the Notifying Party and its Affiliated Undertakings;
    (ii) possess the necessary qualifications to carry out its mandate, for example have sufficient relevant experience as an investment banker or consultant or auditor; and
    (iii) neither have nor become exposed to a Conflict of Interest.

21. The Trustee shall be remunerated by the Notifying Party in a way that does not impede the independent and effective fulfilment of its mandate. In particular, where the remuneration package of a Divestiture Trustee includes a success premium linked to the final sale value of the

Divestment Business, such success premium may only be earned if the divestiture takes place within the Trustee Divestiture Period.

Proposal by Honeywell

22. No later than two weeks after the Effective Date, Honeywell shall submit the names of three or more natural or legal persons whom Honeywell proposes to appoint as the Monitoring Trustee to the Commission for approval. No later than one month before the end of the First Divestiture Period or on request by the Commission, Honeywell shall submit a list of one or more persons whom Honeywell proposes to appoint as Divestiture Trustee to the Commission for approval. The proposal shall contain sufficient information for the Commission to verify that the person or persons proposed as Trustee fulfil the requirements set out in paragraph 20 and shall include:

    (a) the full terms of the proposed mandate, which shall include all provisions necessary to enable the Trustee to fulfil its duties under these Commitments;

    (b) the outline of a work plan which describes how the Trustee intends to carry out its assigned tasks;

    (c) an indication whether the proposed Trustee is to act as both Monitoring Trustee and Divestiture Trustee or whether different trustees are proposed for the two functions.

Approval or rejection by the Commission

23. The Commission shall have the discretion to approve or reject the proposed Trustee(s) and to approve the proposed mandate subject to any modifications it deems necessary for the Trustee to fulfil its obligations. If only one name is approved, Honeywell shall appoint or cause to be appointed the person or persons concerned as Trustee, in accordance with the mandate approved by the Commission. If more than one name is approved, Honeywell shall be free to choose the Trustee to be appointed from among the names approved. The Trustee shall be appointed within one week of the Commission's approval, in accordance with the mandate approved by the Commission.

New proposal by Honeywell

24. If all the proposed Trustees are rejected, Honeywell shall submit the names of at least two more natural or legal persons within one week of being informed of the rejection, in accordance with paragraphs 18 and 23 of these Commitments.

Trustee nominated by the Commission

25. If all further proposed Trustees are rejected by the Commission, the Commission shall nominate a Trustee, whom Honeywell shall appoint, or cause to be appointed, in accordance with a trustee mandate approved by the Commission.

II. Functions of the Trustee

26. The Trustee shall assume its specified duties and obligations in order to ensure compliance with the Commitments. The Commission may, on its own initiative or at the request of the Trustee or Honeywell, give any orders or instructions to the Trustee in order to ensure compliance with the conditions and obligations attached to the Decision.

Duties and obligations of the Monitoring Trustee

27. The Monitoring Trustee shall:

(i) propose in its first report to the Commission a detailed work plan describing how it intends to monitor compliance with the obligations and conditions attached to the Decision.

(ii) oversee, in close co-operation with the Hold Separate Manager, the on-going management of the Divestment Business with a view to ensuring its continued economic viability, marketability and competitiveness and monitor compliance by Honeywell with the conditions and obligations attached to the Decision. To that end the Monitoring Trustee shall:

(a) monitor the preservation of the economic viability, marketability and competitiveness of the Divestment Business, and the keeping separate of the Divestment Business from the business retained by the Parties, in accordance with paragraphs 7 and 8 of these Commitments;

(b) supervise the management of the Divestment Business as a distinct and saleable entity, in accordance with paragraph 9 of these Commitments;

(c) with respect to Confidential Information:

- determine all necessary measures to ensure that Honeywell does not after the Effective Date obtain any Confidential Information relating to the Divestment Business,
- in particular strive for the severing of the Divestment Business' participation in a central information technology network to the extent possible, without compromising the viability of the Divestment Business,
- make sure that any Confidential Information relating to the Divestment Business obtained by Honeywell before the Effective Date is eliminated and will not be used by Honeywell and
- decide whether such information may be disclosed to or kept by Honeywell as the disclosure is reasonably necessary to allow Honeywell to carry out the divestiture or as the disclosure is required by law;

(d) monitor the splitting of assets and the allocation of Personnel between the Divestment Business and Honeywell or Affiliated Undertakings;

(iii) propose to Honeywell such measures as the Monitoring Trustee considers necessary to ensure Honeywell's compliance with the conditions and obligations attached to the Decision, in particular the maintenance of the full economic viability, marketability or competitiveness of the Divestment Business, the holding separate of the Divestment Business and the non-disclosure of competitively sensitive information;

(iv) review and assess potential purchasers as well as the progress of the divestiture process and verify that, dependent on the stage of the divestiture process:

(a) potential purchasers receive sufficient and correct information relating to the Divestment Business and the Personnel in particular by reviewing, if available, the data room documentation, the information memorandum and the due diligence process, and

(b) potential purchasers are granted reasonable access to the Personnel;

(v) act as a contact point for any requests by third parties, in particular potential purchasers, in relation to the Commitments;

(vi) provide to the Commission, sending Honeywell a non-confidential copy at the same time, a written report within 15 days after the end of every month that shall cover the operation and management of the Divestment Business as well as the splitting of assets and the allocation of Personnel so that the Commission can assess whether the business is held in a manner consistent with the Commitments and the progress of the divestiture process as well as potential purchasers;

(vii) promptly report in writing to the Commission, sending Honeywell a non-confidential copy at the same time, if it concludes on reasonable grounds that Honeywell is failing to comply with these Commitments;

(viii) within one week after receipt of the documented proposal referred to in paragraph 17 of these Commitments, submit to the Commission, sending Honeywell a non-confidential copy at the same time, a reasoned opinion as to the suitability and independence of the proposed purchaser and the viability of the Divestment Business after the Sale and as to whether the Divestment Business is sold in a manner consistent with the conditions and obligations attached to the Decision, in particular, if relevant, whether the Sale of the Divestment Business without one or more Assets or not all of the Personnel affects the viability of the Divestment Business after the sale, taking account of the proposed purchaser;

(ix) assume the other functions assigned to the Monitoring Trustee under the conditions and obligations attached to the Decision.

28. If the Monitoring and Divestiture Trustee are not the same legal or natural persons, the Monitoring Trustee and the Divestiture Trustee shall cooperate closely with each other during and for the purpose of the preparation of the Trustee Divestiture Period in order to facilitate each other's tasks.

Duties and obligations of the Divestiture Trustee

29. Within the Trustee Divestiture Period, the Divestiture Trustee shall sell at no minimum price the Divestment Business to a purchaser, provided that the Commission has approved both the purchaser and the final binding sale and purchase agreement (and ancillary agreements) as in line with the Commission's Decision and the Commitments in accordance with paragraphs 16 and 17 of these Commitments. The Divestiture Trustee shall include in the sale and purchase agreement (as well as in any ancillary agreements) such terms and conditions as it considers appropriate for an expedient sale in the Trustee Divestiture Period. In particular, the Divestiture Trustee may include in the sale and purchase agreement such customary representations and warranties and indemnities as are reasonably required to effect the sale. The Divestiture Trustee shall protect the legitimate financial interests of Honeywell, subject to the Notifying Party's unconditional obligation to divest at no minimum price in the Trustee Divestiture Period.

30. In the Trustee Divestiture Period (or otherwise at the Commission's request), the Divestiture Trustee shall provide the Commission with a comprehensive monthly report written in English on the progress of the divestiture process. Such reports shall be submitted within 15 days after the end of every month with a simultaneous copy to the Monitoring Trustee and a non-confidential copy to the Notifying Party.

III. Duties and obligations of the Parties

31. Honeywell shall provide and shall cause its advisors to provide the Trustee with all such co-operation, assistance and information as the Trustee may reasonably require to perform its tasks. The Trustee shall have full and complete access to any of Honeywell's or the Divestment Business' books, records, documents, management or other personnel, facilities, sites and technical information necessary for fulfilling its duties under the Commitments and Honeywell and the Divestment Business shall provide the Trustee upon request with copies of any document. Honeywell and the Divestment Business shall make available to the Trustee one or more offices on their premises and shall be available for meetings in order to provide the Trustee with all information necessary for the performance of its tasks.

32. Honeywell shall provide the Monitoring Trustee with all managerial and administrative support that it may reasonably request on behalf of the management of the Divestment Business. This shall include all administrative support functions relating to the Divestment Business which are currently carried out at headquarters level. Honeywell shall provide and shall cause its advisors to provide the Monitoring Trustee, on request, with the information submitted to potential purchasers, in particular give the Monitoring Trustee access to the data room documentation and all other information granted to potential purchasers in the due diligence procedure. Honeywell shall inform the Monitoring Trustee on possible purchasers, submit lists of potential purchasers at each stage of the selection process, including the offers made by potential purchasers at those stages, and keep the Monitoring Trustee informed of all developments in the divestiture process.

33. Honeywell shall grant or procure Affiliated Undertakings to grant comprehensive powers of attorney, duly executed, to the Divestiture Trustee to effect the sale (including ancillary agreements), the Closing and all actions and declarations which the Divestiture Trustee considers necessary or appropriate to achieve the sale and the Closing, including the appointment of advisors to assist with the sale process. Upon request of the Divestiture Trustee,

Honeywell shall cause the documents required for effecting the sale and the Closing to be duly executed.

34. Honeywell shall indemnify the Trustee and its employees and agents (each an "***Indemnified Party***") and hold each Indemnified Party harmless against, and hereby agrees that an Indemnified Party shall have no liability to Honeywell for, any liabilities arising out of the performance of the Trustee's duties under the Commitments, except to the extent that such liabilities result from the wilful default, recklessness, gross negligence or bad faith of the Trustee, its employees, agents or advisors.

35. At the expense of Honeywell, the Trustee may appoint advisors (in particular for corporate finance or legal advice), subject to Honeywell's approval (this approval not to be unreasonably withheld or delayed) if the Trustee considers the appointment of such advisors necessary or appropriate for the performance of its duties and obligations under the Mandate, provided that any fees and other expenses incurred by the Trustee are reasonable. Should Honeywell refuse to approve the advisors proposed by the Trustee the Commission may approve the appointment of such advisors instead, after having heard Honeywell. Only the Trustee shall be entitled to issue instructions to the advisors. Paragraph 34 of these Commitments shall apply *mutatis mutandis*. In the Trustee Divestiture Period, the Divestiture Trustee may use advisors who served Honeywell during the Divestiture Period if the Divestiture Trustee considers this in the best interest of an expedient sale.

36. Honeywell agrees that the Commission may share Confidential Information proprietary to Honeywell with the Trustee. The Trustee shall not disclose such information and the principles contained in Article 17 (1) and (2) of the Merger Regulation apply *mutatis mutandis*.

37. The Notifying Party agrees that the contact details of the Monitoring Trustee are published on the website of the Commission's Directorate-General for Competition and they shall inform interested third parties, in particular any potential purchasers, of the identity and the tasks of the Monitoring Trustee.

38. For a period of 10 years from the Effective Date the Commission may request all information from the Parties that is reasonably necessary to monitor the effective implementation of these Commitments.

IV. Replacement, discharge and reappointment of the Trustee

39. If the Trustee ceases to perform its functions under the Commitments or for any other good cause, including the exposure of the Trustee to a Conflict of Interest:

(a) the Commission may, after hearing the Trustee and Honeywell, require Honeywell to replace the Trustee; or

(b) Honeywell may, with the prior approval of the Commission, replace the Trustee.

40. If the Trustee is removed according to paragraph 39 of these Commitments, the Trustee may be required to continue in its function until a new Trustee is in place to whom the Trustee has effected a full hand over of all relevant information. The new Trustee shall be appointed in accordance with the procedure referred to in paragraphs 18-25 of these Commitments.

41. Unless removed according to paragraph 39 of these Commitments, the Trustee shall cease to act as Trustee only after the Commission has discharged it from its duties after all the Commitments with which the Trustee has been entrusted have been implemented. However, the Commission may at any time require the reappointment of the Monitoring Trustee if it subsequently appears that the relevant remedies might not have been fully and properly implemented.

Section F. The review clause

42. The Commission may extend the time periods foreseen in the Commitments in response to a request from Honeywell or, in appropriate cases, on its own initiative. Where Honeywell requests an extension of a time period, it shall submit a reasoned request to the Commission no later than one month before the expiry of that period, showing good cause**.** This request shall be accompanied by a report from the Monitoring Trustee, who shall, at the same time send a non-confidential copy of the report to the Notifying Party. Only in exceptional circumstances shall Honeywell be entitled to request an extension within the last month of any period.

43. The Commission may further, in response to a reasoned request from the Notifying Party showing good cause waive, modify or substitute, in exceptional circumstances, one or more of the undertakings in these Commitments. This request shall be accompanied by a report from the Monitoring Trustee, who shall, at the same time send a non-confidential copy of the report to the Notifying Party. The request shall not have the effect of suspending the application of the undertaking and, in particular, of suspending the expiry of any time period in which the undertaking has to be complied with.

Section G. Entry into force

44. The Commitments shall take effect upon the date of adoption of the Decision.

(*Signed*)
[…]
duly authorised for and on behalf of
Honeywell International Inc.

SCHEDULE

1. The Divestment Business as operated to date has the following legal and functional structure.

RMG Meßtechnik GmbH, Otto-Hahn-Str. 5, 35510 Butzbach, Germany is a 100% subsidiary of Honeywell. It currently operates Honeywell's entire business concerning the design, development, manufacturing and sale in the EEA of turbine meters, ultrasonic meters, gas chromatographs, flow computers, electronic volume correctors and certain other ancillary components for gas stations.

In addition to the site owned in Butzbach where amongst others turbine and ultrasonic meters (fiscal and non-fiscal), gas chromatographs and flow computers are manufactured, the Divestment Business also operates two satellite sites: a site owned in nearby Beindersheim (Germany) where it manufactures the electronic boards incorporated in the products manufactured in Butzbach; and a leased office in Zorneding (Germany) which handles software development for those products.

2. In accordance with paragraph 5 of these Commitments, the Divestment Business includes, but is not limited to:

(a) the following main tangible assets:

The manufacturing equipment relating to the products of the Divestment Business, including:

Multi-functional calibrators
Meter test stands
Test cabins
Testing machines
High and low temperature testing chamber
High pressure test stand
Analyser
Ceiling crane
Component cleaner
Dangerous goods container
Die casting equipment
Digital manometer
Electronic balancers
Emulator
Faro measuring arm
Folding machine
High pressure compressors
IT security cell
Laser marking tool
Low pressure test stand
Moulding cutter and drilling machine
Oscilloscope
Paint mixing system
Pick-and-place machine

Soldering machine
Turning centre
Wave soldering machine

A list of all key tangible assets of the Divestment Business is included in Annex Assets.

(b) the following main intangible assets:

All intangible assets such as the blueprints, Standard Operating Procedures and pipeline products (if any) of the Divestment Business are included in the transfer. The blueprints are currently in the custody of the Divestment Business and stored at the sites in Butzbach, Beindersheim and Zorneding and include all blueprints related to the products included in the Divestment Business. The Standard Operating Procedures set out the detailed steps from start to end of producing each of the products manufactured by the Honeywell Divestment Business. They are also stored at the sites in Butzbach, Beindersheim and Zorneding.

The Divestment Business will receive a royalty-free, non-revocable and perpetual license to any required IP that is not used exclusively by the Divestment Business but ownership of such IP does not transfer;

The purchaser will provide back to Honeywell a non-exclusive, world-wide, royalty-free, fee free, non-revocable and perpetual license to all IP related to the ultrasonic meter type USM GT400.

Finally, the Divestment Business will include ownership of the RMG trademark.

(c) the following main licences, permits and authorisations:

All licences, permits and authorisations currently used by the Divestment Business regarding the products and processes to be divested, will be transferred. By way of illustration, the most important licenses, permits and authorisations are MID, BAZ, MessEG, and ATEX as well as ISO 9001:2008, CSA, certificate under Pressure Equipment Directive 97/23/EC Module D, or Betriebserlaubnis fuer die Zaehlerpruefeinrichtung.

For the avoidance of doubt, it should be noted that since the legal entity that holds these certifications is transferred, the Divestment Business will not need to recertify products;

(d) the following main contracts, agreements, leases, commitments and understandings

The lease agreement for the site in Zorneding as well as the lease agreement for the one forklift. Concerning the small number of vans and cars currently used by the Divestment Business, those are leased by affiliated Honeywell companies. These leases will not transfer with the Divestment Business so that the Divestment Business will need to take up leases for a small number of cars and vans following the transaction. However, if required by the purchaser, Honeywell will provide the Honeywell Divestment Business with the right to use the cars and vans currently used by the Honeywell Divestment Business for a transitional period of up to 3 months and use reasonable best efforts to assist the Purchaser in finding a suitable

solution to ensure that the Divestment Business has all necessary rolling stock available;

(e) the following customer, credit and other records:

A list of all customers served by the Divestment Business over the course of 2012 to 2015 (YTD) including the total turnover generated by the Divestment Business with each of them, is provided as Annex Revenue by Customer 2012 to 2015. Honeywell will transfer existing advertising and communication materials relating to the Divestment Business;

(f) the following Personnel:

The following table shows the total number of personnel currently operating at the Divestment Business as well as an overview of the number of people transferring to the purchaser.

Personnel Category	**Number of Personnel currently at the DB**	**Number of Personnel transferring with the DB**
Projects	[…]	[…]
Customer / Product Support	[…]	[…]
Engineering / R&D	[…]	[…]
Finance	[…]	[…]
Integrated Supply Chain	[…]	[…]
Marketing	[…]	[…]
Procurement	[…]	[…]
Sales & Sales Support	[…]	[…]
HR	[…]	[…]
TOTAL	**[…]**	**[…]**

A full list of the Divestment Business' personnel is provided as Annex Personnel;

(g) the following Key Personnel:

See Annex Organigram. Amongst the listed people, Michael Grexa will serve as the Hold Separate Manager. Michael Grexa has been identified as Key Personnel and will not be retained by Honeywell; and

(h) the arrangements for the supply with the following products or services by Honeywell or Affiliated Undertakings for a transitional period of up to 12 months after Closing:

(i) Human resources and finance support, such as recruiting, payroll, or accounting (for a period of up to twelve (12) months)[202],

[202] Honeywell notes that the licensing conditions of SAP only allow for a 120 day grace period following which the Purchaser must either transfer the data to their own ERP or acquire a license from SAP. Honeywell believes that this is common and industry practice for SAP. As regards the transfer of Oracle licenses Oracle permits eight (8) months use by a new user which means that a purchaser would have to acquire his own license after that period.

(ii) IT support, such as operational, and software licences (up to twelve (12) months),

(iii) Procurement and order management (up to twelve (12) months),

(iv) Export compliance and tax and payroll tax reporting (up to twelve (12) months).

These transitional services comprise all of the services currently provided either exclusively or partly centrally by Honeywell to the Divestment Business, or other services which the Divestment Business may require to commence its independent operation. To the extent possible, these transitional services will be "walled off" from Honeywell's other operations in these and neighbouring markets.

3. The Divestment Business shall not include:

Books and records required to be retained by Honeywell pursuant to any statute, rule, regulation or ordinance, provided that the purchaser shall, to the extent needed, receive a copy of the same and shall be permitted to access to the original of such books and records upon reasonable request during normal business hours;

Because the Divestment Business will be sold on a cash-free basis, cash, any future insurance proceeds, tax refunds and similar will be retained by Honeywell as is customary in cash-free transactions.

4. If there is any asset or personnel which is not be covered by paragraph 2 of this Schedule but which is both used (exclusively or not) in the Divestment Business and necessary for the continued viability and competitiveness of the Divestment Business, that asset or adequate substitute will be offered to potential purchasers.

Not applicable. The Divestment Business includes all assets, tangible and intangible, necessary for the continued viability and competitiveness of the Divestment Business.

The Divestment Business will include the full transfer of Honeywell's "RMG" trademark and related logos[203] under which it currently markets the Divestment Business' metering products. As Honeywell currently uses this RMG brand also to market its regulator products (i.e., regulators and gas trains (i.e., gas regulators combined with a valve)), the Divestment Business will grant a temporary, exclusive, world-wide, royalty-free, fee free, and non-revocable license back to Honeywell to use the RMG brand exclusively for regulators and gas trains.

As these products are not part of the metering product category (i.e., products that measure the flow of gas) to which the products of the Divestment Business belong but to a neighbouring product category of regulating products (i.e., products that do

[203] For the avoidance of doubt, the Divestment Business will not acquire the right to use the "RMG by Honeywell" brand.

not measure but regulate the gas flow), Honeywell's usage of the brand for regulators will not conflict with the Divestment Business' use of the RMG brand for metering products.

This temporary license will be limited to […] following the completion of the sale of the Divestment Business. This period will allow Honeywell to rebrand its regulator products and to complete the re-certification processes that such rebranding will make necessary. By reasoned request (which should set out the reason that an extension is required and demonstrate that Honeywell has been diligent in the timely execution of the rebranding exercise), and upon an opinion of the Monitoring Trustee, the Commission may extend the temporary license period with an additional 6 months. Such reasoned request to be made no later than 2 months prior to the expiry of the temporary license.

The temporary licence will be followed by a black-out period during which neither Honeywell nor the Divestment Business will be allowed to use the RMG trademark for the marketing of regulator products. This black-out period will last for […] for any products that are not currently in the regulator market (i.e. *de novo* entry only). It will apply for […] for a regulator product that is already supplied in the market (be it by the Purchaser or another company).

After the expiry of the applicable black-out period, the Divestment Business will have the full exclusive right to use the RMG brand for all types of products, including metering and regulator products.

If the Purchaser and Honeywell can demonstrate to the Commission that the Purchaser does not need the RMG brand because it already owns an existing, viable brand in the sector, the Commission may grant a waiver from the requirement to include ownership of the RMG trademark with the Divestment Business as part of the process of approving the Purchaser.

Annex Assets

[…]

Annex Customers […]

[…]

Annex Organigram

[…]

Annex Personnel

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