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EUROPEAN COMMISSION

PRESS RELEASE

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Mergers: Commission approves Outokumpu's acquisition of Inoxum, subject to conditions

Following an in-depth review, the European Commission has cleared under the EU Merger Regulation the proposed acquisition of Inoxum, the stainless steel division of ThyssenKrupp of Germany, by the Finnish stainless steel company Outokumpu. The approval is conditional upon the divestiture of Inoxum's stainless steel production facility in Terni, Italy. The Commission had concerns that the combination of the two largest suppliers of cold rolled steel products would have given the merged entity the power to raise prices. The commitments offered address these concerns.

"Stainless steel is a key material for a wide range of products, from household goods to industrial equipment, and an essential input for many European industries. The divestment of the Italian Terni plant ensures that the creation of a new European market leader will not be detrimental for consumers and businesses in Europe." said Joaquín Almunia, Commission Vice President in charge of competition policy.

The Commission's in-depth investigation focused on the production of cold rolled stainless steel products in the European Economic Area (EEA). In this market, the merger will combine the first and the second largest supplier. The transaction, as initially notified, would have created a player three times as big as Aperam of Luxembourg and five times as big as Acerinox of Spain, the closest competitors and respectively the third and fourth player in the market.

The Commission's investigation found that while imports account for an appreciable part of the EEA market, they are insufficient to constrain price increases, because they are generally not considered fully substitutable by final customers. Moreover, despite their level of spare capacity, it is likely that the two main European competitors of the parties, Aperam and Acerinox, would have found it more profitable to follow price increases by the merged entity rather than competing sufficiently aggressively to prevent them. Price increases resulting from the transaction, as initially notified, would have likely been much higher than any potential synergies.

In order to address these concerns, the parties offered to divest Inoxum's stainless steel plant in Terni and a number of distribution centres in Europe. The divestment will provide the purchaser with a fully integrated, stand-alone production and distribution business, having access to all major EEA countries. At the option of the purchaser, the divestment will include Terni's forge (*Societa' delle Fucine*) and the large bright annealing line LBA2. The Commission will make sure that this business is sold to a suitable purchaser, as provided in the EU Merger Regulation, and will check that Terni's viability and competitiveness is ensured.

The proposed commitments ensure that the merged entity will continue to face a sufficient competitive constraint in the market for the production of cold rolled stainless steel products in the EEA. The Commission therefore concluded that the proposed transaction, as modified by these commitments, would not raise competition concerns. The decision is conditional upon full compliance with the commitments.

Background

Stainless steel is a steel alloy with a minimum content of 10.5% chromium and a maximum of 1.2% carbon. It is a high-value product compared to carbon steel and amounts for 2% of the worldwide steel market in volume and 10% in value. It is the addition of chromium that provides stainless steel with its stainless properties. One of the main properties of stainless steel is its resistance to corrosion.

Stainless steel is used by a variety of consumer industries and in a wide range of products where resistance to atmospheric and chemical corrosion is necessary and where hygiene may also be essential, such as for household goods and in the automotive industry, building & construction, commercial catering, the chemical and food industries, transportation, etc.

The proposed transaction was notified to the Commission for regulatory approval on 10 April 2012. On 21 May 2011, the Commission opened an in-depth investigation (see IP/12/495). The parties were advised in a statement of objections adopted on 9 August 2012 that the merger, as initially notified, raised serious competition concerns in the markets for the production of cold rolled stainless steel products.

The Commission's investigation found that the proposed transaction would raise no competition concerns for the production of slabs, hot rolled stainless steel products, precision strip and ferrochrome. The Commission also concluded that transaction would not raise concerns with regard to the distribution of stainless steel products.

Companies and products

Outokumpu is a Finnish company listed on the Helsinki stock exchange. It is the parent company of a group that produces and distributes stainless steel products globally. It also produces ferrochrome.

Inoxum is the stainless steel division of the Germany company ThyssenKrupp AG. Inoxum produces and distributes stainless steel and high alloy products.

Merger control rules and procedures

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the Merger Regulation) and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has a total of 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

Currently, there are three other on-going phase II investigations. The first case concerns the proposed acquisition of Orange Austria by Hutchison in the market for mobile telephony services in Austria (see IP/12/726). The deadline for a final decision is 21 December 2012. In the second phase II case, the Commission investigates the planned takeover of small package delivery company TNT Express by rival UPS (see IP/12/816), with a deadline on 15 January 2013. Finally, the third phase II relates to low cost aviation company Ryanair's plans to buy the Irish air transport company Aer Lingus (see IP/12/921). The deadline here is 6 February 2013.

A non-confidential version of today's decision will be available at:

http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=2_M_6471

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Reference information