European Commission - Press release

Mergers: Commission prohibits Wieland's proposed acquisition of Aurubis Rolled Products and Schwermetall

Brussels, 6 February 2019

It had serious concerns the merger would reduce competition and increase prices for rolled copper products used by European manufacturers.

Commissioner Margrethe **Vestager**, in charge of competition policy, said: "*Rolled copper products are a key input for many industries in Europe, including for producing parts used in cutting edge sectors such as electric cars, trains and electronic devices. The proposed merger would have created a new dominant player, significantly reducing competition for rolled copper products and increasing prices for European manufacturers. The remedies offered by Wieland were not sufficient to prevent this. Therefore, the Commission had to prohibit the merger, to protect industrial customers and final consumers*."

Today's decision follows an in-depth investigation by the Commission of the proposed merger. The proposed merger would have combined Wieland and Aurubis Rolled Products, both producers of rolled copper products.Through the merger, Wieland would also have taken full control over Schwermetall, which manufactures and sells pre-rolled strip to both Wieland and Aurubis Rolled Products, as well as to other copper manufacturers. Schwermetall is responsible for over 60% of European pre-rolled strip sales.

Rolled copper products are used as an input for the manufacturing of many products, including in electrical engineering or electronics industries. They are used, for example, for the production of electrical connectors used in cars, trains and aircraft. **Pre-rolled strip** is used as an input in the manufacturing of rolled copper products.

During the investigation, a large number of European **industrial customers expressed strong and substantiated concerns** about the significant negative impact of the transaction– both upstream regarding access to pre-rolled strip from Schwermetall, and downstream regarding price increases for rolled products. The Commission's analysis of **internal documents of the parties** confirmed that these concerns were justified.

Wieland was not willing to address comprehensively the concerns. Therefore, the Commission has **prohibited the proposed transaction**.

The Commission's concerns

The Commission had serious concerns that the merger would have allowed the industry leader Wieland to eliminate the competitive pressure from one of its most important challengers and become a dominant player in the markets for rolled copper products in the European Economic Area (EEA). As a result, downstream industrial customers would have faced significant price increases.

The Commission's assessment showed that, as regards **rolled copper products:**

- Following the transaction, Wieland would have **market shares of more than 50% in value**, leaving KME/MKM as the only other large player with more than 20% market share in the EEA. All other competitors have significantly smaller market shares. For rolled copper products, the transaction would therefore have reduced the number of large suppliers from three to two in the EEA.
- The transaction would have **eliminated price competition** between two important producers that currently compete closely in important segments of the **high value part of the market.** For example both companies supply rolled copper products for electric connectors used in the automotive and other industries.
- European customers **cannot rely on suppliers outside the EEA**. This is due to import duties and just-in-time delivery requirements, as well as the superior technical capabilities of EU suppliers. As a result, there are only limited imports from outside Europe (5% of EEA consumption), while

European producers export significant quantities to the US and Asia (around 30% of EEA production).

Asregards **pre-rolled strip**, the Commission found that:

- Schwermetall currently has operational independence from its parent companies (Wieland and Aurubis)when it comes to sales of pre-rolled strip to third-parties. The merger would have eliminated this independence.
- Wieland's acquisition of Aurubis' stake in Schwermetall would have enabled Wieland to **raise input costs for smaller competitors** and/or **gain access to their confidential information**. This is because these smaller competitors, such as Diehl, Kemper or Messingwerk, need to source a significant part of their pre-rolled copper strip requirements from Schwermetall, as there are no other suitable alternative suppliers.
- Wieland was not able to demonstrate that its acquisition of Aurubis' stake in Schwermetall would result in efficiencies that could not be achieved by other means.

The Parties' proposed remedies

Remedies proposed by merging companies **must fully address the Commission's competition concerns on a lasting basis**. While Wieland was ready to divest two Aurubis plants that manufacture rolled copper products in Stolberg and Zutphen, it was not willing to divest Aurubis' 50% stake in Schwermetall.

The Commission found that a remedy package without the stake in Schwermetall could not effectively address the competition concerns because:

- After a transitional period, the Stolberg and Zutphen plants would have lost access to the cost-competitive and high quality supplies of pre-rolled strip from Schwermetall. They would then no longer be able to recreate the competitive pressure that existed before the merger.
- It would not have addressed the concerns that Wieland, through the acquisition of Schwermetall, would have been able to raise smaller competitors' input costs and get access to confidential commercial information about these competitors.
- Wieland was not able to identify a suitable buyer for the Stolberg and Zutphen plants that could either convincingly show that it could compensate for the lack of access to pre-rolled strip from Schwermetall or that would not create new competition concerns.

The Commission consulted market participants about the proposed remedy. A majority of the market participants considered the remedy inadequate to address the serious competition concerns.

Therefore, the Commission concluded that the remedies offered by the companies **would not have dispelled its competition concerns**.

As a result, the Commission **prohibited the proposed transaction**.

Companies and products

Wieland, based in Germany, is active in the manufacturing and supply of semi-finished products made of copper and copper alloys. Wieland covers the production chain for copper products from casting shapes to selling semi-finished products. It manufactures rolled copper and copper alloys products in Germany, the United Kingdom, the US and Singapore.

Aurubis Rolled Products, based in Germany, is controlled by Aurubis AG and is active in the manufacturing and supply of semi-finished copper and copper alloy products. Aurubis is a worldwide provider of non-ferrous metals (including copper) and is the largest integrated European copper producer to serve the full value chain from the production of copper anodes, cathodes and shapes to the production of rolled and drawn copper products.

Schwermetall, based in Germany, is a 50/50 joint venture between Wieland and Aurubis. It is active in the manufacturing of pre-rolled copper and copper alloy strips.

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.

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). The vast majority of notified mergers do not pose competition problems and are cleared after a routine review.

On 11 December 2018, the Commission approved the merger between KME and MKM, respectively the third and fourth largest suppliers of copper and copper alloy products in the EEA. The Commission approved this merger without conditions because it affected mainly the lower-value part of the market where KME and MKM will continue to face effective competition.

There are four on-going phase II merger investigations: the proposedacquisition by Vodafone of Liberty Global's business in Czechia, Germany, Hungary and Romania, the proposed acquisition of VDM by Aperam, the proposed acquisition of Whirlpool's refrigeration compressor business by Nidec, and the proposed creation of a joint venture by Tata Steel and ThyssenKrupp.

More information will be available on the Commission's competition website, in the public case register under the case number M.8900.

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