EN

Case No COMP/M.7252 - HOLCIM / LAFARGE

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REGULATION (EC) No 139/2004
MERGER PROCEDURE

Article 6(1)(b) in conjunction with Art 6(2)
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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

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Dear Sir/Madam,

Subject: Case M.7252 – Holcim / Lafarge
Commission decision pursuant to Article 6(1)(b) in conjunction with Article 6(2) of Council Regulation No 139/2004[1]

1. On 27 October 2014, the Commission received a notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertaking Holcim Ltd. ('Holcim', Switzerland) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the undertaking Lafarge S.A. ('Lafarge', France) by way of purchase of shares.

2. Holcim will be hereinafter referred to as "the Notifying Party", whereas Holcim and Lafarge together will hereinafter be referred to as "the Parties".

I. THE PARTIES

3. **Holcim** is a global supplier of cement, aggregates, ready-mix concrete ("RMX") as well as asphalt and cementitious materials including related services. It operates in more than 70 countries.

4. **Lafarge** is a global supplier of cement, aggregates, ready-mix concrete as well as other products associated with the construction industry. Lafarge is currently active in 64 countries.

II. THE OPERATION

5. On 7 July 2014, the Parties entered into a Combination Agreement, pursuant to which Holcim will make a public exchange offer in accordance with French tender offer rules to acquire all of the issued and outstanding shares of Lafarge. This operation will hereinafter be referred to as "the Notified Transaction".

6. According to the Parties' intentions, each tendered Lafarge share will be exchanged for one registered Holcim share. The public offer will be subject to Holcim holding at least two-thirds of the share capital and voting rights of Lafarge on a fully diluted basis. The Notified Transaction is also conditional upon the approval of Holcim shareholders and on obtaining regulatory and other customary authorisations, including merger control clearance.

7. The Notified Transaction thus consists in the acquisition of sole control by Holcim of the whole of Lafarge and constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

III. EU DIMENSION

8. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million[2] (Holcim: EUR 16 022 million; Lafarge: EUR 15 198

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[1] OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). With effect from 1.12.2009, 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.

million). Each of them has an EU-wide turnover in excess of EUR 250 million (Holcim: EUR 3 439 million; Lafarge: 4 054 million), and they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The Notified Transaction therefore has an EU dimension within the meaning of Article 1(2) of the Merger Regulation.

IV. OVERVIEW OF PRODUCTS AND THE PARTIES' ACTIVITIES

IV.1. Overview of the building materials industry

9. The Notified Transaction concerns the building materials industry and relates to grey cement, ready-mix concrete, aggregates, asphalt, contract surfacing, cementitious materials, as well as certain other products (clinker, white cement, alternative fuels, screed and concrete products).

10. *Cement* is one of the main input products in modern construction. It is a fine powder produced from limestone, alumino-silicate and other constituents. Cement is used in the building and construction sector because it has a superior power to harden once mixed with water, and to bind other materials for stability and strength. Cement is used as an intermediary product mainly for the production of ready-mixed concrete, concrete products and mortar. There are two main types of cement: white cement and grey cement.[3]

11. The main difference between white and grey cement lies in the particular quality of limestone used for the production of white cement. Furthermore, white cement is used for different purposes (in particular reflecting esthetical/optical aspects), is produced in comparably limited quantities and is more expensive than grey cement. The sale of white cement represents approximately […]% of each of the Parties' turnover in the EEA.[4]

12. Cement is produced by grinding cementitious materials, typically clinker. *Clinker* is the main ingredient in the production of cement, produced at high temperatures from limestone and other constituents in cement kilns. In some cases, mineral components and other cementitious materials are added to the mixture by either grinding them together with clinker or blending separately ground materials together.

13. In this Decision, the term *alternative cementitious materials* refers to substances other than clinker that have cementitious, or hydraulic binding properties and that are used as supplementary materials in the production of cement and concrete. The most common alternative cementitious materials are fly ash (a by-product of coal combustion in thermal power plants) and blast furnace slag (a by-product in the production of iron) in the form of granulated blast furnace slag ("GBS") or ground granulated blast furnace slag ("GGBS"). They are added to cement and concrete in order to impart specific characteristics to the end product and to substitute, on the one hand, clinker in the production of cement and, on the other hand, cement in the production of concrete.

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2 Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C 95, 16.4.2008, p. 1).

3 Form CO, paragraph 134.

4 Form CO, paragraph 1267.

14. Within grey cement, there are a large number of different classes available and further grades can be produced according to customer requirements. Cement classes are defined by strength development and setting times, which are in turn determined by the proportions and nature of the different raw cementitious products used to make that particular cement type.[5] The EU standard EN 197-1 defines five classes of common cement that comprise Portland cement as a main constituent.

Table 1: Classes of common cement according to EN 197-1[6]

CEM I	Portland cement	Comprising Portland cement and up to 5% of minor additional constituents
CEM II	Portland-composite cement	Portland cement and up to 35% of other single constituents
CEM III	Blast furnace cement	Portland cement and higher percentages of blast furnace slag
CEM IV	Pozzolanic cement	Portland cement and up to 55% of pozzolanic constituents (volcanic ash)
CEM V	Composite cement	Portland cement, blast furnace slag or fly ash and pozzolana

15. There are generally three types of cement production sites: integrated cement plants, grinding stations and blending stations.[7]

16. *An integrated cement plant* is a manufacturing facility that covers the entire cement production process from the mining of raw materials to the dispatching of cement. The production process involves the following steps: (i) raw material extraction or mining from a quarry; (ii) raw material preparation and blending; (iii) raw feed preparation out of the raw materials in the form of meal; (iv) clinker production, which forms the main process of an integrated plant, that is to say converting raw feed in a thermochemical reaction in a cement kiln into the desired calcined mineral ('clinker' that has hydraulic/cementitious properties); (v) grinding and blending of clinker with gypsum or other components (such as alternative cementitious materials) into the desired cement product; and (vi) storage and handling of cement products, including dispatch.

17. *A grinding station* or *grinding mill* does not include the mining and the thermal process of producing clinker, but only the final grinding, blending and handling steps, with clinker and other raw materials being delivered from a separate plant or sourced elsewhere.

18. *A blending station* is typically a silo-type storage installation with a blending and dispatch facility where the ground products can be received, mixed for homogenisation and quality purposes into the final product and ultimately dispatched.

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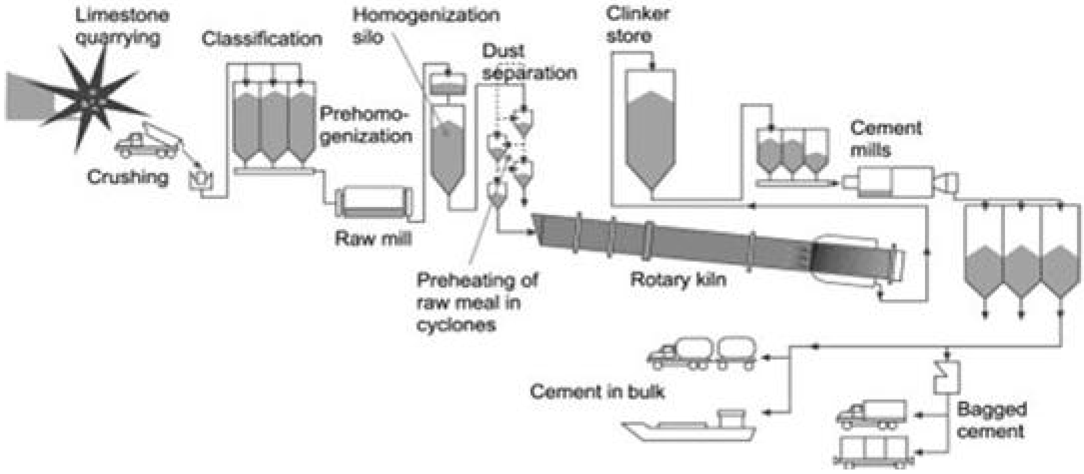
5 UK Competition Commission, 'Anglo American PLC and Lafarge S.A. A report on the anticipated construction materials joint venture between Anglo American PLC and Lafarge S.A.', 1 May 2012.

6 Commission communication in the framework of the implementation of Regulation (EU) No 305/2011 of the European Parliament and of the Council of 9 March 2011 laying down harmonised conditions for the marketing of construction products and repealing Council Directive 89/106/EEC (Publication of titles and references of harmonised standards under Union harmonisation legislation), OJ C 259, 8 August 2014, page 1; see also http://standards.cen.eu/dyn/www/f?p=204:110:0::::FSP_PROJECT:27250&cs=13B3EDD735E572AF56B7EC3A4CA2E1AF6.

7 Form CO, paragraph 128.

19. Cement is sold both bulk and bagged.[8] Bags containing about 25-30 kg of cement are sold through do-it-yourself stores and building material retailers whereas bulk cement meets the demand of RMX plants, plants producing concrete products and building sites.

Figure 1 - Cement production process[9]



20. *Ready-mix concrete* ("RMX") is produced by mixing cement and aggregates with water. Concrete is mixed either on-site or, more commonly, in a dedicated plant before being subsequently transported to the point of use in specific mixer trucks. Transport time and distance are limited, however, due to the inherent characteristics of ready-mix concrete to set because of cement reacting with water.

21. *Aggregates* ("AGG") encompass the three primary raw materials used in construction and civil engineering: gravel, crushed rock and sand. Due to the impact of transport costs, aggregates are typically sold locally.

22. *Asphalt* is a product manufactured by heating and mixing aggregates and a binding agent (normally bitumen), typically composed of 95% aggregates and 5% bitumen. It is used for surfacing roads, car parks, footpath pavements, airport runways, and other sites.

23. The works associated with the construction and maintenance of roads and other surfaces constitute *contract surfacing* (also known as contracting, asphalt surfacing, and road maintenance services). Within contract surfacing, asphalt is typically laid onto the prepared foundation layers of a road in layers, with each layer being compacted by paving machines to form the top surface of the road.

24. *Road binders* are primarily used to improve the stability and load-bearing properties of the underlying soil in road construction. They are produced by blending diluted or low quality grey cement, lime, gypsum, GGBS, and fly ash in varying proportions.

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8 Cases M.7054 – Cemex/Holcim Assets, 9 September 2014, recital 37; M.6153 – Anglo American/Lafarge/JV, 16 May 2011, recital 25; M.4898 – Compagnie De Saint-Gobain/Maxit, 4 March 2008, recital 210.

9 Source: Case M.7009 – Holcim/Cemex West, 5 June 2014, recital 30.

25. *Alternative fuels* and *raw materials* ("AFR") may be a complementary activity in the production of clinker. The production of clinker is very energy intensive and the use of collected and processed waste as an alternative to conventional kiln fuel (natural gas, fuel oil, coal) can reduce operational costs. AFR suitable for co-processing in kilns include tyres, sludge, solvents, consumer goods etc.

IV.2. The Parties' activities

26. Both Parties produce and sell cement, ready-mix concrete, clinker, aggregates, and other products. In addition, they source and sometimes sell other inputs, such as cementitious materials (from steel producers and electricity plants for their own use in the production of cement and concrete) and AFR.

27. The following tables provide an overview of the Parties' activities in the contracting parties to the EEA Agreement for the various products and services concerned with grey shaded areas indicating an overlap of activities.

28. Concerning grey cement, the Parties' activities overlap in Austria, Croatia, the Czech Republic, France, Germany, Hungary, Romania, Slovakia, Spain and the United Kingdom ('UK'). In addition, there are minor overlaps in Belgium, the Netherlands, Poland and Slovenia.

Table 2 - Grey cement sales in the EEA[10]

	Holcim	Lafarge		Holcim	Lafarge		Holcim	Lafarge
AT	imp	prod	**DE**	prod	prod	**RO**	Prod	Prod
BE	prod	imp*	**EL**	none	prod	**SK**	Prod	imp */**
BG	prod	none	**HU**	imp**	prod	**SI**	imp*	Prod
HR	prod	imp	**IT**	prod	none	**ES**	Prod	Prod
CZ	prod	prod	**NL**	imp	imp*	**UK**	Imp	Prod
FR	prod	prod	**PL**	imp*	prod			

prod – local production; imp – imports; * minor imports; ** minority interest in local plant

29. Concerning white cement, the Parties' activities overlap in France, Germany, Romania, Spain and the UK.

Table 3 - White cement sales in the EEA

	Holcim	Lafarge		Holcim	Lafarge		Holcim	Lafarge
AT	yes	no	**HU**	yes	no	**SK**	Yes	no
BE	yes	no	**IT**	yes	no	**SI**	Yes	no
HR	yes	no	**LV**	yes	no	**ES**	Yes	yes
CZ	yes	no	**MT**	no	yes	**SE**	Yes	no
FR	yes	yes	**NL**	yes	no	**UK**	Yes	yes
DE	yes	yes	**PL**	yes	no			
EL	no	yes	**RO**	yes	yes			

10 The two-letter ISO codes (ISO 3166 alpha-2) are used as abbreviations for the relevant contracting parties to the EEA Agreement, except for Greece and the United Kingdom, for which the abbreviations EL and UK are used.

30. Concerning RMX, the Parties' activities overlap in France, Germany, Romania, Spain and the UK.

Table 4 – RMX facilities in the EEA

	Holcim	Lafarge		Holcim	Lafarge		Holcim	Lafarge
BE	yes	no	**HU**	yes	no	**ES**	yes	yes
BG	yes	no	**IT**	yes	no	**UK**	yes	yes
HR	yes	no	**LU**	yes	no			
CZ	yes	no	**NL**	yes	no			
FR	yes	yes	**PL**	No	yes			
DE	yes	yes	**RO**	yes	yes			
EL	no	yes	**SK**	yes	no			

31. Concerning aggregates, the Parties' activities overlap in France, Germany, Romania, Spain and the UK.

Table 5 – Aggregates quarries in the EEA

	Holcim	Lafarge		Holcim	Lafarge
BE	yes	no	**IT**	yes	no
BG	yes	no	**NO**	yes	no
HR	yes	no	**PL**	No	yes
CZ	yes	no	**RO**	yes	yes
FR	yes	yes	**SK**	yes	no
DE	yes	yes	**ES**	yes	yes
EL	no	yes	**UK**	yes	yes
HU	yes	yes*			

*** leased out**

32. The Parties' sourcing of cementitious materials overlaps in Austria, Croatia, the Czech Republic, France, Germany, Hungary, Italy, Romania, Slovakia, Spain and the UK.

Table 6 – Sourcing of cementitious materials in the EEA

	Holcim	Lafarge		Holcim	Lafarge
AT	GBS	GBS, FA	**IT**	GBS, FA	GBS, FA
BE	GBS, FA	none	**NL**	GBS, FA	none
BG	FA	none	**PL**	none	GBS, FA
HR	FA	FA	**RO**	GBS, FA	GBS, FA
CZ	GBS, FA	GBS, FA	**SK**	GBS, FA	GBS, FA
FR	LS, GBS, GGBS, FA	GBS, GGBS, FA	**SI**	none	FA
DE	LS, GBS, GGBS, FA	GBS, FA	**ES**	FA	GGBS, FA
EL	none	FA	**UK**	GGBS, FA	LS, GGBS, FA
HU	FA	GBS			

FA - fly ash, LS - liquid slag

33. Concerning sales of alternative cementitious materials, the Parties' activities overlap in the UK.

Table 7 – Sales of alternative cementitious materials to third parties in the EEA

	Holcim	Lafarge		Holcim	Lafarge
AT	none	FA	**NL**	FA	none
BE	FA	none	**PL**	none	FA
HR	GBS	none	**ES**	GBS, FA	none
FR	none	GBS/GGBS, FA	**SE**	GBS/GGBS	none
DE	GBS/GGBS, FA	none	**UK**	GBS/GGBS, FA	GBS/GGBS, FA

FA - fly ash

34. Concerning sales of clinker, the Parties' activities overlap in Germany, Italy, Romania and Spain.

Table 8 – Sales of clinker to third parties in the EEA

	Holcim	Lafarge		Holcim	Lafarge
AT	yes*	yes	**IT**	yes	yes
BG	yes	no	**RO**	yes	yes
FR	yes	no	**SK**	yes	no
DE	yes	yes	**SL**	no	yes
HU	yes**	no	**ES**	yes	yes

*** minor sales **intra-group sales**

35. Concerning other products and services, the Parties' activities have the following overlaps:

- asphalt: the UK;
- contract surfacing: the UK;
- alternative fuels: Austria, the Czech Republic, France, Germany, Romania;
- road binders: Austria, France, Romania;
- screed: the UK;
- concrete products: the UK.

V. ANALYTICAL FRAMEWORK

36. There are two main ways in which horizontal mergers may raise serious doubts as to their compatibility with the internal market, in particular by creating or strengthening a dominant position: (a) by eliminating important competitive constraints on one or more firms, which consequently would have increased market power, without resorting to coordinated behaviour (non-coordinated effects); and (b) by changing the nature of competition in such a way that firms that previously were not coordinating their behaviour, are now significantly more likely to coordinate and raise prices or otherwise harm effective competition. A merger may also make coordination easier, more stable or

more effective for firms which were coordinating prior to the merger (coordinated effects).[11]

37. This section will introduce the analytical framework for the assessment of the Notified Transaction in terms of non-coordinated and coordinated effects (Section V.1) and of vertical relationships (Section V.2).

V.1. Analytical framework – non-coordinated and coordinated effects

38. Effective competition brings benefits to consumers, such as low prices, high quality products, a wide selection of goods and services, and innovation. Through its control of mergers, the Commission prevents mergers that would be likely to deprive customers of these benefits by significantly increasing the market power of firms.[12]

39. As regards non-coordinated effects, a merger may raise serious doubts as to its compatibility with the internal market by removing important competitive constraints on one or more sellers, who consequently have increased market power. The most direct effect of the merger will be the loss of competition between the merging firms.[13]

40. This Decision focuses on non-coordinated effects in the markets affected by the Notified Transaction. Nevertheless the Commission and the competent authorities of certain Member States have in previous cases found indications regarding the possible existence of coordination in certain cement markets in the EEA.[14] Among those indicators were high absolute gross margins, homogeneity of the products, a relatively inelastic demand for cement, relatively stable economic environments, a relatively low number of cement suppliers active in the markets, contacts between the same suppliers in several different markets, symmetry between cement suppliers in terms of technologies used and cost structures as well as a relatively high level of market transparency.

41. Certain respondents to the market investigation in this case stated that similar indications may also be present in the cement markets under review in this Decision. In particular, certain respondents to the market investigation indicated that some of the markets under review are characterised by a degree of transparency and described competition as being rather weak.

42. Nevertheless, it is not necessary to analyse in-depth whether the Notified Transaction will lead to serious doubts as to its compatibility with the internal market due to coordinated effects. This is because the remedies offered by the Parties (see section

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11 Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings, OJ C 31, 5.2.2004, p. 5, ('Horizontal Merger Guidelines'), paragraph 22.

12 Horizontal Merger Guidelines, paragraph 8.

13 Horizontal Merger Guidelines, paragraph 24.

14 Case M.7009 – Holcim/Cemex West, 5 June 2014; UK Competition Commission, 'Aggregates, cement and ready-mix concrete market investigation', 14 January 2014; UK Competition Commission, 'Anglo American PLC and Lafarge S.A. A report on the anticipated construction materials joint venture between Anglo American PLC and Lafarge S.A.', 1 May 2012; Gazdasági Versenyhivatal/Hungarian Competition Authority, Case Vj-153/2009, 15 December 2010.

VII) remove essentially all of the overlaps between their activities in the relevant markets. This means that – subject to the identity of the purchaser of the divested businesses and its pre-existing activities – there will be as many competitors after the implementation of the Notified Transaction as there were before it on virtually all markets in the EEA. As the market structure and corresponding gains and losses of collusion do not change, this generally excludes coordinated effects in each of those markets.

43. There are, however, limited exceptions to the general principle of divesting the full overlap between the Parties' activities in the relevant markets in grey cement. Where such exceptions lead to affected markets, the overlaps will also be analysed from a coordinated effects perspective.

44. In addition, the Commission notes that the divested assets in Spain and the Czech Republic will be acquired by Cemex. While this will lead to a reduction in the number of competitors in a number of markets because Cemex is already active in those Member States, coordinated effects will not arise because: (i) the Commission has already assessed a broader version of the transaction by which the Spanish assets are sold to Cemex;[15] and (ii) the Czech Office for the Protection of Competition has already assessed the same version of the transaction by which the Czech assets are sold to Cemex.[16]

V.2. Analytical framework – vertical relationships

45. The Notified Transaction also leads to a large number of vertical links between the activities of the Parties in the various building materials discussed in this Decision. For example, aggregates are used as an input product in the production of RMX and asphalt while cement is used as an input product in the production of RMX and concrete products.

46. Those vertical links lead to a large number of affected markets in various contracting parties to the EEA Agreement. The Commission will, however, not assess such vertical links in detail in this Decision because the remedies offered by the Parties will lead to the entirety of the businesses of one of the Parties being divested, including all businesses in the vertically related markets.

47. There are, however, limited exceptions to the general principle of divesting the full overlap and the full vertically integrated businesses in the relevant markets. Where such exceptions lead to vertically affected markets, these will be analysed in this Decision.

VI. MARKET DEFINITION AND COMPETITIVE ASSESSMENT

48. The market definition and competitive assessment is structured by product: grey cement (Section VI.1), ready-mix concrete (Section VI.2), aggregates (Section VI.3), asphalt (Section VI.4), contract surfacing (Section VI.5), alternative cementitious materials (Section VI.6) and other products (Section VI.7).

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15 Case M.7054 – Cemex/Holcim Assets, 9 September 2014.

16 Case S541/13 – Spojení soutěžitelů CEMEX Czech Republic, s.r.o., a Holcim (Česko) a.s.

VI.1. <u>Grey cement</u>

VI.1.1. Relevant product market definition

VI.1.1.1. Past decisional practice

49. As mentioned in recital 11, there are two main types of cement: white cement and grey cement. In past decisions, the Commission has defined distinct product markets for white cement and grey cement.[17] Concerning grey cement, the Commission has considered that the market should not be further segmented according to grades or classes (CEM I to CEM V).[18] The Commission also considered that the market for grey cement could be further segmented according to whether grey cement is sold bulk or bagged, but left open the precise product market definition.[19]

VI.1.1.2. The Notifying Party's arguments

50. The Notifying Party considers there is no reason to deviate from the Commission's decisional practice that white cement constitutes a product market distinct from grey cement and that grey cement of all grades comprises a single relevant product market. The Notifying Party submits, however, that there is an overall market for the manufacture and sale of grey cement, irrespective of packaging (bagged and bulk).

VI.1.1.3. Responses to the market investigation

VI.1.1.3.1. White versus grey cement

51. Respondents to the market investigation supported the Commission's earlier findings and the Notifying Party's view that grey cement and white cement constitute separate product markets.

52. Most of the competitors and the vast majority of customers that responded to the market investigation distinguished between white cement and grey cement. Customers explained that white cement is used for different purposes and is more expensive than grey cement. Moreover, competitors explained that grey cement and white cement are different, mainly for the following reasons: (i) the raw material used for their production is different, (ii) it is difficult to produce grey and white cement at the same production site and (iii) the production cost of white cement is higher than grey cement.[20]

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17 Cases M.7054 – Cemex / Holcim Assets, 9 September 2014, recital 39; M.7009 – Holcim/Cemex West, 5 June 2014, recitals 24 and 41; M.3713 – Holcim/Aggregate Industries, 14 March 2005, recital 7; M.3572 – Cemex/RMC, 8 December 2004, recital 11; M.3415 – CRH/SEMAPA/Secil JV, 28 May 2004, recital 10; M.2317 – Lafarge/Blue Circle (II), 1 March 2001, recital 9; M.1157 – Skanska/Scancem, 11 November 1998, recital 31.

18 Cases M.7054 – Cemex / Holcim Assets, 9 September 2014, recital 41; M.7009 – Holcim/Cemex West, 5 June 2014, recital 45.

19 Cases M.7054 – Cemex / Holcim Assets, 9 September 2014, recital 43; M.7009 – Holcim/Cemex West, 5 June 2014, recital 49.

20 See replies to question 12 - Questionnaire to competitors-cement (Q1), and replies to question 8 - Questionnaire to customers-cement (Q2).

VI.1.1.3.2. Bagged versus bulk

53. Respondents to the market investigation supported the Commission's earlier findings[21] that the market for grey cement could be further segmented according to whether grey cement is sold bulk or bagged.

54. First, although the vast majority of suppliers of grey cement that responded to the market investigation indicated that they sell both bulk and bagged cement, additional investment will be required to switch production from bulk cement to bagged cement if there is no bagging and palletising installation in place, and the lead times to complete the investment were estimated at 12-36 months.[22]

55. Second, from the demand-side perspective there appear to be differences in terms of customers, prices and performance. Nearly all the customers that responded to the market investigation will be unable to switch from bagged to bulk cement (and vice versa).[23]

VI.1.1.4. Conclusion on the relevant product market

56. In light of past decisional practice, the Notifying Party's arguments and the responses to the market investigation, the Commission considers that for the purpose of the assessment of the Notified Transaction, the relevant product market is the overall market for grey cement. However, the exact product market definition can be left open since the competitive assessment would not change even if a narrower segmentation between bagged and bulk grey cement were considered.

VI.1.2. Relevant geographic market definition

VI.1.2.1. Past decisional practice

57. In past decisions, the Commission has considered that the geographic market for grey cement consists of a group of geographic markets centred on different cement plants, overlapping one another. The scope of the relevant geographic markets was determined by the distance from the plant at which cement may be sold.[24] In *Holcim / Cemex West*, the Commission considered that the appropriate radii around the relevant grey cement plants to be taken into account were 150 km and 250 km and in *Cemex / Holcim Assets*, the market was defined as circles of 150 km radii around the cement plants.

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21 See recital 49.

22 See replies to questions 4 and 10 - Questionnaire to competitors-cement (Q1).

23 See replies to question 10 - Questionnaire to customers-cement (Q2).

24 Cases M.7054 – Cemex / Holcim Assets, 9 September 2014, recital 52; M.7009 – Holcim / Cemex West, 5 June 2014, recital 64; M.460 – Holdercim/Cedest, 6 July 1994, recital 16; M.1030 – Lafarge/Redland, 16 December 1997, recital 16; M.1157 – Skanska/Scancem, 11 November 1998, recital 56; M.2317 – Lafarge/Blue Circle (II), 1 March 2001, recital 8; and M.3572 – Cemex/RMC, 8 December 2004, recital 20.

VI.1.2.2. The Notifying Party's arguments

58. The Notifying Party considers that the relevant geographic market for grey cement should be defined as areas of 150km or 250km radius around each plant, in keeping with the Commission's previous decisional practice.

VI.1.2.3. Responses to the market investigation and the Commission’s assessment

VI.1.2.3.1. Relevant distance from the plant

59. The distance over which grey cement can be economically shipped depends on the contribution margin before transport costs. The higher the contribution margin before transport costs (defined as the delivered price minus variable production costs), the longer the distance that cement can economically be shipped. Conversely, the higher the transport costs per km, the shorter the distances. Respondents to the market investigation indicated that transport costs are significant in the sale of grey cement and determine how far away a cement plant can still viably compete with its product. Transport costs depend on a variety of factors, including the availability of transport infrastructure and modalities (such as highways, shipping routes, railways or storage terminals) as well as the topography of the respective region. The contribution margins before transport costs generally depend on the intensity of competition, in particular on the amount of overcapacities and whether firms set prices competitively or coordinate.

60. On average […]% of all of Lafarge's sales in the EEA are sold within a distance of 150km from its plants and […]% of the sales take place within 250km. For Holcim, the corresponding figures are […]% and […]%. The Notifying Party submits that these figures are in line with (the 250 km data) or considerably higher (the 150 km data) than those observed for Cemex West in the Holcim / Cemex West decision.[25]

61. The market investigation generally confirmed that most of the cement sales take place within the 150km radii. On average, a cement plant sells approximately around 70% of output within that range, and around 90% within the 250 km radii.[26]

62. The Commission acknowledges that defining the relevant geographic markets as circles around a grey cement supplier’s plant may lead to the inclusion of customers facing differing supply conditions, in particular a differing number of close-by supply alternatives. Grouping together only customers facing similar supply conditions would, however, lead to the definition of many different geographic markets.

63. The Commission therefore uses the approach of drawing circles around the Parties' plants which include the customers for which the respective plant is a potential source of supply. In any case, the fact that, within a given circle, customers may face differing supply conditions will be taken into account in the ensuing competitive assessment. The Commission considers it pertinent to assess circles with different sizes, in particular circles with radii which include most actual customers of the

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25 Case M.7009 – Holcim / Cemex West, 5 June 2014, recital 60.

26 Based on competitor data compiled from replies to question 11 - Questionnaire to competitors-cement (Q1).

respective plants (150 km in this case) as well as circles with larger radii which also include most potential customers (250 km in this case).

VI.1.2.3.2. No barriers to cross-border trade

64. The Commission considers that relevant geographic markets should not be defined according to national borders in this case. There are a number of reasons why the relevant geographic markets for grey cement in this case are not confined to a particular national territory.

65. First, there are significant trade flows across national borders in certain contracting parties to the EEA Agreement, and cross-border trade flows are facilitated by the fact that the grey cement used and sold within the EEA is produced on the basis of the EU standard EN 197 1.[27]

66. Second, while certain respondents to the market investigation indicated that producers selling cement into neighbouring states may face certain difficulties related to certification requirements (for example, NF or 'norme française' in France[28]), language, and risks related to payments and security of supplies, a clear majority of suppliers confirmed that they were competing in their own country with producers from neighbouring countries.[29] Certain competitors also reported that these imports can sometimes be the source of significant pressure on prices.[30]

67. Third, the cross-border nature of cement sales is further reflected by the fact that the operational networks of larger cement producers are structured on a cross-border basis to achieve coverage of geographic regions. For example, Holcim maintains a significant presence in Hungary through imports from its plants in […], both located in […]. The […] plant is also used to supply Vienna and surrounding regions in Austria (notably Lower Austria and Burgenland).

VI.1.2.4. Conclusion on the relevant geographic markets

68. In light of past decisional practice, the Notifying Party’s arguments and the responses to the market investigation, the Commission considers that the relevant geographic markets in this case should be defined as circular areas of 150 km and 250 km around the relevant cement plants, reflecting the distance up to which cement suppliers can economically sell cement. These markets should not be limited by national borders, in light of the significant cross-border trade flows and the views of respondents to the market investigation.

VI.1.3. Competitive assessment

69. After explaining the methodology for the calculation of market shares (Section VI.1.3.1), this section will discuss the overlaps between the Parties' activities in grey cement by Member State: Austria, Bulgaria, Croatia, the Czech Republic, France (métropole), France (Réunion), Germany, Hungary, Romania, Slovakia, Spain and the

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27 Case M.7009 – Holcim / Cemex West, 5 June 2014, recitals 72 and 73.

28 See recital 140.

29 See replies to question 16 - Questionnaire to customers - cement (Q2).

30 See, for example, replies to question 16 - Q2m and Q2n - Questionnaire to customers - cement.

UK (Sections VI.1.3.2 to VI.1.3.13). Within each Member State section, the affected markets will be analysed on the basis of the regional market definition in terms of catchment areas as set out in section VI.1.2.1.

70. The assessment will not include a separate discussion of overlaps between the Parties' activities in grey cement in Belgium[31], the Netherlands[32], Poland[33] and Slovenia[34] since those overlaps do not lead to affected markets that are not already discussed in other Member State sections.

VI.1.3.1. Methodology for the calculation of market shares

71. The Parties submitted market share estimates for their activities in grey cement using two main different methodologies: (i) sales market shares based on the Parties' actual sales; and (ii) capacity market shares based on the Parties' production capacities.[35]

72. At the national and EEA level the Parties' sales and capacity market share estimates are based on data which is available by country. The capacity share estimates at the national and EEA level take into account the capacity of all plants located in the respective Member State and in the EEA.

73. At the catchment area level, the Parties' market shares are based on circular catchment areas with radii of 150 and 250 km geodesic distance. The details of the calculation of sales and capacity market shares for the catchment areas are explained in recitals 75 to 79. In line with the Commission's previous competitive assessments, the circles are drawn around the Parties' respective plants (plant-centred approach).[36] In addition, the Parties have provided market shares for catchment areas drawn around the mid-point between two of the Parties’ plants (this is the mid-point of a straight line drawn between the two plants). This allows an assessment from the perspective of a customer based in that location between the two plants (mid-point approach).

74. For the calculation of sales market shares, the Parties have included in their estimates both internal sales and external sales to third parties as no data on internal sales are available for competitors or for the total market. Where the degree of vertical integration differs materially between cement suppliers, this will be discussed in the competitive assessment in the Member State sections.

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31 Lafarge has had only minimal activities in Belgium over the last three years. Lafarge did not have any imports into Belgium in 2012 and 2013. Lafarge only imported a minimal amount of […] tons of grey cement into Belgium in 2011.

32 Lafarge has had only minimal activities in the Netherlands over the last three years. Lafarge did not have any imports into the Netherlands in 2011 and 2012. Lafarge only imported a minimal amount of […] tons of grey cement into the Netherlands in 2013.

33 Holcim has had only limited activities in Poland over the last three years with imports of […] tons in 2011, […] tons in 2012 and […] tons in 2013.

34 Holcim has had only limited activities in Slovenia over the last three years with imports of […] tons in 2011, […] tons in 2012, and […] tons in 2013.

35 See Form CO, Annex 6.1.1, for a detailed description of the methodology.

36 Cases M.7009 – Holcim/Cemex West, 5 June 2014; M.7054 – Cemex/Holcim Assets, 9 September 2014.

VI.1.3.1.1. Sales market shares for catchment areas

75. Catchment area sales market shares are based on the Parties' actual sales in radii of 150 and 250 km geodesic distance drawn around their respective plant or around the mid-points. The size of the market is computed as the product of cement consumption per capita in the respective region or member state and the population of the catchment area. The Parties have used data based on NUTS3 administrative regions[37] to estimate their own sales and the size of the local market. Local market shares in catchment areas are calculated based on NUTS3 administrative regions that overlap with the respective catchment area. The local market share of the Parties is the sum of their sales into the overlapping NUTS3 regions divided by the total estimated cement consumption in the NUTS3 regions.

76. The sales market shares of competitors are estimated by allocating the market volume minus the Parties' volumes to each competitor in proportion to its production capacity shares in the area. The production capacity share of each competitor is calculated in relation to the total capacity of competitors in the area.

77. The Commission has generally used the sales market shares based on the NUTS3 population data in this Decision. The Parties have also computed sales market shares based on NASA population data.[38] The Commission has also analysed the provided sales market shares based on the NASA data and found that the shares are similar. It is therefore unnecessary to present both sets of sales market shares in this Decision.

VI.1.3.1.2. Capacity market shares for catchment areas

78. Catchment area capacity market shares are based on the Parties' production capacities in radii of 150 and 250 km geodesic distance drawn around their respective plant or around the mid-points. The Commission has used capacity market shares to validate the sales market shares and to assess potential competition in cases where plants had low capacity utilisation, for example following recent entry.

79. The capacity market shares have been calculated on the basis of two methodologies: (i) taking into account only the capacities of plants located inside the relevant catchment area (standard approach); and (ii) taking into account also the plants outside the relevant catchment area whose radius overlaps with the relevant catchment area (geometric approach). The Commission has analysed the provided capacity market shares based on both methodologies and found that the shares are usually highly similar. It is therefore unnecessary to present both sets of capacity market shares in this Decision.

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[37] For a description of the NUTS3 administrative regions, see http://epp.eurostat.ec.europa.eu/portal/page/portal/nuts_nomenclature/introduction.

[38] Both methodologies have advantages and disadvantages. The market share calculations based on the NUTS3 methodology allow a matching of population figures and sales to exactly the same region. It also relies on the most recent, official population statistics. Furthermore, NUTS3 regions are shaped in a way that metropolitan areas are not divided into several sub-regions. The disadvantage of the NUTS3 methodology is that it does not match exactly the km radius foreseen, and therefore requires the entire exclusion or inclusion of NUTS3 regions that are only partially within a plant's catchment area. This latter disadvantage of the NUTS3 methodology is remedied by the NASA approach. The NASA population data offers a uniform, very granular grid of population data across Europe that allows for a seamless match between population data and a plant's catchment area.

VI.1.3.2. Austria

80. **Holcim** does not have any grey cement production in Austria, but has substantial grey cement sales in the country through imports from its […] cement plant in […] and from its […] plant in […].[39]

81. **Lafarge** is primarily active in grey cement in Austria through a joint venture between Lafarge (70%) and the Austrian construction company STRABAG SE ('Strabag') (30%), Lafarge CE Holding GmbH ('Lafarge/Strabag JV'). The Lafarge/Strabag JV was established in 2010 for the purpose of the production and commercialisation of grey cement in Central Europe. Lafarge contributed four plants[40] to the Lafarge/Strabag JV, Strabag one plant.[41]

82. Lafarge operates two integrated grey cement plants through the Lafarge/Strabag JV in Austria: in Retznei (Styria, in the south-east of the country) and Mannersdorf am Leithagebirge ('Mannersdorf') (Lower Austria, in the east of the country). Moreover, Lafarge is also active in the Austrian grey cement market through another joint venture with the Hofmann-Dierzer Group, through which it owns a 50% stake in the Kirchdorf grey cement plant in Upper Austria (north-centre of the country). Mannersdorf has, according to the Notifying Party, a grey cement capacity of […]kt, Retznei […]kt and Kirchdorf […]kt.

83. The Parties thus in essence supply Austria from five plants: Rohožnik, Untervaz (Holcim) and Mannersdorf, Retznei, Kirchdorf (Lafarge).

84. For the reasons set out in recitals 85 to 87, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to grey cement in the relevant catchment areas in eastern Austria.

85. First, the merged entity will have high market shares in the catchment areas around the plants of Mannersdorf, Retznei and, to a lesser extent, Kirchdorf, as can be seen in Table 9 to Table 11. The sales shares for the Slovakian Rohožnik catchment area are presented in Table 53.

Table 9: Sales shares Mannersdorf catchment area

Mannersdorf catchment area	***150km***	***250km***
Holcim	[20-30]%	[10-20]%
Lafarge[42]	[30-40]%	[20-30]%
Combined	**[50-60]%**	**[40-50]%**
Heidelberg	[10-20]%	[10-20]%
Buzzi	[5-10]%	[5-10]%
Heidelberg/Schwenk	[5-10]%	[5-10]%
Berger	[0-5]%	[0-5]%
Asamer	[0-5]%	[0-5]%
Others	[10-20]%	[20-30]%

39 And to a lesser extent from […].

40 Lafarge's integrated grey cement plants at Mannersdorf and Retznei (both in Austria), Čížkovice (Czech Republic), and Trbovlje (Slovenia).

41 Pécs (Hungary).

42 Figures includes sales market share of Kirchdorf.

Mannersdorf catchment area	*150km*	*250km*
Total	100%	100%

Source: Notifying Party, Form CO[43]

Table 10: Sales shares Retznei catchment area

Retznei catchment area	*150km*	*250km*
Holcim	[5-10]%	[10-20]%
Lafarge[44]	[30-40]%	[20-30]%
Combined	**[40-50]%**	**[30-40]%**
Buzzi	[0-5]%	[5-10]%
Italcementi	[5-10]%	[0-5]%
Rohrdorfer	[0-5]%	[5-10]%
W&P Zement	[20-30]%	[5-10]%
Heidelberg/Schwenk	[0-5]%	[5-10]%
Others	[10-20]%	[30-40]%
Total	100%	100%

Source: Notifying Party, Form CO

Table 11: Sales shares Kirchdorf catchment area

Kirchdorf catchment area	*150km*	*250km*
Holcim	[0-5]%	[5-10]%
Lafarge[45]	[30-40]%	[10-20]%
Combined	**[30-40]%**	**[20-30]%**
Heidelberg	[5-10]%	[10-20]%
Rohrdorfer	[10-20]%	[5-10]%
W&P Zement	[10-20]%	[5-10]%
Zementwerk Leube	[5-10]%	[0-5]%
Zillo	[0-5]%	[0-5]%
Others	[5-10]%	[30-40]%
Total	100%	100%

Source: Notifying Party, Form CO

86. Second, while the Austrian grey cement market is characterised by the presence of several local grey cement producers apart from Lafarge (Zementwerk Leube, Rohrdorfer Group, Schretter & Cie., W&P Zement and Wopfinger), the majority of those competitors are located in central and western Austria, while in the east of the country (i.e. Vienna, Burgenland and Lower Austria), there is only one competitor, Wopfinger. The market investigation indicated that in the east of Austria, including the Vienna region and the area falling within the catchment area of Rohožnik, Holcim, Lafarge and Wopfinger are regarded as the main suppliers.[46]

87. Third, the Mannersdorf and Rohožnik plants exercise an important competitive constraint on each other as they are only approximately 100 km away from each other.

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43 All of the plant-centred cement market shares in this Decision are taken from Annex 6.10 of the Form CO.

44 Figures includes sales market share of Kirchdorf.

45 Figure includes sales market share of Kirchdorf.

46 See also replies to question 16 - Q2a – Grey cement – Questionnaire to customers – Austria. '*Es gibt in Ost-Österreich nur zwei große Zementhersteller: Holcim und Lafarge liefern ca. 85 % des Bedarfs an Zement in der Region.*' Agreed minutes of the call with a customer, 03.07.2014.

This is corroborated by the concerns expressed by respondents to the market investigation about the Notified Transaction,[47] in eastern Austria.[48]

VI.1.3.3. Bulgaria

88. **Holcim** operates an integrated cement plant in Beli Izvor in the north-west of Bulgaria. Holcim also has an inactive integrated plant in Pleven, closed permanently in 2011 due to financial difficulties, and one inactive terminal in Kuklen.

89. **Lafarge** has no production facilities or sales of grey cement in Bulgaria.

90. The Bulgarian grey cement market is characterised by the presence of three international grey cement producers, Holcim, Titan and Italcementi, each of which has one or more grey cement plants in Bulgaria.

91. Due to the proximity between Holcim's cement plant in Bulgaria and one of Lafarge's grey cement facilities in Romania, close to the Bulgarian border, there are overlaps between the activities of the Parties around Holcim's integrated plant in Beli Izvor. This plant is situated at an approximate distance of 250-300km from Lafarge's grey cement grinding station in Targu Jiu in Romania.

92. For the reasons set out in recitals 93 to 96, the Commission considers that the Notified Transaction does not give rise to serious doubts as to its compatibility with the internal market in relation to grey cement in the Beli Izvor catchment area in Bulgaria.

93. First, despite the merged entity having high market shares in the Beli Izvor catchment area (as can be seen from Table 12), the market share of Lafarge for this catchment area is solely achieved in Romania, as Lafarge has no sales in Bulgaria.

Table 12: Sales shares Beli Izvor catchment area

Beli Izvor catchment area	***150km***	***250km***
Holcim	[30-40]%	[20-30]%
Lafarge	[10-20]%	[20-30]%
Combined	**[40-50]**%	**[40-50]**%
Titan	[40-50]%	[20-30]%
Heidelberg	[0-5]%	[10-20]%
Italcementi	[0-5]%	[5-10]%
Others	[0-5]%	[10-20]%
Total	100%	100%

Source: Notifying Party, Form CO

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47 *'Wir erwaten nach Ablauf des Mergers und nach Ablauf unserer Lieferverträge steigende Zementpreise.' 'Wir befürchten, dass es infolge des Zusammenschlußvorhabens zu Preiserhöhungen kommt. Die Marktkonzentration würde deutlich zunehmen. Ein auch stillschweigendes Einvernehmen über Preise oder geografische Marktaufteilungen wäre wegen der verringerten Zahl von Anbietern einfacher zu erzielen.' 'The proposed transaction will imply the merger of two of the three main competitors in the country. The resulting entity will have a high market share as a cement supplier.'* See replies to question 33 - Q2a – Grey cement – Questionnaire to customers – Austria.

48 '*[T]he resulting entity would have a stronger position in the Eastern region (Vienna, Lower Austria, Burgenland) than in other areas (Styria, Carinthia).*' See replies to question 34 - Q2a – Grey cement – Questionnaire to customers – Austria. *'Holcim und Lafarge wären im Osten Österreichs nach dem Zusammenschluss marktbeherrschend, das heißt in etwa in einer Region von Linz bis ins Burgenland und südlich bis inklusive der Steiermark.'* Agreed minutes of the call with a customer, 03.07.2014.

94. Lafarge does not make sales into Bulgaria because of differences in labour costs between Romania and Bulgaria and because of the transport conditions for delivering into Bulgaria, which require the crossing of the Danube either by road or by ship.

95. Second, respondents to the market investigation indicated that there are certain factors, like the lack of infrastructure between Romania and Bulgaria, that create delays in the delivery of cement, which is a negative point from the point of view of customers who require timely deliveries of their orders.[49] The market investigation further indicated that Heidelberg also does not sell grey cement from Romania into Bulgaria.[50]

96. Third, certain customers that responded to the market investigation mentioned Holcim and Titan as the main suppliers in Bulgaria, together with Vulcan Cement AD Dimitrovgrad and Italcementi as two other alternative suppliers.[51] None of them mentioned Lafarge as an alternative supplier for the Beli Izvor catchment area.[52]

VI.1.3.4. Croatia

97. **Holcim** is active in the Croatian grey cement market through an integrated cement plant in Koromačno, Istria (western Croatia), a land terminal in Jastrebarsko (close to Zagreb) and a sea terminal in Zadar (Dalmatia). Koromačno has, according to the Notifying Party, a grey cement capacity of 742 kt.

98. **Lafarge** does not have any grey cement production in Croatia, but has grey cement sales through imports from its integrated plants in Trbovlje (Slovenia) and Pécs (Hungary). These sales are made either through its sales subsidiary in Croatia (Lafarge Cement Adria d.o.o.) or directly to Croatian customers who take delivery of grey cement at Lafarge's plants in Trbovlje and Pécs (so called 'pick-up sales').

99. Apart from Holcim, there are two other grey cement suppliers with domestic production in Croatia: Cemex (Split, Dalmatia, south-eastern Croatia) and Nexe Group (Našice, north-eastern Croatia). In addition, according to the Notifying Party, imports into Croatia accounted for around 256,000 t of grey cement in 2013, with the main importers being: Heidelberg Cement (through its operations in Kakanj, Bosnia, and Beremend, Hungary), Asamer (plant in Lukavac, Bosnia), Italcementi (plant in Trieste, Italy), Cimsa (Turkey, through a terminal in Trieste) and W&P Zement (plant in Anhovo, Slovenia). These sources are represented in Figure 2.

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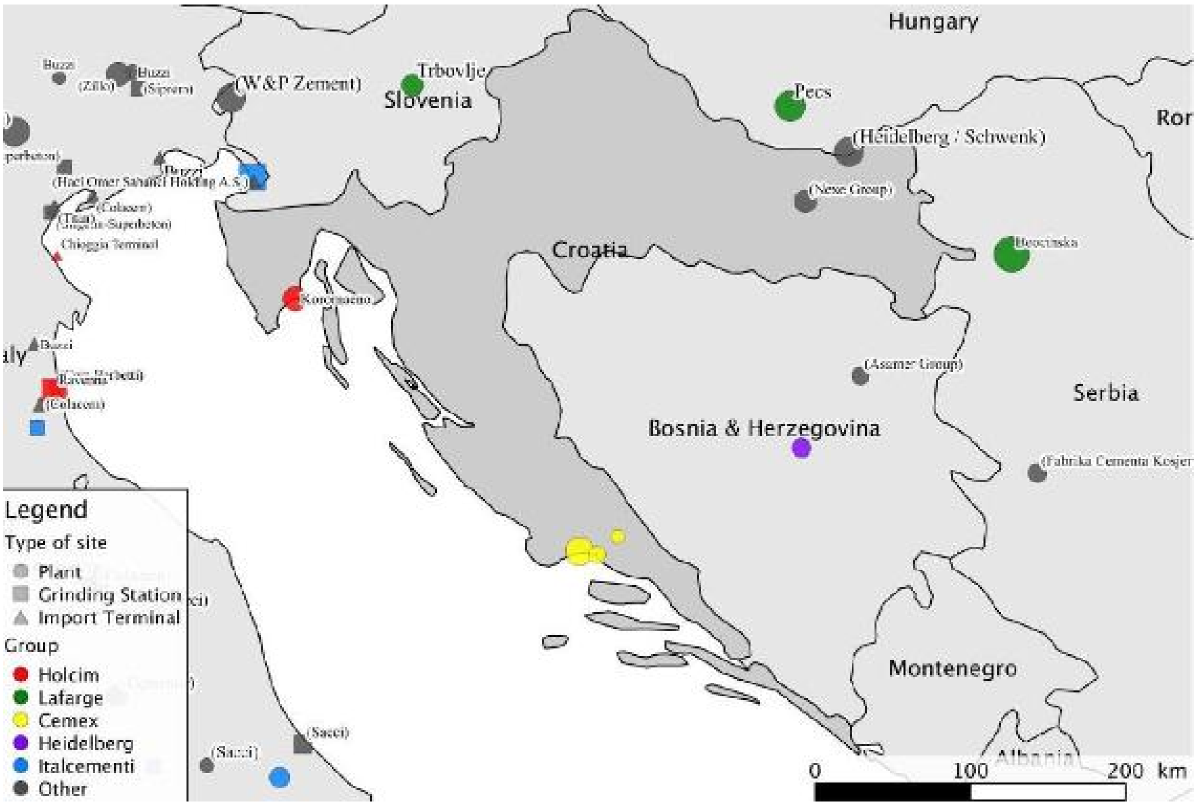
49 See replies to question 15 – Q2g – Grey cement – Questionnaire to customers – Romania.

50 See replies to question 1 – Q1l – Grey cement – Questionnaire to competitors – Bulgaria.

51 See replies to question 7 – Q2l – Grey cement – Questionnaire to customers – Bulgaria.

52 See replies to questions 8 and 9 – Q2l – Grey cement – Questionnaire to customers – Bulgaria.

Figure 2 – Map of Croatia and surrounding countries indicating cement production facilities



Source: Notifying Party, Form CO

100. Both the Trbovlje and the Pécs plant of Lafarge are located close to the Croatian border. The 2013 sales shares for the Koromačno (Croatia) catchment area are presented in Table 13.

Table 13: Sales shares Koromačno catchment area

Koromačno catchment area	**150 km**	**250 km**
Holcim	[10-20]%	[5-10]%
Lafarge	[10-20]%	[5-10]%
Combined	**[20-30]%**	**[10-20]%**
W&P Zement	[10-20]%	[5-10]%
Buzzi Unicem	[5-10]%	[10-20]%
Colacem	[5-10]%	[10-20]%
Zillo	[5-10]%	[5-10]%
Sabanci / Cimsa	[0-5]%	[0-5]%
Cemex	[0-5]%	[5-10]%
Titan	[0-5]%	[0-5]%
Nexe Group	--	[0-5]%
Heidelberg	--	[0-5]%
Heidelberg / Schwenk	--	[0-5]%
Italcementi	--	[5-10]%
Others	[20-30]%	[30-40]%
Total	100%	100%

Source: Notifying Party, Form CO

101. Regarding non-coordinated effects, the Notifying Party claims that the combined market share of the Parties is low. Moreover, it argues that the overlap predominantly concerns parts of the catchment areas located outside Croatia. In Croatia, the overlap is limited to [0-5]% (local sales) or at most [0-5]% (also including pick-up sales from Lafarge plants by customers from Croatia).[53]

102. Respondents to the market investigation also noted an absence of significant overall overlaps in Croatia in keeping with Table 13. Respondents did, however, indicate that, due to the vicinity of its plants, Lafarge was a competitive force in central and northern Croatia, including Zagreb and its surroundings, where Holcim is also active.[54] An internal document of Holcim refers to this region as the "Zagreb micro market" (hereafter referred to as the "Zagreb market").[55] A number of competitors and customers that responded to the market investigation[56] indicated that the Notified Transaction could strengthen the Parties' competitive position in the Zagreb market.

103. As a result, the Commission verified whether there were specific circumstances that could result in the Notified Transaction giving rise to serious doubts regarding non-coordinated effects if the relevant geographic market were the Zagreb market i.e. a market delineated on a narrower basis than the catchment area approach. For the reasons set out in recitals 104 to 108, the Commission considers that the Notified Transaction does not raise serious doubts as to its compatibility with the internal market in relation to the narrowly defined Zagreb market regarding non-coordinated effects.

104. First, the Zagreb market would continue to see competition from the merged entity and two other domestic producers, Nexe and Cemex. The Zagreb market has no local production facilities and is thus supplied with cement transported from producers located in other regions of Croatia, Holcim (western Croatia), Nexe Group (north-eastern Croatia) and Cemex (south-eastern Croatia), and importers. The Parties' combined market shares would amount to around [20-30]% (Holcim sold […] kt, and Lafarge imported (directly or through pick-up sales) […] kt of grey cement in 2013, with respective market shares of approximately [10-20]%[57] and [10-20]%[58]). Post

53 The Commission also investigated whether there could be a corresponding significant overlap of the Parties' activities in Slovenia, or any parts thereof. Virtually all customers that responded to the market investigation indicated that Holcim is not active in Slovenia, and makes only very minor sales into Slovenia. Accordingly, Holcim is not perceived as a direct competitor to Lafarge. See replies to questions 6 and 18-21 Q2i – Grey cement – Questionnaire to customers – Slovenia, and Holcim's reply to the Commission's request for information of 21.10.2014, question 10.

54 See replies to question 20 – Q2b – Grey cement – Questionnaire to customers – Croatia, and replies to the Commission's request for information of 12.11.2014, questions 6 and 7.

55 Holcim internal document of 22.03.2013, entitled 'Holcim Croatia Business Plan 2013-2017', Form CO, Annex 5.4.074, p. 49.

56 See replies to question 37 – Q2b – Grey cement – Questionnaire to customers – Croatia, and replies to the Commission's request for information of 12.11.2014, questions 11-12, agreed minutes of calls with customers, 19.11.2014, 20.11.2014.

57 See Holcim's reply to the Commission's request for information of 7.11.2014, Question 2.

58 Estimate based on Lafarge's reply to the Commission's request for information of 7.11.2014, Question 11 and Holcim's reply to Question 2 of the same.

transaction, the merged entity will remain the third largest supplier to the Zagreb region, behind Nexe and Cemex[59].

105. Second, sales data indicates that, […], its actual imports were stagnating, if not slightly declining.[60] Lafarge's plants in Hungary and Slovenia may therefore not be well placed to support such a rapid expansion, compared to the domestic producers and other importers.

106. Third, imports will continue to exert sufficient competitive pressure on the domestic producers, including the merged entity. Significant importers include Heidelberg (imports from Kakanj, Bosnia, and Beremend, Hungary), Italcementi (imports from Trieste, Italy), Cimsa (imports from Turkey through a terminal in Trieste, Italy) and Asamer (imports from Lukavac, Bosnia). Respondents to the market investigation confirmed that there are generally no significant barriers to imports into Croatia[61], and there have been recent entries by W&P Zement (imports from Slovenia), Cementi Zillo (imports from Italy), and Titan (imports from Serbia).[62] This is also confirmed by Holcim's internal documents[63] as well as other competitors[64].

107. Fourth, as the reported spare capacity in Croatia and the neighbouring regions is estimated to reach up to 50%[65], local competitors and importers will have sufficient incentive and ability to offset any attempts by the merged entity unilaterally to reduce output.

108. Fifth, the above assessment is corroborated by the analysis of midpoint circle shares between Holcim's Koromačno plant and Lafarge's Pécs plant shown in Table 14. As the relevant Koromačno-Pécs midpoint is within or close to the Zagreb market, these market shares are representative of the structure of actual and potential competition in the region (also taking into account that Lafarge's actual share in Croatia or the Zagreb market is inferior to the one represented, and can be attributed to its sales in Slovenia and Hungary). The largest alternative suppliers of cement listed in Table 14

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59 See Holcim internal document of 22.03.2013, entitled 'Holcim Croatia Business Plan 2013-2017', Form CO, Annex 5.4.074, p. 49.

60 Form CO, paragraph 347 […]. Lafarge Central Europe Cluster Ambition Plan, May 2013 […]. Lafarge Central Europe Cluster Ambition Plan, May 2014.

61 Custom procedures for non-EEA cement and local overcapacity were mentioned by certain respondents. See replies to questions 12 and 13– Q1b – Grey cement – Questionnaire to competitors – Croatia.

62 See replies to questions 12 and 23– Q2b – Grey cement – Questionnaire to customers – Croatia, and questions 25, 26, 27 – Q1b – Grey cement – Questionnaire to competitors – Croatia. One competitor expected further future entry from non-EU countries such as Serbia and Turkey.

63 Holcim internal document of 22.03.2013, entitled 'Holcim Croatia Business Plan 2013-2017', Form CO, Annex 5.4.074, p. 46.

64 Agreed minutes of the call with a competitor, 19.11.2014: "*Za pritisak na cijene nije zaslužan samo Lafarge, nego i općenito slobodan kapacitet cementara i drugi uvoznici (Asamer, Heidelberg Mađarska, Kakanj, Bosna, koji su prvenstveno usredotočeni na Slavoniju, i Anhovo)*." Courtesy translation: "*The price pressure is not only due to Lafarge, but more generally results from spare cement capacity and the presence of other importers (Asamer, Heidelberg Hungary, Kakanj – Bosnia, focussed on Slavonia, and Anhovo).*"

65 See replies to questions 16 and 17 - Q1b – Grey cement – Questionnaire to competitors – Croatia.

correspond to the ones identified in the market investigation: Heidelberg, Cemex, Cimsa, Italcementi, Nexe, W&P Zement and Asamer.

Table 14: Mid-point circle shares between Koromačno and Pécs

Midpoint circle shares – Koromačno / Pécs	**150km radius**
Lafarge	[20-30]%
Holcim	[5-10]%
Combined	**[20-30]%**
Buzzi Unicem	[0-5]%
Cemex	[10-20]%
Colacem	[0-5]%
Grigolin-Superbeton	[0-5]%
Sabanci/Cimsa	[0-5]%
Italcementi	[10-20]%
Heidelberg	[0-5]%
Heidelberg/Schwenk	[10-20]%
Nexe Group	[5-10]%
Asamer	[0-5]%
Siprem	[0-5]%
W&P Zement	[10-20]%
Zillo	[0-5]%
Others	[0-5]%
Total	100%

Source: Notifying Party, Form CO

109. The Commission thus concludes that the Notified Transaction does not raise serious concerns in any relevant market for grey cement in Croatia, even under a narrower market definition comprising only the Zagreb market regarding non-coordinated effects.

110. Regarding coordinated effects, certain respondents to the market investigation characterised the grey cement market in Croatia as relatively transparent (both concerning prices and customer base) due to its relatively small size.[66] Due to the position of the three plants of the domestic producers, Holcim in Koromačno, Cemex in Split, and Nexe in Našice[67], the topography of Croatia, and the related transport distances, Croatian suppliers encounter a lesser degree of competition from other domestic producers in the "home" areas close to their plants (but continue to face competitive pressure from imports).[68] The Zagreb market is different in that it features no local production plants, and is at the cross-section of each of the three domestic

66 See replies to questions 26, 29, 30 – Q2b – Grey cement – Questionnaire to customers – Croatia, and questions 24, 31, 32 – Q1b – Grey cement – Questionnaire to competitors – Croatia.

67 See **Figure 2**.

68 For example, Nexe is hardly present in Istria, the "home" area of Holcim and southern Dalmatia, the "home" area of Cemex, while Cemex and Holcim are hardly present in Slavonija, the "home" area of Nexe. See, for example, Holcim internal document of 22.03.2013, entitled 'Holcim Croatia Business Plan 2013-2017', Form CO, Annex 5.4.074, p. 49.

producers' catchment areas. It is also the most important region for grey cement consumption, and therefore represents the most important sales area.

111. Notwithstanding the above, the Commission considers that the Notified Transaction will not increase the likelihood of coordination for several reasons. First, both the Zagreb market and the "home" areas of the three domestic producers face competition from significant imports. This competition will be able to destabilise coordination in any of the areas. […]. A […] strategy [to enter or expand] has been pursued by a number of other players such as W&P Zement, Zillo, and Titan. Any attempt to coordinate output could therefore be defeated by the competitive constraint by existing (HeidelbergCement and Italcementi) or new importers (W&P Zement, Zillo, and Titan).

112. Concerning vertically related markets for the supply of grey cement and the supply of RMX, only Holcim operates RMX assets in Croatia (two active RMX plants, two inactive plants and one closed plant). Given that the Parties' combined market shares for the supply of grey cement are limited, and that there are several alternative suppliers, the merged entity is unlikely to have the ability or the incentive to restrict access to supplies of cement to competing RMX plants on any of the markets in Croatia. Moreover, due to the limited scale of its RMX operations in Croatia, the merged entity is unlikely to foreclose access to a sufficient customer base to competing suppliers of grey cement.

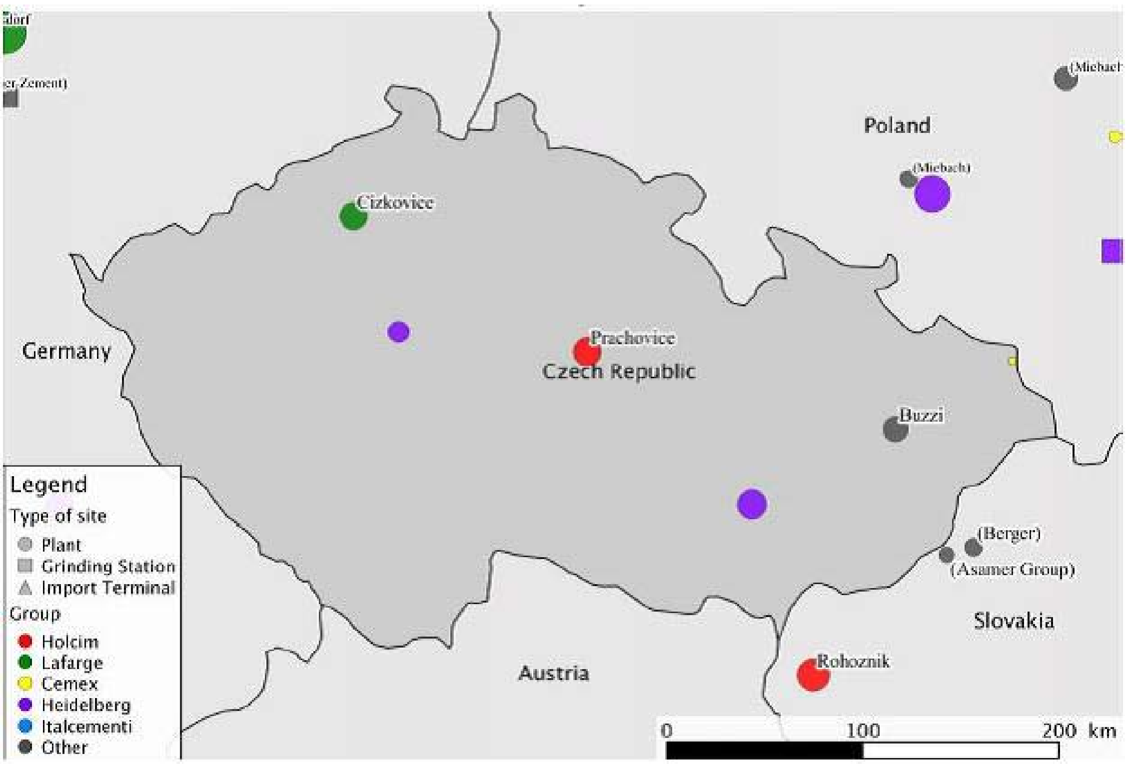
VI.1.3.5. Czech Republic

113. **Holcim's** grey cement production assets in the Czech Republic comprise one integrated grey cement plant located in Prachovice (central Czech Republic, approximately 100 km east of Prague), with a grey cement capacity of 1,120 kt per annum. Holcim is also vertically integrated into the production and supply of aggregates and RMX in the Czech Republic.

114. **Lafarge** operates, through Lafarge/Strabag JV, an integrated grey cement plant in Čížkovice (north-western Czech Republic, 70 km north-west of Prague). Its grey cement capacity is 1,064 kt per annum.

115. The Parties' and their competitors' plants in the Czech Republic are shown on the map in Figure 3. Heidelberg operates two integrated plants, one in the west of the country close to Prague; and the other one close to Brno, in the south-east. Also in the east of the Czech Republic, Buzzi operates an integrated plant in Hranice and Cemex operates one grinding station in Dětmarovice.

Figure 3 –Map of grey cement assets in the Czech Republic



Source: Form CO, paragraph 367

116. The Parties' activities overlap in the western part of the Czech Republic.

Table 15: Sales shares Čížkovice catchment area

Čížkovice catchment area	***150 km***	***250 km***
Holcim	[10-20]%	[5-10]%
Lafarge	[20-30]%	[10-20]%
Kirchdorf	[0-5]%	[0-5]%
Combined	**[30-40]**%	**[20-30]**%
Buzzi Unicem	[0-5]%	[5-10]%
Cemex	[10-20]%	[10-20]%
Dornburger Zement	[5-10]%	[0-5]%
Heidelberg	[20-30]%	[20-30]%
Miebach	[0-5]%	[0-5]%
Rohrdorfer Group	[0-5]%	[0-5]%
Schwenk	[5-10]%	[5-10]%
Sebald Zement gmbh	[0-5]%	[0-5]%
Solnhofer Portland Zement	[0-5]%	[0-5]%
Spenner	[0-5]%	[0-5]%
Other	--	[5-10][69]
Total	**100%**	**100%**

Source: Notifying Party, Form CO

69 Divided between 17 operators.

Table 16: Sales shares Prachovice catchment area

Prachovice catchment area	*150 km*	*250 km*
Holcim	[10-20]%	[5-10]%
Lafarge	[10-20]%	[10-20]%
Kirchdorf	[0-5]%	[0-5]%
Combined	**[20-30]**%	**[20-30]**%
Asamer Group	[0-5]%	[0-5]%
Berger	[0-5]%	[0-5]%
Buzzi Unicem	[10-20]%	[5-10]%
Cemex	[0-5]%	[5-10]%
Heidelberg	[50-60]%	[20-30]%
Miebach	[5-10]%	[0-5]%
Rohrdorfer Group	[0-5]%	[0-5]%
Wopfinger	[0-5]%	[0-5]%
Others	--	[10-20]%[70]
Total	**100%**	**100%**

Source: Notifying Party, Form CO

117. For the reasons set out in recitals 118 to 121, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to grey cement in the Čížkovice and Prachovice catchment areas in the Czech Republic.

118. First, the relevant catchment areas comprise, among others, Prague and its broader surroundings, […]. […] Holcim's strategy document denotes the Prague micro-market as "*[…]*".[71] This suggests strong rivalry not only between Heidelberg and each of the Parties, but also between the Parties to win orders.

119. Second, in the relevant catchment areas, the merger will reduce the number of local producers from three to two.[72] For example, a customer from the Čížkovice catchment area stated that the merger will "*certainly have an impact on the market. Only two cement producers would remain on the market in Czech Republic, which could, in connection with the location of individual plants, considerably lower competitive struggle among them.*" The same customer also considered that the merger will considerably worsen their leverage in price negotiations for grey cement.[73] Another customer stated that "*The merger may have impact on the pricing of both suppliers as well as other suppliers in the cement market… Especially in the Western part competition would most probably further decrease due to the merger.*"

70 Divided between 16 operators.

71 Holcim internal document, entitled 'Holcim Czech Republic Business Plan 2013-2017', Form CO, Annex 5.4.064, p. 22.

72 See replies to question 29 and 30 of Q2m – Grey cement – Questionnaire to customers – Czech Republic and to the follow up clarification questionnaire of 7 November 2014.

73 Courtesy translation: "*Pokud by došlo k převzetí jednoho výrobce cementu v ČR druhým, tak určitě ano. Na trhu v ČR zůstanou již pouze dva výrobci cementu, výrazně se tím i ve spojitosti s umístěním jednotlivých cementáren může snížit jejich vzájemný konkurenční boj.*".

120. Third, imports do not exert an important competitive constraint in the relevant catchment areas.[74] This is confirmed by an internal Holcim document […].[75]

121. Fourth, customers that responded to the market investigation also characterised the markets in the relevant catchment areas as relatively transparent, where suppliers are aware of each other's customer base. Two customers noted that experience from negotiations and past quotations with similar offered prices suggest that the suppliers are also well aware of the prices charged by their competitors.[76] In the western part of the Czech Republic, the Notified Transaction will also reduce the number of domestic operators to two and increase the symmetry between the two remaining players.

VI.1.3.6. France (Métropole)

122. **Holcim'**s grey cement production assets in France consist of four integrated grey cement plants, three active grinding stations and two import terminals.

123. The cement plants are located in the north and in the east of France. Holcim operates plants in Altkirch, located 35 kilometres from Basel in the Bas-Rhin department, Héming, located close to Strasbourg in Moselle, Rochefort-sur-Nenon, located close to Dijon in Jura and Lumbres, located close to Calais in the Pas-de-Calais department.

124. In addition, Holcim operates grinding stations in Dannes in the Pas-de Calais department, a former integrated plant whose kiln was shut down by Holcim in 2013, Grand-Couronne in Seine-Maritime (Normandy) and La Rochelle on the Atlantic coast opened in July 2014. Another grinding station in Ebange (Moselle, north-east of France) was mothballed by Holcim in 2013. Also Holcim operates two terminals in Dunkerque (north of France) and Montoir-de-Bretagne (close to Nantes in the West) and a slag grinding station in Dunkerque.

125. Holcim is also vertically integrated in the production of RMX and aggregates in the regions where it is also active in the supply of grey cement (north, east, Paris area and to a lesser extent in the west for RMX only)

126. **Lafarge** operates a wide range of grey cement production facilities in France. It operates nine cement plants: (i) Contes, located close to Nice; (ii) La Couronne, located close to Bordeaux; (iii) La Malle near Marseille; (iv) Martres and (v) Port La Nouvelle, located in the south-west close to Toulouse; (vi) Le Teil in the Rhone Valley; (vii) Val d'Azergues near Lyon; (viii) Le Havre and (ix) St Pierre la Cour near Rennes in western France, which is the largest cement plant in France.

127. In addition, Lafarge operates four grinding stations in Dunkerque (North of France), Frangey (Burgundy, a former integrated plant whose kiln was shut down by Lafarge in 2012), Sète (southern France) and the Kercim grinding station in St Nazaire (western France) that Lafarge acquired in July 2014. Also Lafarge operates import terminals in

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74 In eastern Czech Republic, imports, especially from Slovakia, seem to be more significant. See replies to question 16 of Q2m – Grey cement – Questionnaire to customers – Czech Republic.

75 Holcim internal document, entitled 'Holcim Czech Republic Business Plan 2013-2017', Form CO, Annex 5.4.064, p. 22.

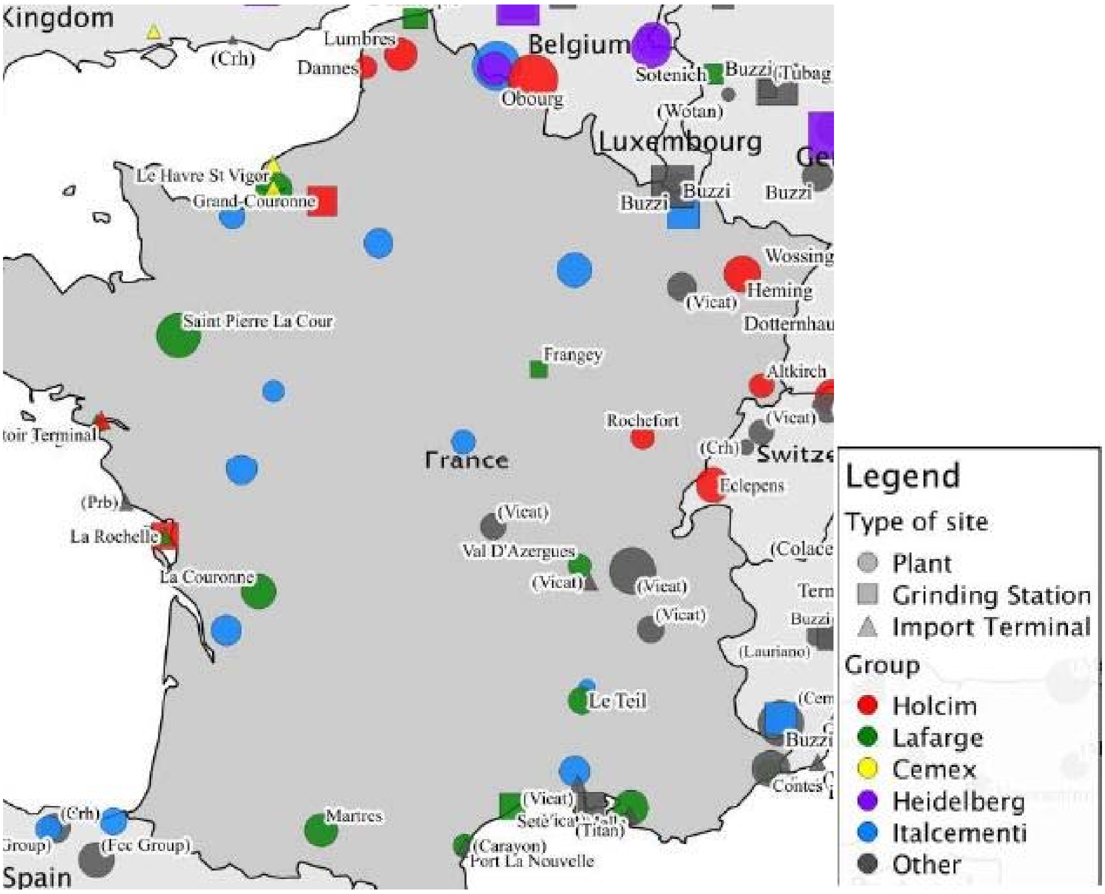
76 See replies to questions 23 to 26 of Q2m – Grey cement – Questionnaire to customers – Czech Republic and to the follow up clarification questionnaire of 7 November 2014.

Marseille (since 2014), Lorient and Brest (Brittany) and La Rochelle (western France) as well as depots in Bonneuil and Cormeilles (Paris area).

128. Lafarge is also vertically integrated in the production of aggregates and RMX with aggregates quarries and RMX plants throughout the country.

129. The Parties' and their main competitors' cement assets in France are shown on the map in Figure 4.

Figure 4 - Map of French cement assets: The cement facilities of Lafarge are marked by green dots while those of Holcim are marked by red dots



Source: Form CO, paragraph 410

130. The Parties' activities mainly overlap in the north-west of France (around Holcim's plants in Lumbres and Dannes and the Parties' facilities in Normandy, "north-western region"), the west (around the Parties' plants in La Rochelle and St Pierre la Cour and Holcim's terminal in Montoir, "western region") and the east (around Holcim's plants of Héming and Rochefort-sur-Nenon and Lafarge's plants of Frangey and Val d'Azergues, "eastern region").

VI.1.3.6.1. Assessment of the north-western region of France

131. Holcim serves its customers in this area from its integrated plant in Lumbres and the grinding stations of Dannes and Grand-Couronne. Lafarge is active in this area from its integrated plant in Le Havre and its grinding station in Dunkerque.

132. For the reasons set out in recitals 133 to 143, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in

relation to grey cement in the relevant catchment areas around the plants of Dannes, Grand-Couronne, Le Havre and Lumbres.

133. First, the merged entity will have high market shares in the Dannes, Grand-Couronne, Le Havre and Lumbres catchment areas. Table 17 to Table 21 show the Parties' market shares in the 150 km and 250 km radii around their plants located in the north-western region of France.[77]

Table 17: Sales shares Dannes catchment area

Dannes catchment area 2013	*150km*	*250km*
Holcim	[20-30]%	[20-30]%
Lafarge	[5-10]%	[5-10]%
Combined	**[30-40]**%	**[30-40]**%
Italcementi	[30-40]%	[20-30]%
Heidelberg	[10-20]%	[10-20]%
CRH	[10-20]%	[10-20]%
Cemex	[5-10]%	[0-5]%
Others	[0-5]%	[5-10]%
Total	**100**%	**100**%

Table 18: Sales shares Dunkerque catchment area

Dunkerque catchment area 2013	*150km*	*250km*
Holcim	[20-30]%	[20-30]%
Lafarge	[0-5]%	[5-10]%
Combined	**[20-30]**%	**[20-30]**%
Italcementi	[30-40]%	[20-30]%
Heidelberg	[10-20]%	[20-30]%
CRH	[10-20]%	[10-20]%
Buzzi Unicem	[0-5]%	[5-10]%
Others	[0-5]%	[5-10]%
Total	**100**%	**100**%

Table 19: Sales shares Grand-Couronne catchment area

Grand-Couronne catchment area 2013	*150km*	*250km*
Holcim	[20-30]%	[20-30]%
Lafarge	[20-30]%	[20-30]%
Combined	**[40-50]**%	**[40-50]**%
Italcementi	[30-40]%	[30-40]%
Cemex	[10-20]%	[0-5]%
Heidelberg	[0-5]%	[5-10]%
CRH	[0-5]%	[5-10]%
Others	[0-5]%	[0-5]%
Total	**100**%	**100**%

77 Source: Form CO, Annex 6.10.

Table 20: Sales shares Le Havre catchment area

Le Havre St Vigor catchment area 2013	*150km*	*250km*
Holcim	[10-20]%	[20-30]%
Lafarge	[20-30]%	[20-30]%
Combined	**[30-40]**%	**[40-50]**%
Italcementi	[30-40]%	[30-40]%
Cemex	[10-20]%	[5-10]%
Heidelberg	[0-5]%	[5-10]%
Others	[0-5]%	[5-10]%
Total	**100%**	**100%**

Table 21: Sales shares Lumbres catchment area

Lumbres catchment area 2013	*150km*	*250km*
Holcim	[20-30]%	[20-30]%
Lafarge	[5-10]%	[5-10]%
Combined	**[30-40]**%	**[20-30]**%
Italcementi	[30-40]%	[20-30]%
Heidelberg	[10-20]%	[10-20]%
CRH	[10-20]%	[10-20]%
Others	[0-5]%	[10-20]%
Total	**100%**	**100%**

134. In the areas around the cement plants of Grand-Couronne and Le Havre, the Notified Transaction will create a market leader with market shares between 40 and 50% for both radii of 150 and 250 km, and a significant overlap.

135. In the 150 km radius around these plants, the number of sizable competitors will be reduced from four to three, namely the merged entity, Italcementi (from its plant of Ranville in Normandy) and Cemex. Cemex does not own any cement plants in France but imports grey cement from Italcementi's plant in Gaurain (Belgium) and re-sells it to its own ready-mix concrete operations in France. Heidelberg is also present in this region from its cement operations in Belgium but its market position is small. CRH also has a limited market presence through imports from Belgium and the UK.

136. Market shares will also be high (between 30 and 40%) in the radii around the cement plants of Lumbres and Dannes with an overlap between 5 and 10%. The main competitor is Italcementi, which is active in the area from its French plants in Normandy and Ile-de-France and its operations in Belgium. The other market players only import cement from Belgium (Heidelberg, Lagan) or the UK (CRH).

137. Market shares will be lower in the Dunkerque radii (between 20 and 30% with an overlap of [0-5]% (150 km) and [5-10]% (250 km), also due to the fact that these radii also cover a portion of the territory of Belgium where Lafarge is hardly active.

138. Second, customers that responded to the market investigation indicated that the elimination of one competing alternative will have an impact in the north-western region of France. One customer whose plant is located in the North of France

explained that the merger will result in "*less competition, more tension on prices*"[78]. Another customer active in ready-mix concrete in Northern France submitted that "*Holcim is one of my providers for cement and one of our customers for aggregates so we might lose a customer and have to find a new supplier"*[79] A customer located in Paris and sourcing from the Parties' plants in Northern France and Normandy took the view that as a result of the merger there will be a "*Lessening of competition – we fear a price increase and a reduction of supply alternatives for the same quality of cement*".[80] One RMX producer put forward that "*in Ile-de-France and Haute-Normandie, the merger of both networks could create a significant supply concentration*".[81]

139. Third, although importers are present in the north-western region of France, especially in the areas bordering Belgium, the competitive pressure exerted by these imports does not appear to be comparable to the one stemming from suppliers located in France. As regards bagged cement notably, brand awareness, specific packaging adapted to the French market, the French quality mark (NF or norme française discussed below) and logistics have been mentioned as limiting possibilities to source more cement from neighbouring countries.[82]

140. Notably, in order to give customers a high level of confidence, French authorities have developed a voluntary quality marking, the NF Mark. This mark attests that the grey cement has been controlled by a reference laboratory. Control frequency is twice as high as the minimum required by the European standard 197-1.[83] The NF is for example required in the vast majority of tenders for public works, as confirmed by respondents to the market investigation who indicated that their customers (construction and public works companies) attach particular importance to the NF mark.[84]

141. Two thirds of customers that responded to the market investigation indicated that the NF mark limits the capacity of importers to compete effectively. Although some European grey cement producers have applied for and obtained the NF certification

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78 See reply to question 35-1 – Q2c – Grey cement 28.10.2014 – Questionnaire to customers – metropolitan France.

79 See reply to question 34-1 – Q2c – Grey cement 28.10.2014 – Questionnaire to customers – metropolitan France.

80 See reply to question 34-1 – Q2c – Grey cement 28.10.2014 – Questionnaire to customers – metropolitan France. The French original reads "*Reduction de la concurrence – crainte d'une hausse de prix ou d'une réduction des possibilités d'approvisionnement pour une même qualité de ciment*.'.

81 See reply to question 14-1 – Q3b – Ready-mix concrete 28.10.2014 – Questionnaire to competitors – France.

82 "*Nous achetons notre ciment en local car les clients sont attachés à la marque Lafarge, Vicat, Calcia ou Holcim* ». « *With respect to the Builders Merchant businesses (bagged cement), our customers have their habits and tend to be loyal to particular brands*" See replies to question 12 -1 – Q2c – Grey cement 28 10 2014– Questionnaire to customers metropolitan France: « *le marché français demande très souvent des produits conformes à la norme CE NF, ce que n'offrent pas tous les produits que nous pourrions sourcer à l'étrang*er » See replies to question 14 -1 – Q2c – Grey cement 28 10 2014– Questionnaire to customers metropolitan France.

83 Form CO, paragraph 461-462.

84 See reply to question 23 – Q2c – Grey cement 28.10.2014 – Questionnaire to customers – metropolitan France.

for their grey cement exported to France, the certification process typically lasts 6 to 18 months and is considered by many respondents as lengthy and tedious. In particular, quality requirements of the NF mark are high for an importer with limited sales perspectives in France.[85]

142. Fourth, importers raised concerns as regards the competitive impact of the merger. One cement player importing cement into Northern France submitted that "*Lafarge and Holcim are significant players in France with Lafarge being market leader actually. The transaction would combine Holcim's good positions in the* region *where it is already active with Lafarge's specific strength as market leader".*[86] As a result *"If the transaction were to realize, the possibilities to enter the French market / to expand in France would further decrease. We expect that the merger would lead to further consolidation of the domestic cement producers, thereby increasing barriers to entry".*[87]

143. Fifth, a number of internal documents indicate that rivalry between the Parties is an important source of competition in the north-western part of France. For example in Holcim's business plan for the period 2013-2017 related to France, it is mentioned that […].[88] This document indicates that […][89] […] an internal document of Lafarge which notes […].[90]

VI.1.3.6.2. Assessment of the western region of France

144. Holcim serves its customers in this area from its grinding station in La Rochelle (which opened in the summer of 2014) and its terminal in Montoir-de-Bretagne. Lafarge is active in this area from its integrated plant in St Pierre la Cour, the newly-acquired Kercim grinding station in St Nazaire and its terminal in La Rochelle

145. For the reasons set out below in recitals 146 to 154, the Commission finds that the Notified Transaction raises serious doubts in the markets for grey cement around the plants of La Rochelle, Saint-Nazaire, St Pierre la Cour and the terminal of Montoir.

146. First, the merged entity will have high market shares. Tables 22 to 25 show the Parties' market shares in the 150 km and 250 km radii around the Parties' plants located in the western region of France in 2013.[91]

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85 See reply to questions 26-1 – Q1c – Grey cement 28.10.2014 – Questionnaire to competitors – metropolitan France.

86 See reply to questions 37-1 – Q1c – Grey cement 28.10.2014 – Questionnaire to competitors – metropolitan France.

87 See reply to questions 38-1 – Q1c – Grey cement 28.10.2014 – Questionnaire to competitors – metropolitan France.

88 See Holcim France business plan 2013-2017, Form CO, annex 5-4.072, slide 31.

89 Lafarge acquired Kercim in July 2014.

90 See Lafarge revue stratégique 2012-2015, Form Co, annex 5-4, slide 17. The French original reads « *[…]* ».

91 Source Form CO, Annex 6.10.

Table 22: Sales shares le Rochelle catchment area[92]

La Rochelle catchment area 2013	*150km*	*250km*
Holcim	[5-10]%	[0-5]%
Lafarge	[30-40]%	[40-50]%
Combined	**[30-40]**%	**[40-50]**%
Italcementi	[50-60]%	[30-40]%
PRB	[10-20]%	[0-5]%
Others	[0-5]%	[10-20]%
Total	**100%**	**100%**

Table 23: Sales shares Montoir terminal catchment area

Montoir Terminal catchment area 2013	*150km*	*250km*
Holcim	[5-10]%	[5-10]%
Lafarge	[40-50]%	[40-50]%
Combined	**[50-60]**%	**[50-60]**%
Italcementi	[30-40]%	[30-40]%
PRB	[10-20]%	[5-10]%
Others	[0-5]%	[5-10]%
Total	**100%**	**100%**

Table 24: Sales shares Kercim St Nazaire terminal catchment area

Kercim St Nazaire catchment area 2013	*150km*	*250km*
Holcim	[5-10]%	[5-10]%
Lafarge	[40-50]%	[40-50]%
Combined	**[50-60]**%	**[50-60]**%
Italcementi	[30-40]%	[30-40]%
PRB	[10-20]%	[5-10]%
Others	[0-5]%	[5-10]%
Total	**100%**	**100%**

Table 25: Sales shares St Pierre La Cour catchment area

St Pierre La Cour catchment area 2013	*150km*	*250km*
Holcim	[5-10]%	[5-10]%
Lafarge	[40-50]%	[30-40]%
Combined	**[50-60]**%	**[40-50]**%
Italcementi	[40-50]%	[40-50]%
Cemex	[5-10]%	[5-10]%
Others	[0-5]%	[5-10]%
Total	**100%**	**100%**

147. In the three catchment areas around the Parties' plants in western France,[93] the Notified Transaction will create a large player with market shares above [50-60]% for

92 These market shares concern the areas around both Holcim's grinding station and Lafarge's terminal.

both radii of 150 and 250 km around Montoir and the 150 km radius around St Pierre la Cour, and around [40-50]% for the 150 and 250 km radii around La Rochelle and the 250 km radius around St Pierre la Cour.

148. Second, the Notified Transaction will reduce the number of alternatives in these areas from four to three. Apart from the Parties, only Italcementi is active in this area with two integrated plants (Bussac in Charente-Maritime and Airvault in Deux-Sèvres) as well as PRB, an importer which sources grey cement from its terminal in Les Sables-d'Olonne (in the catchment areas of Montoir and La Rochelle) and Cemex which imports grey cement from Belgium as mentioned in the section on north-western France (in the catchment area of St Pierre la Cour).

149. Third, customers that responded to the market investigation indicated that the elimination of one competing alternative will have an impact in the western region of France. As a background to these concerns, Lafarge has traditionally held a strong position in western France. This is evidenced in an internal document from Holcim[94] that explains that the […][95]". The table below originates from the same internal document and shows the respective market shares of Lafarge, Italcementi/Calcia and Holcim in the various administrative regions of Western France in 2012, notably Brittany, Pays de Loire and Poitou-Charentes.

Region	**2012 market (KT)**	**% Lafarge**	**% Calcia**	**% Holcim**	**% others**
Pays de la Loire	[…]	[30-40]%	[50-60]%	[10-20]%	[5-10]%
Bretagne	[…]	[70-80]%	[10-20]%	[5-10]%	[5-10]%
Aquitaine	[…]	[30-40]%	[50-60]%	[0-5]%	[5-10]%
Poitou-Charentes	[…]	[60-70]%	[30-40]%	[0-5]%	[0-5]%
Centre	[…]	[30-40]%	[50-60]%	[0-5]%	[0-5]%
Limousin	[…]	[30-40]%	[40-50]%	[10-20]%	[5-10]%
Haute-Normandie	[…]	[0-5]%	[90-100]%	[0-5]%	[0-5]%
Basse-Normandie	[…]	[30-40]%	[20-30]%	[0-5]%	[40-50]%
Total	**[…]**	**[40-50]%**	**[40-50]%**	**[5-10]%**	**[5-10]%**

150. In the last 5 years, Holcim has significantly developed its market presence in the west, through particularly the acquisition of the Montoir terminal in February 2010 and the opening of the grinding station in La Rochelle (in July 2014). […].[96]

151. The main reasons invoked by Holcim for its geographic repositioning in Western France are the following: […].[97]

93 Montoir terminal and Kercim St Nazaire grinding station are located less than 10 km from each other and therefore have the same catchment area.

94 […], Form CO annex 5-4.073, slide 14.

95 Calcia is the brand name of Italcementi in France.

96 […].

97 […].

152. Respondents to the market investigation have confirmed that this expansion of Holcim in western France has enabled customers in this area to benefit from a new supply alternative and lower prices. As explained by a customer with sites located in Brittany and Poitou-Charentes "*Prices of cement have dropped by 15% since Holcim's entry, in bulk and in bagged cement*".[98] A customer located in Brittany has explained that Holcim's entry has triggered a "*significant and timely price decrease*".[99] One competitor has noted a "*Price decrease of 5 to 10 euros per tonne after the opening of the Montoir's terminal and La Rochelle's grinding station* ".[100]

153. Internal documents of Lafarge confirm the intensification of competition in western France. In a document dated 30 May 2014, Lafarge notes […]. In this document, Lafarge identifies […] notably "*[...]*". […], Lafarge indicates "*[...]*".[101]

154. The merger will eliminate the alternative created by Holcim and has therefore triggered concerns among customers located in western France. One customer mentioned that "*Cement prices will increase. In the west, we will have two cement players, Lafarge-Holcim-Kercim and Calcia, like 5 years ago- 2 cement players in a large region - this is not enough*"[102]. Another customer notes that "*The Lafarge-Holcim merger in western France may erode our negotiation power.*" [103] A bagged cement distributor with a national network submits that "*The Lafarge-Holcim merger may in certain cases hinder competitiveness, particularly in Normandy, Brittany, Pays de Loire and Rhone-Alpes*".[104]

VI.1.3.6.3. Assessment of the eastern region of France

155. Holcim serves its customers in this area from its integrated plants in Altkirch, Héming and Rochefort-sur-Nenon. Lafarge is active in this area from its integrated plant in Val d'Azergues and its grinding station in Frangey.

156. For the reasons set out below in recitals 157 to 163, the Commission concludes that the Notified Transaction will raise serious doubts as to its compatibility with the

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98 See reply to question 22 – Q2c – Grey cement 28.10.2014 – Questionnaire to customers – metropolitan France. The French original reads "*Les prix du ciment ont chuté dans l'ouest depuis l'arrivée d'Holcim (-15%) – vrac et sacs"*.

99 See reply to question 22 – Q2c – Grey cement 28.10.2014 – Questionnaire to customers – metropolitan France. The French original reads " *Une baisse de prix significative et providentielle*".

100 See reply to question 22 – Q1c – Grey cement 29.10.2014 – Questionnaire to competitors– metropolitan France. The French original reads "*Impact de -5 à -10 euros par tonne par La Rochelle et le terminal de Montoir de Bretagne*".

101 See Lafarge Cap memo 'Country ambition plan France 2014" dated 30 May 2014.

102 See reply to question 34-1 – Q2c – Grey cement 28.10.2014 – Questionnaire to customers – metropolitan France. The French original reads "*Les prix du ciment vont remonter, il restera dans l'Ouest deux cimentiers : Lafarge-Holcim-Kercim et Calcia comme il y a 5 ans. Deux cimentiers dans une grande région ce n'est pas suffisant*".

103 See reply to question 34-1 – Q2c – Grey cement 28.10.2014 – Questionnaire to customers – metropolitan France. The French original reads "*La fusion Lafarge-Holcim dans l'Ouest de la France pourrait nous enlever un pouvoir de negociation*".

104 See reply to question 34-1 – Q2c – Grey cement 28.10.2014 – Questionnaire to customers – metropolitan France. The French original reads "*La fusion Lafarge-Holcim pourrait dans certains cas nuire à la compétitivité, notamment en Normandie, Bretagne, Pays de Loire et Rhône-Alpes*".

internal market in relation to grey cement in the relevant catchment areas around the plants of Héming, Rochefort-sur-Nenon and Frangey.

157. First, the merged entity will have high market shares in the 150 km and 250 km radii around the Parties' plants located in Heming, Rochefort-sur-Nenon and Frangey in 2013, as can be seen from table 26 to table 30.[105]

Table 26: Sales shares Altkirch catchment area

Altkirch catchment area 2013	***150km***	***250km***
Holcim	[40-50]%	[20-30]%
Lafarge	[0-5]%	[5-10]%
Combined	**[40-50]**%	**[20-30]**%
Vicat	[10-20]%	[10-20]%
CRH	[10-20]%	[0-5]%
Heidelberg	[5-10]%	[10-20]%
Schwenk	[5-10]%	[5-10]%
Buzzi unicem	[5-10]%	[5-10]%
Italcementi	[0-5]%	[5-10]%
Others	[0-5]%	[10-20]%
Total	**100%**	**100%**

Table 27: Sales shares Frangey catchment area

Frangey catchment area 2013	***150km***	***250km***
Holcim	[20-30]%	[20-30]%
Lafarge	[10-20]%	[10-20]%
Combined	**[30-40]**%	**[30-40]**%
Italcementi	[30-40]%	[20-30]%
Vicat	[20-30]%	[10-20]%
Buzzi	[0-5]%	[5-10]%
Heidelberg	[0-5]%	[5-10]%
Others	[0-5]%	[5-10]%
Total	100%	**100%**

Table 28: Sales shares Héming catchment area

Héming catchment area 2013	***150km***	***250km***
Holcim	[20-30]%	[10-20]%
Lafarge	[5-10]%	[5-10]%
Combined	**[30-40]**%	**[20-30]**%
Buzzi Unicem	[20-30]%	[10-20]%
Heidelberg	[10-20]%	[10-20]%
Vicat	[10-20]%	[5-10]%
Schwenk	[5-10]%	[5-10]%
Italcementi	[5-10]%	[5-10]%
Others	[0-5]%	[10-20]%
Total	**100%**	**100%**

105 Source Form CO Annex 6-10.

Table 29: Sales shares Rochefort-sur-Nenon catchment area

Rochefort-Sur-Nénon catchment area 2013	*150km*	*250km*
Holcim	[20-30]%	[10-20]%
Lafarge	[5-10]%	[10-20]%
Combined	**[30-40]**%	**[30-40]**%
Vicat	[40-50]%	[20-30]%
Italcementi	[10-20]%	[10-20]%
CRH	[5-10]%	[0-5]%
Buzzi Unicem	[0-5]%	[5-10]%
Heidelberg	[0-5]%	[5-10]%
Others	[0-5]%	[10-20]%
Total	**100%**	**100%**

Table 30: Sales shares Val d'Azergues catchment area

Val d'Azergues catchment area 2013	*150km*	*250km*
Holcim	[5-10]%	[5-10]%
Lafarge	[10-20]%	[20-30]%
Combined	**[20-30]**%	**[30-40]**%
Vicat	[60-70]%	[30-40]%
Italcementi	[5-10]%	[10-20]%
Buzzi-Unicem	[0-5]%	[5-10]%
Others	[0-5]%	[10-20]%
Total	**100%**	**100%**

158. In the areas around the cement plant of Frangey, the Notified Transaction will create a market leader with market shares of [30-40]% for the 150 km radius and [30-40]% for the 250 km radius, and a significant overlap. The number of players in this area will be reduced from four to three in the 150 km radius with only Italcementi and Vicat remaining.[106] In the 250 km radius, Heidelberg is also present with imports from Germany. As mentioned in the section related to north-western France, the competitive pressure exerted by these imports does not appear to be comparable to the one stemming from players located in France, as some of these imports do not bear the NF mark and importers are reluctant to undertake the steps to obtain it.

159. In the areas around the cement plant of Héming, the merged entity will have a market share of [30-40]% for the 150 km radius, the second player being Buzzi Unicem. The combined market share of [20-30]% in the 250 km radius will be smaller given that this radius also encompasses areas of Germany and Luxembourg where local players (Cimalux, Schwenk, Miebach) are active. Only Italcementi has a plant in this area of France (in Xeuilley near Nancy), the other suppliers (Buzzi, Heidelberg, Schwenk) relying on imports from Germany and Luxembourg. As mentioned in the section related to north-western France, the competitive pressure exerted by these imports does not appear to be comparable to the one stemming from players located in France, as some of these imports do not bear the NF mark and importers are reluctant to undertake the steps to obtain it.

106 Buzzi Unicem has also a small market presence (less than [5-10]%) with imports from Germany.

160. In the areas around the cement plant of Rochefort-sur-Nenon, the merged entity will hold a market share of [30-40]% for the 150 km radius. The other significant player is Vicat with [40-50]% market share and Italcementi with [10-20]%. Although smaller, the combined market share in the 250 km radius will still be significant ([30-40]%). Only Italcementi and Vicat have a plant in this area of France with the other players (Buzzi, Heidelberg, CRH) relying on imports from Germany and Switzerland. As mentioned in the section related to north-western France, the competitive pressure exerted by these imports does not appear to be comparable to the one stemming from players located in France, as some of these imports do not bear the NF mark and importers are reluctant to undertake the steps to obtain it.

161. In the areas around the cement plant of Val d'Azergues, the combined market share of the Parties is [20-30]% (150 km) and [30-40]% (250 km). Vicat is the market leader with [60-70]% (150 km) and [30-40]% (250 km). Holcim's sales in these areas are achieved from its plants of Rochefort-sur-Nenon and Héming.

162. In the areas around the cement plant of Altkirch, the increment will be limited ([0-5]%). The increment for the 250 km radius will be higher ([5-10]%) but both increments represent sales of Lafarge achieved in Germany from its German plants, notably Wössingen.

163. Second, certain customers located in these areas have voiced concerns regarding the impact of the Notified Transaction in these areas. This was in particular the case of DIY stores that source bagged cement for their retail and trading activities. Although Holcim is in general the main suppliers for these customers in Eastern France, these DIY stores are particularly committed to offer the Lafarge products due to the strong attachment of their customers to the Lafarge brand.[107] In that regard, imported cement does not constitute a full alternative because, as mentioned above in the section on north-western France, imported cement does not bear the NF mark which is highly valued by the DIY stores' customers. As mentioned by a DIY retail chain, "*Our* customers *require this mark and this is a landmark of superior product quality*".[108] Another customer present in this area states that "*Imports are made more difficult. Several other European producers could be active in France with only a European mark*".[109]

VI.1.3.6.4. Assessment of other regions of France

164. For the reasons set out in recitals 165 to 168, the Commission concludes that the Notified Transaction does not raise serious doubts as to its compatibility with the internal market in relation to grey cement in the relevant catchment areas around the plants of Contes, La Couronne, La Malle, Le Teil, Martres, Port-la-Nouvelle and the Sète terminal

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107 See reply to question 34-1 – Q2c – Grey cement 28.10.2014 – Questionnaire to customers – metropolitan France.

108 See reply to question 23 – Q2c – Grey cement 28.10.2014 – Questionnaire to customers – metropolitan France. The French original reads "*Cette marque est exigée par nos clients et constitue un repère significatif de haute qualité du produit*".

109 See reply to question 23 – Q2c – Grey cement 28.10.2014 – Questionnaire to customers – metropolitan France. The French original reads "*importation rendue très difficile. Beaucoup d'autres producteurs pourraient être actifs en France avec uniquement une norme européenne*".

165. First, the increment brought about by the merger will be low for most relevant catchment areas. The tables below shows the Parties' market shares in the 150 and 250 km radii around the Parties' plants located in the other regions of France in 2013.[110]

Table 31: Sales shares Contes catchment area

Contes catchment area 2013	*150km*	*250km*
Holcim	[0-5]%	[5-10]%
Lafarge	[10-20]%	[10-20]%
Combined	**[10-20]**%	**[20-30]**%

Table 32: Sales shares La Couronne catchment area

La Couronne catchment area 2013	*150km*	*250km*
Holcim	[0-5]%	[0-5]%
Lafarge	[30-40]%	[30-40]%
Combined	**[30-40]**%	**[40-50]**%
Italcementi	[50-60]%	[30-40]%
PRB	[0-5]%	[0-5]%
Vicat	[0-5]%	[5-10]%
Others	[0-5]%	[5-10]%
Total	**100**%	**100**%

Table 33: Sales shares La Malle catchment area

La Malle catchment area 2013	*150km*	*250km*
Holcim	[0-5]%	[0-5]%
Lafarge	[40-50]%	[30-40]%
Combined	**[40-50]**%	**[30-40]**%
Vicat	[20-30]%	[20-30]%
Italcementi	[10-20]%	[10-20]%
Buzzi Unicem	[10-20]%	[10-20]%
Titan	[5-10]%	[0-5]%
Cementos Molins	[0-5]%	[5-10]%
Others	[0-5]%	[10-20]%
Total	**100**%	**100**%

Table 34: Sales shares Le Teil catchment area

Le Teil catchment area 2013	*150km*	*250km*
Holcim	[0-5]%	[0-5]%
Lafarge	[30-40]%	[20-30]%
Combined	**[30-40]**%	**[30-40]**%
Vicat	[30-40]%	[30-40]%
Italcementi	[10-20]%	[10-20]%
Buzzi unicem	[5-10]%	[5-10]%
Others	[0-5]%	[10-20]%
Total	**100**%	**100**%

110 Source: Form CO, annex 6-10.

Table 35: Sales shares Martres catchment area

Martres catchment area 2013	*150km*	*250km*
Holcim	[0-5]%	[0-5]%
Lafarge	[50-60]%	[30-40]%
Combined	**[50-60]**%	**[30-40]**%

Table 36: Sales shares Port-la-Nouvelle catchment area

Port La Nouvelle catchment area 2013	*150km*	*250km*
Holcim	[0-5]%	[0-5]%
Lafarge	[40-50]%	[40-50]%
Combined	[40-50]%	[40-50]%

Table 37: Sales shares Sète catchment area

Sète catchment area2013	*150km*	*250km*
Holcim	[0-5]%	[0-5]%
Lafarge	[50-60]%	[40-50]%
Combined	**[50-60]**%	**[40-50]**%

166. Although Lafarge holds strong market positions in these areas (except for Contes) the increment brought about by the Notified Transaction will be less than [0-5]%. This will be the case for both radii around La Malle, Martres, Port-la-Nouvelle, Sète and for the 150 km radius around Le Teil.

167. In the 150 and 250 km radii around La Couronne and the 250 km radius around Le Teil, the merged entity will hold more substantial market shares (respectively [30-40]%, [40-50]% and [30-40]%) and the increment brought by the Notified Transaction will also be low (respectively [0-5]%, [0-5]% and [0-5]%). In addition, Holcim's sales around La Couronne are achieved from plants which are located in the western region (Montoir) and the north-western region (Lumbres). Likewise, Holcim’s sales around Le Teil are achieved from plants in the eastern region (Rochefort-sur-Nenon and Lumbres). The overlaps between Lafarge's plants and the facilities of Montoir, Rochefort-sur-Nenon and Lumbres are assessed in the sections related to western France, eastern France and north-western France respectively.

168. Second, for the areas around Lafarge’s plants in Contes only the 250 km radius will be affected by the Notified Transaction as the merged entity will hold a market share of [20-30]% with an increment of [5-10]%. In this area, the merged entity will, however, continue to face competition by the market leader Vicat ([20-30]%), and from Buzzi ([10-20]%), Italcementi ([5-10]%) and several Italian cement producers.

VI.1.3.7. France (Réunion)

169. In Réunion, **Holcim** operates the Ciments de Bourbon grinding station in Le Port with a grey cement production capacity of 465,000 tonnes and a bagging facility. The grinding station is solely controlled by Holcim, which holds a stake of roughly 64%. Lafarge and Pretoria Portland Cement Company Limited (PPC), a South African grey cement producer, hold minority interests in Ciments de Bourbon of […]% and […]%, respectively. This grinding station sources clinker abroad, […]. Following the grinding of clinker, the grey cement is sold […]. In 2013, Holcim's total volume of

grey cement sales totalled […] generating revenues of […]. Holcim is also vertically integrated in the production and sale of RMX (five sites) and aggregates (three quarries).

170. **Lafarge** operates a grey cement import terminal in Le Port. It imports bulk grey cement […], these imports being marketed through Lafarge Ciments Réunion (LCR).[111] In addition, Lafarge procures grey cement from Ciments de Bourbon in which it owns a minority shareholding of approximately […]%.[112] The shareholders' agreement between Lafarge and Holcim regarding Ciments de Bourbon[113] states that […].[114] Lafarge sources […] of its requirements through Ciments de Bourbon and the rest from […].

171. In 2013, Lafarge's grey cement sales in Réunion totalled […] tonnes generating revenues of approximately EUR […] million. Lafarge is also vertically integrated in the production and sales of aggregates (three quarries), RMX (four plants) and precast concrete (three plants).

172. For the reasons set out in recitals 173 to 176, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to grey cement in Réunion.

173. First the merged entity will have high market shares in Réunion. As a 150 km radius drawn around any site in Réunion covers the whole island, and the market investigation has confirmed that any cement producer or distributor can deliver cement across the whole island,[115] Table 38 shows the Parties' market shares by reference to a market for the manufacture and sale of grey cement covering the territory of Réunion.

Table 38 – Sales shares in Réunion

Reunion Island	***2013***
Holcim	[40-50]%
Lafarge	[50-60]%
Combined	**[90-100]**%
Others	[0-5]%
Total	**100**%

Source: Notifying Party, Form CO

174. Post-merger, competition will stem from the two only remaining players importing grey cement in Réunion (mainly from Pakistan): Vishor, which operates a grey cement warehouse in St Paul and Wong Wing Cheung Distribution ('WWC'), which

111 Lafarge owns […]% of LCR, while the remaining […]% are held by I.A. Ravate, the main distributor of grey cement in Réunion.

112 The grey cement terminal's capacity is used both for imported grey cement and for storing and bagging the grey cement obtained from Ciments de Bourbon. […].

113 Article 6.3.2 of the Shareholders' Agreement of 14 August 2006 (SHA), Form CO, Annex RFI 20140725, Q26. Ciments de Bourbon's grey cement production is, […].

114 […].

115 See replies to question 11 – Q2d - Grey cement 28.10.2014 – Questionnaire to customers – France (Réunion).

owns two grey cement warehouses.[116] As these importers are exclusively active in bagged cement, the Notified Transaction will create a monopoly in bulk grey cement in Réunion.

175. Second, these importers are limited in their ability to compete since their imported cement does not bear the NF mark, which is important as explained in the section related to France (Métropole).

176. Third, respondents to the market investigation have expressed concerns regarding the post-merger competitive situation. All customers that responded to the market investigation highlighted the quasi-monopoly situation created by the merger and the limited remaining competition, exclusively in bagged cement.[117] Competitors that responded to the market investigation share that same view. Competitors also highlighted that Holcim and Lafarge are the only suppliers with the NF mark in Réunion, which grants them a factual monopoly for some public tenders where this mark is required.[118]

VI.1.3.8. Germany

177. **Holcim's** German business is split into (i) a north-western region covering the German federal states of Schleswig-Holstein, Lower Saxony, Mecklenburg-Western Pomerania, North Rhine-Westphalia, Hessen and the city state of Bremen and (ii) a southern region confined to Baden-Württemberg.

178. In the north-western region, Holcim Germany currently operates two integrated cement plants in Lägerdorf (Schleswig-Holstein) and in Höver (Lower Saxony). It also operates a slag grinding and blending station in Bremen, a terminal in Brunsbüttel (Schleswig-Holstein), a blending station/terminal in Rostock (Mecklenburg-Western Pomerania) and a terminal in Wiesbaden (Hessen).

179. In the southern region, Holcim operates an integrated cement plant in Dotternhausen (Baden-Württemberg). Holcim is also vertically integrated in the production of ready-mix concrete in northern and southern Germany.

180. Holcim entered into a share purchase agreement with Cemex on 29 October 2014 for the purchase of Cemex's assets in western Germany comprising one integrated cement plant in Beckum-Kollenbach and two grinding stations in Duisburg/Schwelgern and Dortmund, all in North Rhine-Westphalia.[119] According to the Notifying Party, that transaction with Cemex is scheduled to close early in 2015. The Commission has taken this into account in its assessment of Holcim's German activities.

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116 Form CO, paragraph 530.

117 See replies to Questions 27 and 28 – Q2d - Grey cement 28.10.2014 – Questionnaire to customers – France (Réunion).

118 See reply to Question 20-1 – Q2d - Grey cement 28.10.2014 – Questionnaire to customers – France (Réunion). The French original reads: "*Seules Holcim et Lafarge bénéficient du label NF a l'Ile de Réunion et sont en situation de monopole pour certains marchés publics*".

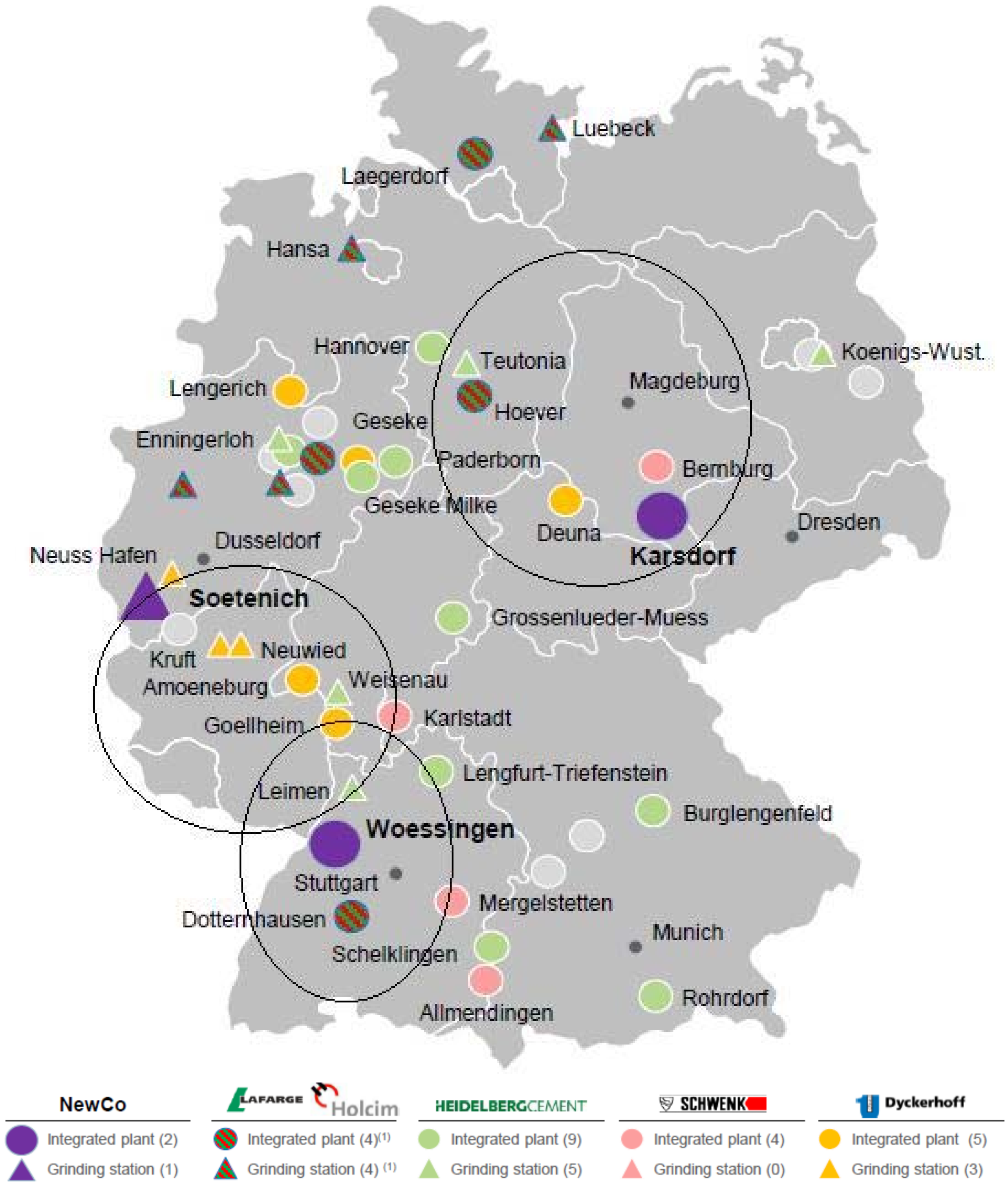
119 That transaction received merger clearance by the European Commission on 5 June 2014, see Case M.7009 – Holcim/Cemex West.

181. **Lafarge** operates three grey cement facilities in different parts of Germany, one integrated plant in Karsdorf (Saxony-Anhalt) in eastern Germany, one integrated plant in Wössingen (Baden-Württemberg) in south-western Germany and one grinding station in Sötenich (North Rhine-Westphalia) in western Germany. Lafarge cannot be considered to be vertically integrated in concrete production in Germany as it operates only two ready-mix facilities in Großpösna (Saxony) and Neufahrn (Bavaria) and sells the vast majority of its cement production to third parties.[120]

182. The main areas of overlap between the Parties in grey cement in Germany refer to their activities in south-western Germany (Baden-Württemberg), western Germany (North Rhine-Westphalia and Rhineland-Palatinate) and the central region of Germany (eastern Lower Saxony and Saxony-Anhalt):

120 Form CO, paragraph 638.

Figure 5 - Map of German cement production facilities



Source: Notifying Party, Global teaser document sent to potential investors, 'Holcim and Lafarge selected assets overview. Teaser', August 2014,slide 32.

183. A number of customers that responded to the market investigation expressed concerns that the Notified Transaction will have an adverse effect on their companies and on competition in the areas where they operate.[121] Such concerns are shared by several competitors that responded to the market investigation.[122]

184. Ready-mix customers also mentioned that Lafarge is one of the few cement suppliers in their region that is not vertically integrated downstream in the production of ready-

121 See replies to questions 29 and 30 – Q2e – Grey cement – Questionnaire to customers – Germany.

122 See replies to questions 30 and 31 – Q1e – Grey cement – Questionnaire to competitors – Germany.

mix concrete. Those customers expressed a preference for buying from non-integrated suppliers to avoid being dependent on cement supplies from ready-mix competitors.[123]

185. The Commission's assessment will be structured in three parts according to the overlap regions between the Parties' activities: (i) south-western Germany, (ii) western Germany and (iii) central region of Germany.

VI.1.3.8.1. South-western Germany

186. For the reasons set out in recitals 187 to 190, the Commission concludes that the Notified Transaction will raise serious doubts as to its compatibility with the internal market in relation to grey cement in the Wössingen and Dotternhausen catchment areas in south-western Germany.

187. First, the markets in the Wössingen and Dotternhausen catchment areas around the Parties' plants in south-western Germany are relatively concentrated, as can be seen from Table 39 and Table 40:

Table 39: Sales shares Wössingen catchment area

Wössingen catchment area	***150km***	***250km***
Holcim[124]	[10-20]%	[10-20]%
Lafarge	[5-10]%	[5-10]%
Combined	**[20-30]%**	**[10-20]%**
Heidelberg	[20-30]%	[20-30]%
Schwenk	[10-20]%	[10-20]%
Buzzi/Dyckerhoff	[10-20]%	[10-20]%
Märker Zement	[0-5]%	[0-5]%
Vicat	[0-5]%	[0-5]%
Other	[5-10]%	[20-30]%
Total	100%	100%

Source: Notifying Party, Form CO

Table 40: Sales shares Dotternhausen catchment area

Dotternhausen catchment area	***150km***	***250km***
Holcim[125]	[20-30]%	[10-20]%
Lafarge	[5-10]%	[0-5]%
Combined	**[30-40]%**	**[20-30]%**
Schwenk	[20-30]%	[10-20]%
Heidelberg	[20-30]%	[10-20]%
Buzzi/Dyckerhoff	[5-10]%	[10-20]%
CRH	[5-10]%	[0-5]%
Märker Zement	[0-5]%	[0-5]%
Vicat	[0-5]%	[5-10]%
Other	[5-10]%	[20-30]%
Total	100%	100%

Source: Notifying Party, Form CO

188. The mid-point circle market share between the Parties' plants in Wössingen and Dotternhausen is [20-30]% (Holcim[126]: [10-20]%; Lafarge [5-10]%).

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123 See replies to questions 29 and 30 – Q2e – Grey cement – Questionnaire to customers – Germany; agreed minutes; agreed minutes of the call with a customer, 13.11.2013, 3.54pm.

124 Holcim's sales share includes sales achieved by Cemex West.

125 Holcim's sales share includes sales achieved by Cemex West.

189. The three largest suppliers (Heidelberg, Schwenk and Holcim) achieved a combined market share of more than [60-70]% and the four largest suppliers achieved a combined market share of about [70-80]%. Internal documents of Holcim appear to confirm that there is a high level of concentration in the area: *[…]*.[127]

190. Second, certain customers that responded to the market investigation and that are based along the Rhine valley in Baden-Württemberg and in the areas of Karlsruhe and Stuttgart indicated that the loss of competition between Holcim's plants in Dotternhausen, Héming and Altkirch with Lafarge's plant in Wössingen will leave few alternative suppliers. Some customers indicated that the situation will amount to a concentration from four to three suppliers leaving only HeidelbergCement and Schwenk as supply alternatives.[128]Third, internal documents indicate that Lafarge has exerted an important price pressure on Holcim, mentioning in particular […].[129]

VI.1.3.8.2. Western Germany

191. For the reasons set out in recitals 192 to 197, the Commission concludes that the Notified Transaction will raise serious doubts as to its compatibility with the internal market in relation to grey cement in the Sötenich and Wössingen catchment areas in western Germany.

192. First, the markets in the Sötenich and Wössingen catchment areas around the Parties' plants in western Germany are relatively concentrated, as can be seen from Table 41 and Table 42:

Table 41: Sales shares Sötenich catchment area

Sötenich catchment area	***150km***	***250km***
Holcim[130]	[20-30]%	[20-30]%
Lafarge	[0-5]%	[0-5]%
Combined	**[20-30]%**	**[20-30]%**
Heidelberg	[20-30]%	[20-30]%
Buzzi/Dyckerhoff	[10-20]%	[10-20]%
CRH	[0-5]%	[0-5]%
Italcementi	[0-5]%	[5-10]%
Miebach	[0-5]%	[5-10]%
Other	[10-20]%	[20-30]%
Total	100%	100%

Source: Notifying Party, Form CO

126 Holcim's sales share includes sales achieved by Cemex West.

127 Holcim internal document of 19.04.2013, entitled 'Holcim South Germany. Business Plan 2013-2017', Form CO, Annex 5.4.060, pages 13 and 17.

128 See replies to questions 29 and 30 – Q2e – Grey cement – Questionnaire to customers – Germany; agreed minutes of the call with a customer, 13.11.2014, 3:00 pm; agreed minutes of the call with a customer, 13.11.2013, 3.54pm; agreed minutes of the call with a customer, 18.11.2014, 10:00 am.

129 Holcim internal document of 19.04.2013, entitled 'Holcim South Germany. Business Plan 2013-2017', Form CO, Annex 5.4.060, page 19.

130 Holcim's sales share includes sales achieved by Cemex West.

Table 42: Sales shares Wössingen catchment area

Wössingen catchment area	***150km***	***250km***
Holcim[131]	[10-20]%	[10-20]%
Lafarge	[5-10]%	[5-10]%
Combined	**[20-30]%**	**[10-20]%**
Heidelberg	[20-30]%	[20-30]%
Schwenk	[10-20]%	[10-20]%
Buzzi/Dyckerhoff	[10-20]%	[10-20]%
Märker Zement	[0-5]%	[0-5]%
Vicat	[0-5]%	[0-5]%
Other	[5-10]%	[20-30]%
Total	100%	100%

Source: Notifying Party, Form CO

193. The three largest suppliers thus achieved a combined market share of more than [60-70]%.

194. Second, a customer that responded to the market investigation expressed concerns over the possible concentration of the Cemex West plants to be acquired by Holcim with Lafarge's facility in Sötenich. In addition, customers in Rhineland-Palatinate reported that Holcim has been offering large volumes of cement at attractive prices from its French plant in Héming. According to those customers, this has led to volume losses for the other cement suppliers in the region, including Lafarge's Wössingen and Sötenich facilities. Customers are concerned that Holcim will stop importing cement from France to Germany after its acquisition of the Lafarge assets in the region because its incentives will be not to compete with its own Sötenich and Wössingen facilities in the region.[132]

195. Third, data obtained from Holcim confirms that Holcim has increased its exports from Héming to Germany from 2007 onwards. Total exports from Héming increased from […] tons in 2007 to […] tons in 2013. The main destinations were the German federal states of Rhineland-Palatinate (increase from […] tons in 2007 to […] tons in 2013) and Hessen (increase from […] tons in 2007 to […] tons in 2013).[133] The data shows that Holcim's ex-works and delivered prices […] for its exports to Germany (EUR […] per tonne ex-works and EUR […] per tonne delivered in 2013).[134]

196. Fourth, internal documents of Holcim France suggest that Holcim was willing to […] to increase its exports into Germany: *'[…].'*[135] The documents indicate that the rationale for such increased exports was […][136], […][137].

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131 Holcim's sales share includes sales achieved by Cemex West.

132 See replies to questions 29 and 30 – Q2e – Grey cement – Questionnaire to customers – Germany; agreed minutes of the call with a customer, 13.11.2014, 10:00 am; agreed minutes of the call with a customer, 13.11.2014, 11:00 am; see replies to question 1 – QM2e – Grey cement – Questionnaire to customers – Germany.

133 See Holcim's reply to the Commission's request for information, 14.11.2014, Question 1.

134 Ibid, Question 2.

135 Ibid, Annex Q.4.53, Holcim internal document of 03.09.2012, entitled 'Budget 2013. Holcim France', page 33.

136 Ibid, Annex Q.4.10, Holcim internal document of 10.07.2009, entitled 'Business Plan Holcim France', page 6.

197. An internal document of Lafarge confirms that this strategy has had an effect on […].[138]

VI.1.3.8.3. Central Germany

198. For the reasons set out in recitals 199 to 202, the Commission concludes that the Notified Transaction will raise serious doubts as to its compatibility with the internal market in relation to grey cement in the Karsdorf and Höver catchment areas in central Germany.

199. First, the merged entity will have high market shares in the relevant catchment areas in Central Germany, as can be shown from Table 43 and Table 44:

Table 43: Sales shares Karsdorf catchment area

Karsdorf catchment area	*150km*	*250km*
Holcim	[5-10]%	[5-10]%
Lafarge	[30-40]%	[10-20]%
Combined	**[30-40]%**	**[20-30]%**
Buzzi/Dyckerhoff	[10-20]%	[10-20]%
Schwenk	[10-20]%	[10-20]%
Heidelberg	[10-20]%	[10-20]%
Dornburger Zement	[5-10]%	[0-5]%
Cemex	[5-10]%	[5-10]%
Miebach	[0-5]%	[0-5]%
Spenner	[0-5]%	[0-5]%
Other	[0-5]%	[10-20]%
Total	100%	100%

Source: Notifying Party, Form CO

Table 44: Sales shares Höver catchment area

Höver catchment area	*150km*	*250km*
Holcim	[30-40]%	[20-30]%
Lafarge	[0-5]%	[5-10]%
Combined	**[30-40]%**	**[30-40]%**
Heidelberg	[10-20]%	[10-20]%
Buzzi/Dyckerhoff	[10-20]%	[10-20]%
Miebach	[5-10]%	[0-5]%
Schwenk	[0-5]%	[5-10]%
Seibel & Söhne	[0-5]%	[0-5]%
Phoenix	[0-5]%	[0-5]%
Cemex	[0-5]%	[5-10]%
Other	[10-20]%	[10-20]%
Total	100%	100%

Source: Notifying Party, Form CO

200. The mid-point circle market share between the Parties' plants in Karsdorf and Höver is [40-50]% (Holcim[139]: [10-20]%; Lafarge [20-30]%).

137 Ibid, Annex Q.4.17, Holcim internal document, date unknown, entitled ' Business Plan 2013 – 2017', page 49.

138 Lafarge internal document of 27.09.2012, entitled 'Germany Strategic Review 2012 Memo', page 2, see Lafarge's reply to the Commission's request for information, 24.07.2014, Annex Q.I.2-8.

139 Holcim's sales share includes sales achieved by Cemex West.

201. Second, the markets in the relevant catchment areas in central Germany are rather concentrated with the four largest suppliers achieving a combined market share of more than [60-70]% and [70-80]% respectively.

202. Third, certain customers that responded to the market investigation explained that Lafarge has played an important role in keeping prices down in central Germany. According to those customers, Lafarge has offered to deliver cement to customers over wider distances at attractive prices because of sluggish demand around its Karsdorf plant and consequently low capacity utilization at the plant.[140]

VI.1.3.9. Hungary

203. **Holcim** ceased[141] production of grey cement in Hungary in 2013 and is currently importing grey cement from its plants in neighbouring countries, in particular from its plants in Turna and Rohožnik (Slovakia) and Alesd (Romania). Holcim operates two import terminals in Hungary: in Ercsi and Békéscsaba.[142]

204. **Lafarge** is active through the Lafarge/Strabag JV, with all grey cement produced by the JV being sold under the Lafarge brand name. The Lafarge/Strabag JV operates, through its subsidiary Lafarge Cement Magyarország,[143] an integrated grey cement plant in Pécs[144] in the south-west of Hungary. This plant was opened in 2011 and according to the Notifying Party has an effective clinker capacity of approximately 800kt, and an effective cement capacity of approximately 1,150kt.

205. Apart from Lafarge's Pécs plant, there are two cement plants in operation on the territory of Hungary (in Vác and Beremend); both belong to Duna-Dráva Cement Kft. ('DDC'), a subsidiary of the 50-50% JV between HeidelbergCement and German cement producer SCHWENK Zement KG ('Schwenk').

206. The Parties thus in essence supply Hungary from four plants: Turna, Rohožnik, Alesd (Holcim) and Pécs (Lafarge).

207. Prior to Lafarge's entry in 2011, the two main players in Hungary were Holcim and DDC. In 2013, Lafarge achieved a sales share of [20-30]% in Hungary.[145]

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140 See replies to questions 29 and 30 – Q2e – Grey cement – Questionnaire to customers – Germany; agreed minutes of the call with a customer, 13.11.2014, 6:30 pm.

141 Holcim's Miskolc/Hejőcsaba cement plant with a grey cement capacity of ca. 850kt was mothballed in 2011 pending litigation relating to ownership of the land and of the assets. Holcim's Lábatlan plant was closed in 2013 and the demolition of the plant has begun. The Lábatlan facility now only serves as a terminal which according to the Notifying party will be dismantled before the transaction closes.

142 In addition to the terminal in Lábatlan, see footnote 141.

143 Lafarge does not sell grey cement directly into Hungary from its Mannersdorf plant. Rather, Pécs purchases grey cement from Mannersdorf to sell to its own third party customers (ca. […]kt in 2013) and ca. […] t of grey cement were picked up by Hungarian customers at Mannersdorf.

144 Also referred to as "Királyegyháza".

145 '*Since Lafarge's entry, price pressure has become even higher*'; '*Piaci verseny fokozódott.*' ('*Competition increased.*'); '*Durch den Markteintritt von Lafarge neuer Wettbewerb!*' See replies to question 23 - Q2f – Grey cement – Questionnaire to customers – Hungary. '*A Lafarge piacra lépésével jelentősen csökkentek az árak. A Lafarge nagyon jót tett a versenynek.*' ('*Due to Lafarge's entry prices decreased. Lafarge's entry was very good for competition*') Agreed minutes of the call

208. For the reasons set out in recitals 209 to 214, the Commission concludes that the Notified Transaction will raise serious doubts as to its compatibility with the internal market in relation to grey cement in the Turna, Rohožnik, Alesd and Pécs catchment areas in Hungary.

209. First, even if Holcim ceased production activities in 2013, it has maintained its position in Hungary through imported volumes. Internal documents of Holcim indicate that Holcim forecasts […].[146] The merged entity will thus have high market shares in the relevant catchment areas in Hungary.[147] The sales shares regarding the Pécs catchment area are shown in Table 45. The sales shares regarding the Alesd catchment area are presented in Table 46, while the sales shares for the Slovakian Rohožnik and Turna catchment areas are presented in Table 53 and Table 54.

Table 45: Sales shares Pécs catchment area

Pécs catchment area	***150km***	***250km***
Holcim	[10-20]%	[20-30]%
Lafarge	[10-20]%	[20-30]%[148]
Combined	**[20-30]%**	**[40-50]%**
Heidelberg/Schwenk	[40-50]%	[10-20]%
Others	[30-40]%	[30-40]%
Total	100%	100%

Source: Notifying Party, Form CO

210. Second, the Notified Transaction will result in a reduction of grey cement suppliers in Hungary from three to two.[149] This is because the main supply options for customers located in Hungary are currently DDC, Holcim and Lafarge.[150]

with a customer, 12.08.2014. '*Lafarge is the newest supplier and its entry into the Hungarian market had an impact on prices. In Hungary, the cement price was trending upwards after the initial crisis years; as Lafarge entered the market and tried to gain more and more market shares, the trend had been reversed.*' Agreed minutes of the call with a customer, 17.07.2014. '*Die Verhandlungsbasis der Zementabnehmer auf dem ungarischen Markt hat sich nach dem Eintritt von Lafarge verbessert. Insbesondere sind die Preise gesunken.*' Agreed minutes of the call with a customer, 05.08.2014.

146 […]. Holcim internal document of 22.03.2013, entitled 'Holcim Magyarország Business Plan 2013-2017' […]. See also market share forecast on page 29 of the same internal document.

147 Taking into account the size of Hungary and the Parties' plants location (Holcim's plants at the northern and north-eastern border, Lafarge's in the South), the Commission is of the view that the market shares for Hungary are a good proxy for the competitive situation between the Parties' plants. At national level, the Parties' combined market share is [50-60]% (Holcim [30-40]%, Lafarge [20-30]%), while DDC reaches [20-30]%.

148 Figure includes sales market share of Kirchdorf.

149 '*Der Zukunft steht KK skeptisch gegenüber: mit dem Verschwinden eines Wettbewerbers nach dem Zusammenschlussvorhabens (es werden ja wieder nur zwei im ungarischen Markt übrig bleiben) könnte sich die vorherige Marktlage wiederherstellen. KK befürchtet, dass die Situation durch den Zusammenschluss sich verschlechtern wird.*' Agreed minutes of the call with a customer, 01.08.2014. '*[H]aving experienced a market with 2 cement suppliers, and a Hungarian market with 3 market players following the entry of Lafarge, [customer] thinks that the situation post-merger will be similar to the situation prior to Lafarge entry.*' Agreed minutes of the call with a customer, 26.08.2014. '*A potential merger between Holcim and Lafarge would reduce the number of available suppliers from three to two. This would have an adverse impact on [customer] in the medium (2-3 years) and long term (10-15 years).*' Agreed minutes of the call with a customer, 26.08.2014. '*Az [...] szerint Magyarországon 3 ajánlattevővel lehet komolyan tárgyalni (Holcim, DDC és Lafarge). Annak ellenére, hogy a DDC-vel és a Lafarge-zsal végül nem kerül sor szerződéskötésre, annak a puszta ténye, hogy részt vesznek a tárgyalásokon, hatással van a végső árképzésre, hiszen több ajánlattal*

211. In this respect, the Notifying Party claims that Debrecen-based cement wholesaler DTG is an important player in Hungary. It also claims that several active volume-driven importers, such as Nexe (from eastern Croatia), Asamer (from north-west Slovakia) and Berger (from north-west Slovakia), are active in Hungary, as well as Ukrainian importers.

212. The Commission observes, however, that DTG does not have production facilities of its own and that the majority of its volumes come from Holcim's Turna plant based on a five-year supply contract entered into in 2011.[151] Moreover, as confirmed by a number of customers, importers do not exercise a significant competitive pressure on the three main Hungarian players.[152] For example, respondents to the market investigation indicated that imports from Ukraine are not necessarily accepted by Hungarian customers from the quality/reliability perspective.[153]

213. Third, Lafarge's entry in 2011 resulted in an increase of competition and lower prices for grey cement in Hungary.[154] Although Lafarge's plant is in southern Hungary, it has managed to gain volumes across the entire country, particular in the main consumption centres of Western and Central Hungary and Budapest. It recently opened a terminal in Budapest,[155] which is the most important consumption centre in Hungary[156] and supplies Debrecen, in the east of the country, through […].[157] The

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végső soron jobb feltételeket lehet elérni. A tervezett összefonódás után a tárgyalópartnerek száma háromról kettőre csökken.' (*'According to [customer], in Hungary serious negotiations are possible with three suppliers (Holcim, DDC and Lafarge). Despite the fact that at the end no contract is concluded with DDC or Lafarge, the mere fact that they participate in the price negotiations, results in better conditions in the end. After the planned transaction 3 potential suppliers become 2.*' Agreed minutes of the call with a customer, 23.07.2014.

150 '*Duna-Drava (Heidelberg Cement), Lafarge Hungary and Holcim are the main suppliers*.' See replies to question 14 - Q2f – Grey cement – Questionnaire to customers – Hungary.

151 See replies to question 15 - Q2f – Grey cement – Questionnaire to customers – Hungary. DTG purchases grey cement from Holcim pursuant to a five-year supply agreement that entered into force on […], and the terms of which were approved and made legally binding by the Hungarian Competition Authority (HCA) in the context of Holcim's 2010 acquisition of sole control over Východoslovenské stevabné hmoty (VSH), the company that operated and exported grey cement into Hungary from the plant in Turna (Slovakia) (now belonging to Holcim).

152 See replies to question 18 – Q2f – Grey cement – Questionnaire to customers – Hungary. A more mixed view was expressed by competitors, see replies to question 16 – Q1f – Grey cement – Questionnaire to competitors – Hungary. '*[De]rzeit leider keine anderen relevanten Zementwerke von unabhängigen in der Region Europäischer Markt*'. See replies to question 18 - Q2f – Grey cement – Questionnaire to customers – Hungary.

153 '*[Customer] considers that Ukraine cement presents more risks than Hungarian cement due to quality issues, and sourcing problems in the past as reliability of Ukraine import is low*.' See replies to question 19 - Q2f – Grey cement – Questionnaire to customers – Hungary. '*Aus der Ukraine würde [customer] keinen Zement beziehen. [Customer] ist ein Qualitätshersteller und kann sich die Qualitätsschwankungen (die sich meistens auf farbliche Unterschiede beschränken), die mit dem ukrainischen Zement verbunden sind, nicht leisten.*' Agreed minutes of the call with a customer, 01.08.2014.

154 See replies to question 23 - Q2f – Grey cement – Questionnaire to customers – Hungary.

155 Lafarge CE also operates a terminal in Budapest. This terminal became operational at the end of February 2014 and is expected to sell around […] t of grey cement through 2014.

156 […] Holcim internal document of 22.03.2013, entitled 'Holcim Magyarország Business Plan 2013-2017', Form CO, Annex 5.4.065. *'The most important region for the sale of cement in Hungary is the central region, which absorbs roughly 40% of the total consumption of grey cement in Hungary. All*

impact on competition of Lafarge's entry has been evidenced both by respondents to the market investigation[158] and the […][159]. Moreover, […].[160]

214. Fourth, DDC expressed the view that the Notified Transaction will lead to the merged entity having a strong position in Hungary.[161]

VI.1.3.10. Romania

215. **Holcim**'s grey cement production assets in Romania consist of two integrated grey cement plants, a grinding station in Turda and a grey cement terminal in Bucharest.

216. The grey cement integrated plants are situated in the western part of Romania, the first close to the border with Hungary at Alesd, and the other one in the central-south part of Romania in Campulung. According to the Notifying Party, both Holcim plants have similar grey cement capacities (1,780kt for the Alesd plant and 1,723kt for the Campulung plant). The Turda grinding station adds a further 196kt to the grey cement capacity of Holcim's assets in Romania.

217. Holcim is vertically integrated in the production of RMX and aggregates, owning 17 active ready-mix plants and three aggregate quarries.

218. **Lafarge** operates also two active grey cement integrated plants, one grinding station in Targu Jiu, one import terminal in Constanta (in the east of Romania, near the Black Sea) and two distribution terminals in Cluj and Glina. The integrated grey cement plants are located in Hoghiz (in the central part of Romania) and Medgidia in the south-east of the country close to the Black Sea. According to the Notifying Party, the grey cement capacity of the Hoghiz plant is 1,555kt with the Medgidia plant having a capacity of 3,402kt. The Targu-Jiu grinding station has a grey cement capacity of 967kt.

219. Lafarge is also vertically integrated in the production of RMX and aggregates, owning 26 aggregates quarries and 17 ready-mix sites.

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the main players sell into that region. […] *Both Holcim and Lafarge represent a significant and comparable competitive pressure […] in the central region.*' Agreed minutes of the call with a competitor, 29.08.2014.

157 […].

158 '*The opening of Lafarge's plant […] created some changes in the Hungarian market. Lafarge tried to acquire customers and market share. [Lafarge] is very aggressive in gaining contracts and building a market share*.' Agreed minutes of the call with a competitor, 29.08.2014.

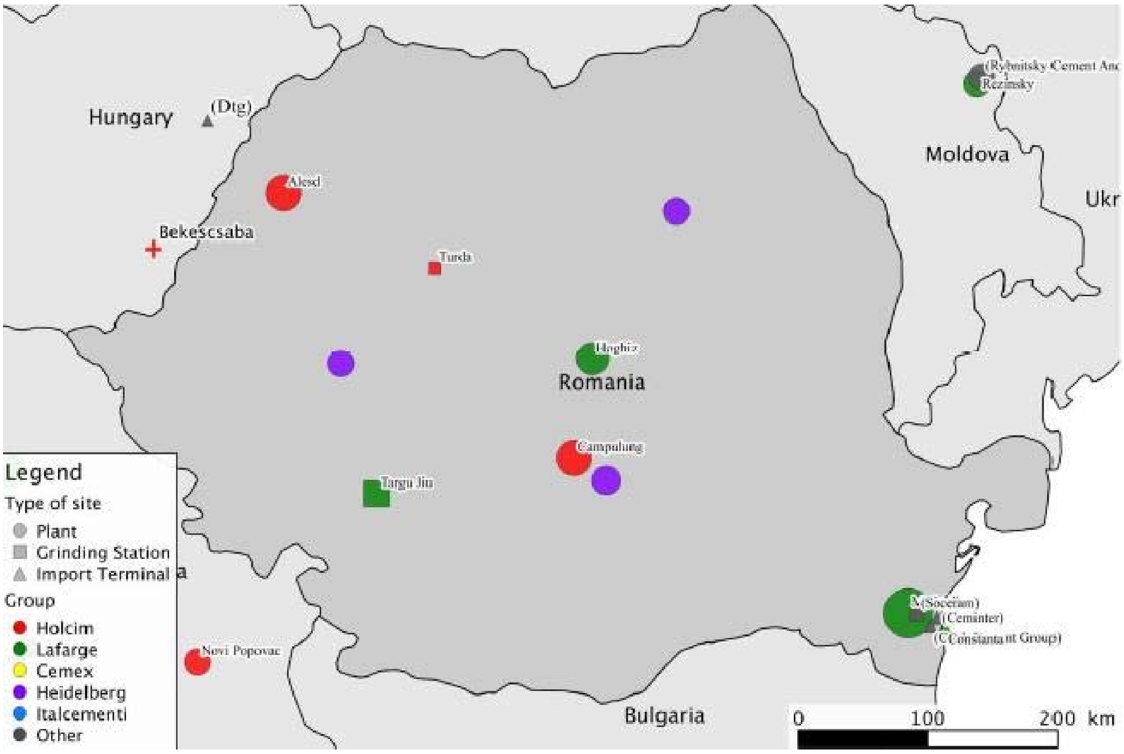
159 […] Holcim internal document of 22.03.2013, entitled 'Holcim Magyarország Business Plan 2013-2017', Form CO, Annex 5.4.065.

160 […]. Holcim internal document of 22.03.2013, entitled 'Holcim Magyarország Business Plan 2013-2017', Form CO, Annex 5.4.065.

161 '*DDC believes that the merger will lead to increased strength of Holcim and Lafarge on the Hungarian market, particularly in view of the market share gained by Lafarge in a few years coupled with the imports of Holcim from neighbouring countries. DDC believes that the player will also be particularly strong because it will combine Holcim's historical market presence and knowledge as well as its established network with Lafarge's newly built efficient and modern plant. […] The merged entity will gain strength also in the neighbouring countries, such as Slovakia.*' Agreed minutes of the call with a competitor [DDC], 29.08.2014.

220. In addition to the Parties, there are only two other grey cement local producers in Romania, Heidelberg and Soceram. Heidelberg has three integrated grey cement plants (Fieni, Bicaz and Deva). Soceram[162], a smaller producer, entered the Romanian grey cement market in 2010, with a grinding station in the south-east of Romania in Corbu. Soceram also has a limestone quarry in Corbu and purchases clinker from Turkey. The locations of the facilities of all these producers are shown in Figure 6.

Figure 6 - Map of the Romanian grey cement facilities



Source: Form CO, paragraph 851

221. For the reasons set out in recitals 222 to 228, the Commission concludes that the Notified Transaction will raise serious doubts as to its compatibility with the internal market in relation to grey cement in the catchment areas around the Alesd, Targu Jiu, Hoghiz, Turda, Campulung, Medgidia and Constanta facilities in Romania.

222. First, the merged entity will have high market shares in the relevant catchment areas in Romania, as can be seen from Table 46 to Table 52.

Table 46: Sales shares Alesd catchment area

Alesd catchment area	*150km*	*250km*
Holcim	[40-50]%	[30-40]%
Lafarge	[10-20]%	[10-20]%
Combined	**[60-70]%**	**[50-60]%**
Heidelberg	[20-30]%	[10-20]%
Heidelberg /Schwenk	[0-5]%	[5-10]%
DTG	[5-10]%	[0-5]%
Others	[0-5]%	[10-20]%
Total	100%	100%

Source: Notifying Party, Form CO

162 Soceram is part of the Cemrom Group.

Table 47: Sales shares Campulung catchment area

Campulung catchment area	*150km*	*250km*
Holcim	[30-40]%	[20-30]%
Lafarge	[30-40]%	[20-30]%
Combined	**[60-70]%**	**[50-60]**%
Heidelberg	[30-40]%	[20-30]%
Italcementi	[0-5]%	[5-10]%
Others	[0-5]%	[10-20]%
Total	100%	100%

Source: Notifying Party, Form CO

Table 48: Sales shares Hoghiz catchment area

Hoghiz catchment area	*150km*	*250km*
Holcim	[30-40]%	[30-40]%
Lafarge	[20-30]%	[20-30]%
Combined	**[60-70]**%	**[50-60]**%
Heidelberg	[30-40]%	[20-30]%
Italcementi	[0-5]%	[0-5]%
Others	[0-5]%	[10-20]%
Total	100%	100%

Source: Notifying Party, Form CO

Table 49: Sales shares Targu Jiu catchment area

Targu Jiu catchment area	*150km*	*250km*
Holcim	[30-40]%	[30-40]%
Lafarge	[30-40]%	[20-30]%
Combined	**[60-70]**%	**[60-70]**%
Heidelberg	[20-30]%	[20-30]%
Titan	[0-5]%	[5-10]%
Others	[0-5]%	[10-20]%
Total	100%	100%

Source: Notifying Party, Form CO

Table 50: Sales shares Turda catchment area

Turda catchment area	*150km*	*250km*
Holcim	[50-60]%	[30-40]%
Lafarge	[20-30]%	[20-30]%
Combined	**[70-80]**%	**[60-70]**%
Heidelberg	[20-30]%	[20-30]%
Others	[0-5]%	[10-20]%
Total	100%	100%

Source: Notifying Party, Form CO

Table 51: Sales shares Constanta catchment area

Constanta catchment area	*150km*	*250km*
Holcim	[5-10]%	[10-20]%
Lafarge	[50-60]%	[20-30]%
Combined	**[60-70]**%	**[40-50]**%
Heidelberg	[0-5]%	[10-20]%
Italcementi	[20-30]%	[10-20]%
Oyak cement group	[5-10]%	[0-5]%
Soceram	[5-10]%	[0-5]%
Soyak group	[0-5]%	[5-10]%
Others	[5-10]%	[10-20]%
Total	100%	100%

Source: Notifying Party, Form CO

Table 52: Sales shares Medgidia catchment area

Medgidia catchment area	*150km*	*250km*
Holcim	[5-10]%	[20-30]%
Lafarge	[40-50]%	[20-30]%
Combined	**[50-60]**%	**[40-50]**%
Italcementi	[20-30]%	[10-20]%
Oyak cement group	[5-10]%	[0-5]%
Soceram	[5-10]%	[0-5]%
Heidelberg	[0-5]%	[10-20]%
Soyak group	[0-5]%	[5-10]%
Others	[5-10]%	[10-20]%
Total	100%	100%

Source: Notifying Party, Form CO

223. The combined market shares of the Parties in all these catchment areas will range from [40-50]% to [70-80]%, with high increments.[163]

224. Second, the merger will reduce the number of producers in the relevant catchment areas either from four to three, or from three to two, depending on the area and radius. Moreover, the majority of customers that responded to the market investigation indicated only Heidelberg as an alternative supplier to the merged entity in the relevant catchment areas.

225. Soceram was also mentioned by certain customers located in the south-east of Romania as an alternative supplier.[164] However, due to its limited production capacities and the fact that it has just one production facility in south-eastern Romania, it can be considered as an alternative supplier to the merged entity only to a limited extent.

226. Third, importers do not exert significant competitive pressure on the Parties' activities.[165] This is because a number of factors such as handling costs in the ports, custom formalities that are still required at customs, foreign currency exchange differences and road/ferries taxes have implications on delivery times, a key element for customers.[166] This is reflected in the current level of imports of grey cement in Romania which has slightly decreased over the last three years and represented only 2.5% of the total sales in 2013. In addition, certain importers such as Ceminter International and Oyak Cement Group, are relatively unknown by customers or perceived as having a lower quality of cement.[167]

227. Another player, Italcementi, having an integrated plant in Bulgaria near the south-east border with Romania, is rather known as a white cement producer.[168] Moreover, one customer said that it considered buying from it in the past but encountered logistical barriers. This has also been confirmed by another customer, located in the south-east

163 At national level, the situation is similar. The combined market shares of the Parties reach [60-70]% (with an increment of [20-30]%).

164 See replies to question 16 – Q2g – Grey cement – Questionnaire to customers – Romania.

165 See replies to question 15 – Q2g – Grey cement – Questionnaire to customers – Romania.

166 See replies to question 15 – Q2g – Grey cement – Questionnaire to customers – Romania.

167 See replies to questions 21.3 and 21.4 – Q2g – Grey cement – Questionnaire to customers – Romania.

168 See replies to question 21.5 – Q2g – Grey cement – Questionnaire to customers – Romania.

of Romania, who is buying only bulk cement and who cannot buy cement from Italcementi due to the fact that for the moment the infrastructure between Romanian and Bulgaria in this part of the country does not make it possible to transport big volumes of grey cement over the Danube in a reasonable timeframe, as required by cement customers.[169]

228. Fourth, the markets in the relevant catchment areas appear relatively transparent, with suppliers being aware of each other's customers and prices. One retailer observed that cement is sold "*with a very low margin, any price change will reflect in the shelf price, this is why it is very easy to see any price changes*".[170]

VI.1.3.11. Slovakia

229. **Holcim** is active in the manufacturing and sale of grey cement in Slovakia through its subsidiary Holcim (Slovensko) a.s.. Holcim has two integrated plants in Slovakia: Rohožnik, which is located in Western Slovakia and Turna in the east of the country. Rohožnik has a grey cement capacity of 1,506kt and Turna 1,508kt.

230. **Lafarge** has no production facilities in Slovakia. It does, however, sell some minimal amounts of grey cement ([0-5]% national sales share) from its production facilities in neighbouring countries to customers in Slovakia.

231. For the reasons set out in recitals 232 to 236, the Commission concludes that the Notified Transaction will raise serious doubts as to its compatibility with the internal market in relation to grey cement in the Rohožnik and Turna catchment areas in Slovakia.

232. First, the merged entity will have high market shares in the catchment areas of Rohožnik and, to a lesser extent, Turna in Slovakia, as can be seen in Table 53 and Table 54.

Table 53: Sales shares Rohožnik catchment area

Rohožnik catchment area	*150km*	*250km*
Holcim	[20-30]%	[10-20]%
Lafarge[171]	[20-30]%	[20-30]%
Combined	**[40-50]%**	**[30-40]%**
Asamer	[0-5]%	[0-5]%
Berger	[5-10]%	[0-5]%
Buzzi	[5-10]%	[5-10]%
Heidelberg	[20-30]%	[10-20]%
Heidelberg/Schwenk	[5-10]%	[5-10]%
Others	[5-10]%	[10-20]%
Total	100%	100%

Source: Notifying Party, Form CO

169 Agreed minutes of the call with a customer, 6.08.2014.

170 See replies to question 25.1 – Q2g – Grey cement – Questionnaire to customers – Romania.

171 Figures include sales market shares of Kirchdorf.

Table 54: Sales shares Turna catchment area

Turna catchment area	*150km*	*250km*
Holcim	[20-30]%	[10-20]%
Lafarge	[5-10]%	[10-20]%
Combined	**[30-40]%**	**[30-40]%**
Heidelberg	[5-10]%	[10-20]%
Heidelberg/Schwenk	[20-30]%	[10-20]%
Buzzi	[5-10]%	[5-10]%
CRH	[10-20]%	[10-20]%
DTG	[5-10]%	[0-5]%
Berger	[5-10]%	[0-5]%
Others	[5-10]%	[10-20]%
Total	100%	100%

Source: Notifying Party, Form CO

233. Second, both in Slovakia as a whole (combined share [40-50]%: Holcim [40-50]%, Lafarge [0-5]%) as well as in the Rohožnik catchment area, Holcim is currently the leading supplier with high sales shares.

234. Third, Lafarge has a minority stake of approximately [10-20]% in Berger Slovakia (market share of [10-20]% in Slovakia), whose plant (Považská Cementáren Ladce) is located about 100km from Holcim's Rohožnik plant, as well as a [20-30]% stake in Považská Cementáren Ladce itself.[172] Even if the merged entity will not have a direct influence or control over Považská Cementáren Ladce, it will have an incentive to compete less aggressively with Považská Cementáren Ladce. This was confirmed by certain customers that responded to the market investigation.[173]

235. Fourth, there is an overlap between Holcim's Rohožnik plant in Slovakia and Lafarge's Mannersdorf plant in Austria which is discussed in the Austrian section (Section V.1.3.3).

236. Fifth, certain customers that responded to the market investigation raised concerns with regard to the effects of the Notified Transaction in Slovakia.[174]

VI.1.3.12. Spain

237. **Holcim** operates three integrated plants in southern Spain. Two of the integrated plants (Gador and Carboneras) are located in the province of Almeria while the third integrated plant (Jerez) is in the province of Cadiz. Gador and Carboneras are located within 60km of each other and are run as a single facility by Holcim, though each has the capacity and infrastructure to operate as an individual facility if required. In

172 Form CO, paragraph 934.

173 '*Lafarge má určitú teritoriálnu výhodu pre zákazníkov na severozápadnom Slovensku, kvôli umiestneniu cementárne v Ladcoch*', ('*Lafarge has a certain territorial advantage for customers in northwestern Slovakia, due to the location of the Ladce plant.*') See replies to questions 23 - Q2h – Grey cement – Questionnaire to customers – Slovakia.

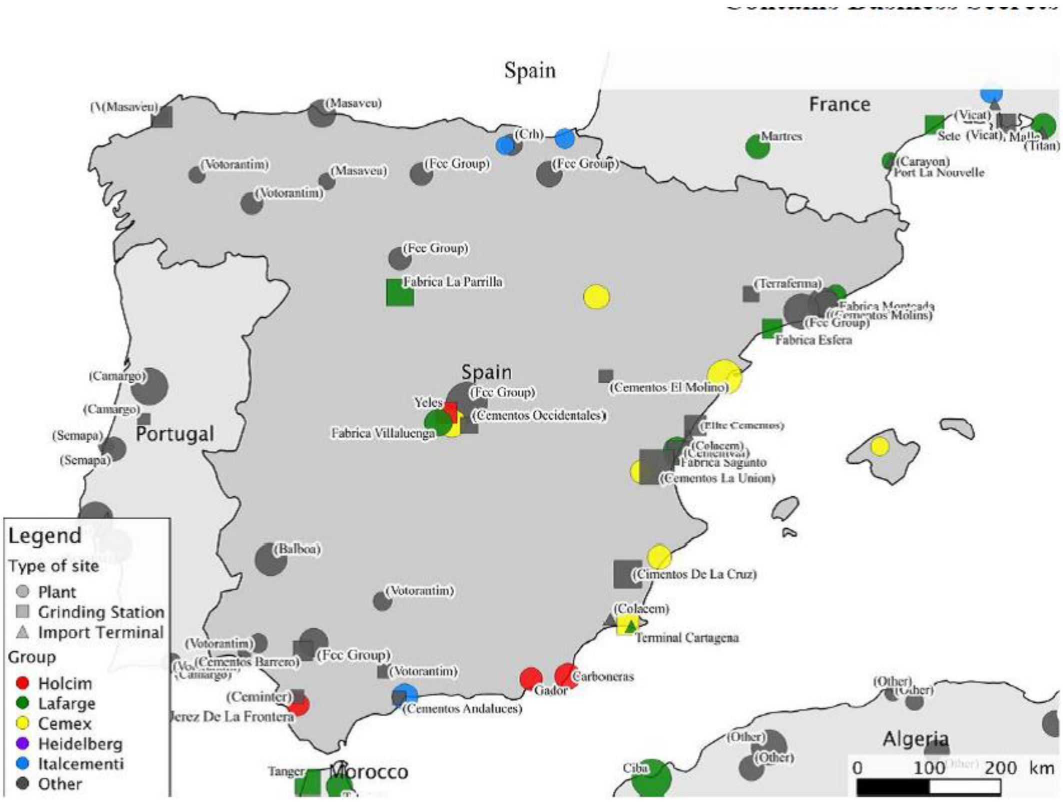
174 '*Domnievam sa, že transakcia môže oslabiť konkurenčné prostredie, čo môže mať vplyv na rast ceny cementu.*' ('*We assume that the transaction may weaken the competitive environment, and may have an influence on price increases for cement.*'); '*Áno, pretože sa spoja dva významné subjekty na trhu.*' ('*Yes, because two significant market operators are merging.*') See replies to questions 33-34 - Q2h – Grey cement – Questionnaire to customers – Slovakia.

addition Holcim operates a grinding mill in Yeles[175] (province of Toledo) and a number of terminals.

238. Lafarge operates three integrated plants in Spain in the provinces of Barcelona (Moncada plant), Valencia (Sagunto plant) and Toledo (Villaluenga plant). It also operates two grinding stations in the provinces of Tarragona (Esfera plant[176]) and Valladolid (La Parilla plant). Additionally, Lafarge operates a terminal in Cartagena (southern Spain) and owns a non-controlling 35% shareholding in Elite, a grinding station located in Castellon (north of province of Valencia).

239. The main areas of overlap between the Parties in grey cement in Spain relate to their activities on the Mediterranean coast of Spain (Levante and north-eastern Andalusia) and the central region of Spain (provinces of Toledo and Madrid).

Figure 7 - Map of the Spanish grey cement facilities



Source: Form CO, paragraph 996

VI.1.3.12.1. Mediterranean coast of Spain

240. In this area, Holcim serves customers from its two integrated plants in Gador and Carboneras and Lafarge is active through its integrated plant in Sagunto (province of Valencia) and its terminal in Cartagena (province of Alicante).

241. For the reasons set out in recitals 242 to 243, the Commission concludes that the Notified Transaction will not raise serious doubts as to its compatibility with the

175 Yeles was irrevocably transformed into a grinding station after the kilns for clinker production were dismantled in 2012.

176 Esfera's kiln was mothballed in 2013.

internal market in relation to grey cement in the Gador, Carboneras, Sagunto and Cartagena catchment areas.

242. On the one hand, the merged entity will hold high market shares (above [60-70]%) in the 150 km radii around the plants of Gador, Carboneras and the terminal of Cartagena with a significant overlap, as can be seen from Table 55 to Table 58. These shares will be lower in the 250 km radii around these plants given that these radii encompass provinces in western Andalusia where Lafarge is not present and other players are active. As regards the Sagunto plant, the combined market is [20-30]% for both radii of 150 km and 250 km, which is indicative of a more limited competitive impact of the Notified Transaction in these areas.

Table 55: Sales shares (%) Carboneras catchment area

Carboneras catchment area 2013	*150km*	*250km*
Holcim	[50-60]%	[30-40]%
Lafarge	[5-10]%	[5-10]%
Combined	**[50-60]**%	**[30-40]**%
Cimentos de la Cruz	[10-20]%	[5-10]%
Cemex	[5-10]%	[10-20]%
Italcementi	[5-10]%	[5-10]%
Colacem	[5-10]%	[0-5]%
Others	[0-5]%	[10-20]%
Total	**100**%	**100**%

Table 56: Sales shares (%) Gador catchment area

Gador catchment area 2013	*150km*	*250km*
Holcim	[50-60]%	[30-40]%
Lafarge	[5-10]%	[5-10]%
Combined	**[50-60]**%	**[30-40]**%
Italcementi	[10-20]%	[5-10]%
Cimentos de la Cruz	[10-20]%	[5-10]%
Cemex	[0-5]%	[10-20]%
Cementos la Union	[0-5]%	[5-10]%
FCC Group	[0-5]%	[5-10]%
Others	[10-20]%	[10-20]%
Total	**100**%	**100**%

Table 57: Sales shares (%) Sagunto catchment area

Sagunto catchment area	*150km*	*250km*
Holcim	[10-20]%	[10-20]%
Lafarge	[10-20]%	[10-20]%
Combined	**[20-30]**%	**[20-30]**%
Cemex	[20-30]%	[20-30]%
Cementos la Union	[10-20]%	[10-20]%
Cementval	[5-10]%	[5-10]%
Elite Cementos	[5-10]%	[0-5]%
FCC group	[0-5]%	[10-20]%
Cementos Molins	[0-5]%	[5-10]%
Others	[5-10]%	[10-20]%
Total	**100**%	**100**%

Table 58: Sales shares (%) Cartagena catchment area

Cartagena catchment area	*150km*	*250km*
Holcim	[40-50]%	[30-40]%
Lafarge	[5-10]%	[10-20]%
Combined	**[50-60]**%	**[40-50]**%
Cimentos de la Cruz	[10-20]%	[5-10]%
Cemex	[10-20]%	[10-20]%
Cementos la Union	[5-10]%	[5-10]%
Colacem	[5-10]%	[0-5]%
Others	[0-5]%	[10-20]%
Total	**100**%	**100**%

243. On the other hand, a majority of respondents to the market investigation submitted that the Mediterranean coast of Spain is characterised by a significant number of players. On average, and although not all players have the same strength and geographic footprint, between 12 and 14 cement producers are active in the area.[177] Certain respondents to the market investigation have also indicated that these local cement players have sufficient available capacity to offset any price increase by the merged entity post-transaction.[178]

VI.1.3.12.2. Central Spain

244. In this area, Holcim serves customers from its grinding station in Yeles (province of Toledo) and Lafarge is active through its integrated plant in Villaluenga (province of Toledo).

245. For the reasons set out in recitals 246 and 247, the Commission concludes that the Notified Transaction will not raise serious doubts as to its compatibility with the internal market in relation to grey cement in the Yeles and Villaluenga catchment areas

246. First, the merged entity will hold market shares above [30-40]% in the 150 km radii around the plants of Yeles and Villaluenga and between 20 and 30% in the 250 km radii around these plants as can be seen from Table 59 and Table 60.

Table 59: Sales shares (%) Yeles catchment area

Fabrica Yeles catchment area 2013	*150km*	*250km*
Holcim	[10-20]%	[5-10]%
Lafarge	[20-30]%	[10-20]%
Combined	**[30-40]**%	**[20-30]**%
FCC group	[30-40]%	[20-30]%
Cemex	[20-30]%	[10-20]%
Cementos Occidentales	[5-10]%	[0-5]%
Others	[0-5]%	[20-30]%
Total	**100**%	**100**%

177 See replies to Questions 30 and 31 – Q2n - Grey cement 28.10.2014 – Questionnaire to customers – Spain. See also Case M.7054 Cemex/Holcim assets, 9 September 2014, recital 126.

178 See replies to Questions 34 and 35 – Q1n - Grey cement 28.10.2014 – Questionnaire to competitors – Spain. See also in that regard the Case M.7054 Cemex/Holcim assets, 9 September 2014, paragraph 153.

Table 60: Sales shares (%) Fabrica Villaluenga catchment area

Fabrica Villaluenga catchment area 2013	*150km*	*250km*
Holcim	[10-20]%	[10-20]%
Lafarge	[20-30]%	[10-20]%
Combined	**[30-40]**%	**[20-30]**%
FCC group	[30-40]%	[20-30]%
Cemex	[20-30]%	[10-20]%
Cementos Occidentale	[5-10]%	[0-5]%
Others	[0-5]%	[20-30]%
Total	**100**%	**100**%

247. Second, a majority of respondents to the market investigation indicated that the central area of Spain is characterised by a large number of players (8-9 in the 150 km radius, more than 20 in the 250 km radius). They also submitted that local cement players (such as Balboa, Barrero or Cementos Occidentales) have sufficient available capacity to offset any price increase by the merged entity post-transaction.[179]

VI.1.3.12.3. Binding agreement between Holcim and Cemex

248. On 30 October 2014,[180] Holcim and Cemex announced that on 29 October 2014, they had entered into a binding agreement pursuant to which Cemex will purchase Holcim's Gador cement plant and Yeles grinding station for a consideration of EUR 45 million in cash. This transaction is expected to close during the first quarter of 2015 and constitutes an adaptation of the series of transactions agreed by Holcim and Cemex in July 2013 by which Holcim agreed to acquire Cemex's operations in Western Germany and Cemex agreed to take over Holcim's entire cement, aggregates and RMX business in the Czech Republic and in Spain. The Commission has already cleared the Spanish part of the series of transactions between Holcim and Cemex in September 2014.[181]

249. The adapted terms are as follows. In Germany and the Czech Republic, the scope of the original transaction remains unchanged, meaning that Holcim will acquire Cemex's operations in Western Germany while Cemex will take over Holcim's business in the Czech Republic. In Spain, Cemex will purchase Holcim's Gador cement plant and Yeles grinding station, with a total of 1.75 million tonnes of cement capacity, while Holcim will keep its remaining operations in Spain, which are intended to be merged with Lafarge's through the Notified Transaction.

250. As a result of the binding agreement, the full overlap between Holcim and Lafarge will be removed as regards the areas around the Yeles, Villaluenga and Sagunto plants. As regards the Gador, Carboneras and Cartagena areas, the transaction with Cemex leads to the elimination of more than the overlap since the merged entity will

179 See replies to Questions 30 and 31 – Q2n - Grey cement 28.10.2014 – Questionnaire to customers – Spain. See also in that regard Case M.7054 Cemex/Holcim assets, 9 September 2014, paragraph 159-161.

180 See press release of 30 October 2014 http://www.holcim.com/media-relations/media-releasesstatements/latest-release/article/holcim-and-cemex-sign-binding-agreements-on-their-series-of-transactions.html

181 Case M.7054 Cemex/Holcim assets, 9 September 2014.

have a smaller market share than Holcim pre-merger ([20-30]% in Gador, [30-40]% in Carboneras, [30-40]% in Cartagena). The binding agreement with Cemex therefore removes any potential serious doubts linked to the merger between Holcim and Lafarge, in the Gador, Carboneras, Sagunto, Yeles and Villaluenga catchment areas.

VI.1.3.12.4. Other regions of Spain

251. Table 61 to Table 64 show the Parties' market shares in the 150 km and 250 km radii around the Parties' plants in the other regions of Spain in 2013.

Table 61: Sales shares (%) Jerez de la Frontera catchment area

Jerez de la Frontera catchment area 2013	*150km*	*250km*
Holcim	[20-30]%	[10-20]%
Lafarge	[0-5]%	[0-5]%
Combined	**[20-30]**%	**[10-20]**%

Table 62: Sales shares (%) Esfera catchment area

Esfera catchment area 2013	*150km*	*250km*
Holcim	[0-5]%	[0-5]%
Lafarge	[10-20]%	[30-40]%
Combined	**[10-20]**%	**[30-40]**%

Table 63: Sales shares (%) La Parrilla catchment area

La Parrilla catchment area 2013	*150km*	*250km*
Holcim	[5-10]%	[0-5]%
Lafarge	[10-20]%	[5-10]%
Combined	**[20-30]**%	**[10-20]**%

Table 64: Sales shares (%) Montcada catchment area

Montcada catchment area	*150km*	*250km*
Holcim	[0-5]%	[0-5]%
Lafarge	[20-30]%	[30-40]%
Combined	**[20-30]**%	**[30-40]**%

252. As can be seen from those tables, the Notified Transaction does not raise serious doubts as to its compatibility with the internal market in relation to grey cement in the relevant catchment areas around the plants of Jerez, Moncada, Esfera. There are no overlaps (or limited to [0-5]%) around the Parties' plants of Jerez de la Frontera, Moncada and Esfera.

253. As can be seen from those tables, as regards the La Parilla catchment area, the combined market shares are low (respectively [20-30]% for 150 km and [10-20]% for 250 km) and several other sizable players are present in this area including the market leader CPV and Votorantim.

VI.1.3.13. United Kingdom

254. **Holcim** is active in the UK through its subsidiary Aggregate Industries. Holcim has no cement production facilities in the UK but imports cement for its own downstream

activities and for sale to third parties from its cement production facilities in other Member States.

255. Holcim operates a total of four import terminals for bulk cement in the UK (all of them located in Great Britain), three terminals on the south-east coast, south coast and north-west coast of England and one terminal in Scotland.

Table 65 – List of Holcim's cement facilities in the UK

Location	Type of facility
Chatham, South East	Import terminal
Plymouth, South West	Import terminal
Ellesmere Port, North West	Import terminal
Glasgow, Scotland	Import terminal

Source: Form CO, paragraph 1117

256. Holcim uses the majority of its cement imports internally for its own downstream activities. Holcim's sales of imports to third parties in the UK have increased between 2011 and 2013, however, both in absolute and relative terms. In 2013, Holcim sold a total of […] tons to third parties (equivalent to […] of its cement imports) up from […] tons in 2011 (equivalent to […] of its cement imports).[182]

257. **Lafarge** is active in the UK through its joint venture with Anglo American PLC called Lafarge Tarmac, which was formed in January 2013.[183] Lafarge Tarmac is the largest supplier of grey cement in the UK (national market share of [30-40]%) and has cement operations in virtually all of the UK. It operates a total of five integrated cement plants in the UK, four of which are located in Great Britain, with an additional cement packing plant as well as cement depots and terminals in different locations in Great Britain:

182 Form CO, paragraph 1119.

183 The creation of the joint venture was cleared by the UK Competition Commission on 1 May 2012.

Table 66 – List of Lafarge Tarmac's cement facilities in the UK

Location	Type of facility
Dunbar, Scotland	Integrated cement plant
Cauldon, West Midlands	Integrated cement plant
Tunstead, West Midlands	Integrated cement plant
Aberthaw, Wales	Integrated cement plant
Cookstown, Northern Ireland	Integrated cement plant
Barnstone, East Midlands	Cement packaging plant/ small grinding mill
Aberdeen, Scotland	Cement depot/ terminal
Inverness, Scotland	Cement depot/ terminal
Uddingston, Scotland	Cement depot/ terminal
Seaham, North East	Cement depot/ terminal with blending facilities
Carlisle, North West	Cement depot/ terminal
Leeds, Yorkshire and the Humber	Cement depot/ terminal
West Thurrock, East of England	Cement depot/ terminal with blending facilities[184]
Westbury, South West[185]	Cement depot/ terminal
Liskeard, South West	Cement depot/ terminal
Isle of Wight, South East	Cement depot/ terminal
Willesden, London	Cement depot/ terminal
Leith, Scotland	Mothballed import terminal
Northfleet, South East[186]	Import terminal

Source: Form CO, paragraphs 1123 and 1124

258. In addition to Lafarge there are three other domestic producers of grey cement in the UK: Heidelberg through its subsidiary Hanson UK (national market share of [20-30]%), Cemex (national market share of [10-20]%) and Hope Construction Materials[187] which is a subsidiary of Mittal Investments Sarl (national market share of [5-10]%).

259. The grey cement activities of the Parties overlap only in Great Britain since Holcim is not present in Northern Ireland.

260. The assessment of the overlaps between the Parties' grey cement activities in Great Britain will be structured in two parts: (i) Scotland and northern England; and (ii) other regions of Great Britain (central England; Wales and south-western England; and south-eastern England).

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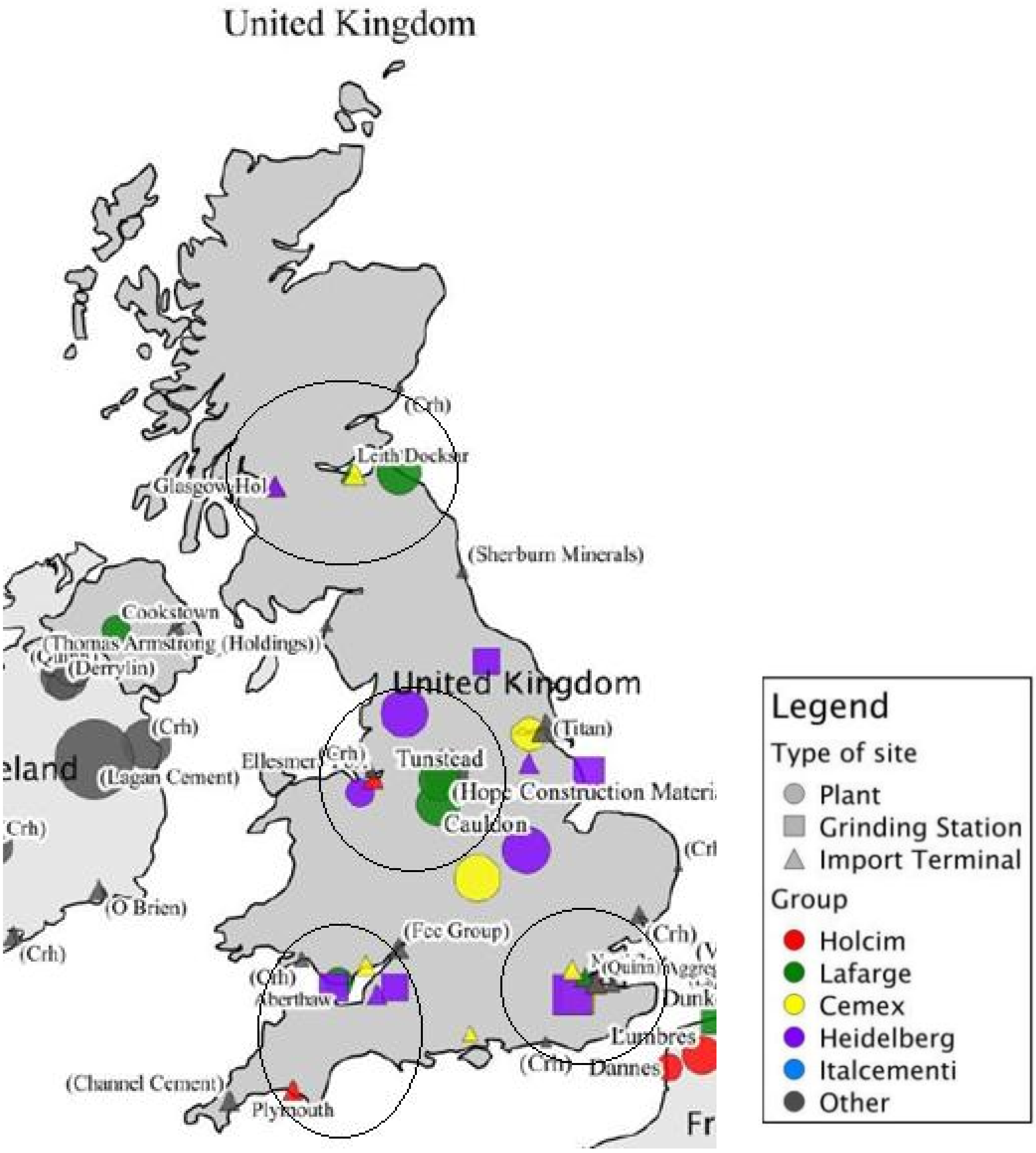
184 The West Thurrock facility also has the capability to be used as an import terminal although it is not currently used as such.

185 Lafarge closed its integrated cement plant in Westbury in 2010.

186 Lafarge closed its integrated cement plant in Northfleet in 2008.

187 Hope Construction Materials entered grey cement production in the UK in January 2013 after acquiring the Hope cement plant offered as remedies in the merger control procedure of the creation of the Lafarge Tarmac JV, see UK Competition Commission, 'Anglo American PLC and Lafarge S.A. A report on the anticipated construction materials joint venture between Anglo American PLC and Lafarge S.A.', 1 May 2012.

Figure 8 – Map of UK cement facilities



Source: Notifying Party, Form CO, paragraph 1115, circles around the Parties cement facilities added by the Commission

VI.1.3.13.1. Scotland and northern England

261. The overlaps in northern England and Scotland relate to the activities of Holcim at its import terminal in Glasgow and the activities of Lafarge at its integrated cement plant in Dunbar and several depots/terminals in Scotland and northern England.

262. For the reasons set out in recitals 263 to 267, the Commission considers that the Notified Transaction gives rise to serious doubts as to its compatibility with the internal market in relation to grey cement in the Glasgow and Dunbar catchment areas.

263. First, the relevant catchment areas are characterised by the presence of relatively few cement suppliers, as can be seen from Table 67 and Table 68:

Table 67: Sales shares Glasgow catchment area

Glasgow catchment area	*150km*	*250km*
Holcim	[5-10]%	[5-10]%
Lafarge	[30-40]%	[40-50]%
Combined	**[40-50]%**	**[50-60]%**
Heidelberg	[20-30]%	[20-30]%
Cemex	[10-20]%	[10-20]%
CRH	[0-5]%	[0-5]%
Hope Construction Materials	[0-5]%	[5-10]%
Thomas Armstrong	[0-5]%	[0-5]%
Sherburn Minerals	[0-5]%	[0-5]%
Others	--	[0-5]%
Total	**100%**	**103%**

Source: Notifying Party, Form CO

Table 68: Sales shares Dunbar plant catchment area

Dunbar catchment area	*150km*	*250km*
Holcim	[5-10]%	[0-5]%
Lafarge	[40-50]%	[40-50]%
Combined	**[50-60]%**	**[40-50]%**
Heidelberg	[10-20]%	[20-30]%
Cemex	[10-20]%	[10-20]%
Sherburn Minerals	[0-5]%	[0-5]%
CRH	[0-5]%	[0-5]%
Thomas Armstrong	[0-5]%	[0-5]%
Others	[5-10]%	[5-10]%
Total	**100%**	**100%**

Source: Notifying Party, Form CO

264. Lafarge is the market leader in the relevant catchment areas with the only integrated cement plant in Scotland. The closest integrated cement plant is operated by Heidelberg in Clitheroe in Lancashire, North West of England. In addition, another domestic cement producer Cemex operates an import terminal in Leith close to Edinburgh and there are some additional smaller import operations. The relevant catchment areas are therefore concentrated with the three largest suppliers holding a market share of [80-90]% and the four largest suppliers holding a market share of [90-100]%. Imports by companies such as CRH, Sherburn Minerals or Thomas Armstrong play only a marginal role.

265. Second, certain customers and competitors of bulk grey cement that responded to the market investigation raised concerns about the impact of the Notified Transaction in Scotland and the north of England.[188]

266. One customer explained that Holcim has been actively trying to acquire customers in Scotland at least over the last two years, offering prices of approximately GBP 10 per ton below those offered by the large competitors Lafarge and Heidelberg. According to that customer, the Notified Transaction will lead to a risk of price increases as

188 See replies questions 31 and 32 – Q2j – Grey cement – Questionnaire to competitors – United Kingdom; questions 32 and 33 – Q1j – Grey cement – Questionnaire to competitors – United Kingdom.

Holcim has acted as a counter-balance to the larger suppliers in Scotland and northern England.[189]

267. Third, according to data provided by Holcim, Holcim has indeed increased the absolute volumes and percentage of sales made to third parties over the last three years from […] tons ([…] of its imports) in 2011 to […] tons ([…] of its imports) in 2013.

VI.1.3.13.2. Other regions of Great Britain

268. The overlaps in central England relate to the activities of Holcim at its import terminal in Ellesmere Port and the activities of Lafarge at its integrated cement plants in Cauldon and Tunstead and additional depots/terminals in the region. The Parties' market shares in the relevant catchment areas are shown in Table 69 to Table 71.

Table 69: Sales shares Ellesmere Port import terminal catchment area

Ellesmere Port catchment area	*150km*	*250km*
Holcim	[5-10]%	[0-5]%
Lafarge	[30-40]%	[30-40]%
Combined	**[40-50]%**	**[40-50]%**
Heidelberg	[20-30]%	[20-30]%
Hope Construction Materials	[20-30]%	[10-20]%
Cemex	[5-10]%	[10-20]%
Titan	[0-5]%	[0-5]%
CRH	[0-5]%	[0-5]%
FCC Group	[0-5]%	[0-5]%
Others	[0-5]%	[0-5]%
Total	**100%**	**100%**

Source: Notifying Party, Form CO

Table 70: Sales shares Cauldon plant catchment area

Cauldon catchment area	*150km*	*250km*
Holcim	[5-10]%	[0-5]%
Lafarge	[30-40]%	[30-40]%
Combined	**[30-40]%**	**[30-40]%**
Heidelberg	[20-30]%	[20-30]%
Cemex	[10-20]%	[10-20]%
Hope Construction Materials	[10-20]%	[5-10]%
CRH	[0-5]%	[0-5]%
FCC Group	[0-5]%	[0-5]%
Titan	[0-5]%	[0-5]%
Others	[0-5]%	[0-5]%
Total	**100%**	**100%**

Source: Notifying Party, Form CO

189 Agreed minutes of the call with a customer, 20.11.2014; '*[…] there will be no competition in Scotland for independent companies. We will be at the mercy of the two biggest suppliers [Lafarge and Heidelberg]*', see replies to question 31 – Q2j – Grey cement – Questionnaire to customers – United Kingdom.

Table 71: Sales shares Tunstead plant catchment area

Tunstead catchment area	*150km*	*250km*
Holcim	[5-10]%	[0-5]%
Lafarge	[30-40]%	[30-40]%
Combined	**[40-50]%**	**[30-40]%**
Heidelberg	[20-30]%	[20-30]%
Cemex	[10-20]%	[10-20]%
Hope Construction Materials	[10-20]%	[5-10]%
Titan	[0-5]%	[0-5]%
CRH	[0-5]%	[0-5]%
FCC Group	[0-5]%	[0-5]%
Others	[0-5]%	[0-5]%
Total	**100%**	**100%**

Source: Notifying Party, Form CO

269. The overlaps in south-western England and Wales relate to the activities of Holcim at its import terminal in Plymouth and the activities of Lafarge at its integrated cement plant in Aberthaw and additional depots/terminals in the region. The Parties' market shares in the relevant catchment areas are shown in Table 72 and Table 73.

Table 72: Sales shares Plymouth catchment area

Plymouth catchment area	*150km*	*250km*
Holcim	[5-10]%	[0-5]%
Lafarge	[40-50]%	[30-40]%
Combined	**[50-60]%**	**[40-50]%**
Channel Cement	[10-20]%	[5-10]%
Cemex	[10-20]%	[20-30]%
Heidelberg	[5-10]%	[20-30]%
CRH	[5-10]%	[0-5]%
FCC Group	[5-10]%	[0-5]%
Others	--	[0-5]%
Total	**100%**	**100%**

Source: Notifying Party, Form CO

Table 73: Sales shares Aberthaw catchment area

Aberthaw catchment area	*150km*	*250km*
Holcim	[0-5]%	[0-5]%
Lafarge	[30-40]%	[30-40]%
Combined	**[40-50]%**	**[30-40]%**
Cemex	[20-30]%	[10-20]%
Heidelberg	[10-20]%	[20-30]%
CRH	[5-10]%	[0-5]%
Channel Cement	[0-5]%	[0-5]%
FCC Group	[5-10]%	[0-5]%
Hope Construction Materials	[0-5]%	[5-10]%
Others	[0-5]%	[0-5]%
Total	**100%**	**100%**

Source: Notifying Party, Form CO

270. The overlaps in south-eastern England relate to the activities of Holcim at its import terminal in Chatham and the activities of Lafarge at its import terminal in Northfleet and additional depots/terminals in the region. The Parties' market shares in the relevant catchment areas are shown in Table 74 and Table 75.

Table 74: Sales shares Chatham import terminal catchment area

Chatham catchment area	*150km*	*250km*
Holcim	[0-5]%	[0-5]%
Lafarge	[30-40]%	[30-40]%
Combined	**[30-40]%**	**[30-40]%**
Cemex	[20-30]%	[20-30]%
Heidelberg	[10-20]%	[20-30]%
Quinn	[5-10]%	[0-5]%
CRH	[5-10]%	[0-5]%
Brett Aggregates	[5-10]%	[0-5]%
FCC Group	[0-5]%	[0-5]%
Titan	[0-5]%	[0-5]%
Others	[0-5]%	[0-5]%
Total	**100%**	**100%**

Source: Notifying Party, Form CO

Table 75: Sales shares Northfleet import terminal catchment area

Northfleet catchment area	*150km*	*250km*
Holcim	[0-5]%	[0-5]%
Lafarge	[30-40]%	[30-40]%
Combined	**[30-40]%**	**[30-40]%**
Cemex	[20-30]%	[20-30]%
Heidelberg	[10-20]%	[20-30]%
Quinn	[5-10]%	[0-5]%
CRH	[5-10]%	[0-5]%
Brett Aggregates	[0-5]%	[0-5]%
FCC Group	[0-5]%	[0-5]%
Titan	[0-5]%	[0-5]%
Hope Construction Materials	[0-5]%	[5-10]%
Others	--	[0-5]%
Total	**100%**	**100%**

Source: Notifying Party, Form CO

271. The market shares include both internal sales and external sales to third parties. Although Holcim has increased its overall imports and sales to third parties from the import terminals in Ellesmere Port, Plymouth and Chatham over the last three years, Holcim's third party sales of bulk cement remain limited, representing […]%, […]% and […]% of the imports respectively (total third party sales from these terminals amounted to […] tons in 2013). Accordingly, Holcim is generally not perceived by customers and some competitors as an important competitive force in grey cement in these areas.[190]

272. A limited number of customers and competitors contacted in the market investigation have raised concerns. However, such concerns are of a general nature, relating to a general loss of competition that results from any reduction of the number of available suppliers. More detailed concerns raised relate to the effect on competition across the

190 See replies to questions 31 and 32 – Q2j – Grey cement – Questionnaire to customers – United Kingdom; and replies to question 33 – Q1J – Grey cement – Questionnaire to competitors – United Kingdom.

supply chain from cement supply to the end user but do not refer explicitly to the competitive situation in cement as such.[191]

273. The overlaps between the Parties' activities in ready-mix concrete, aggregates, and screed in the UK raise serious doubts as to their compatibility with the internal market as will be discussed in sections VI.2, VI.3 and VI.7.4. The divestments required to remove those serious doubts relate to businesses that rely on established internal supplies of grey cement. In order to ensure the viability of the required divestments, those internal supplies of grey cement have to be divested as well. Therefore, the Commission leaves open whether the overlaps between the Parties' activities in central England, Wales, south-western England and south-eastern England raise serious doubts as to their compatibility with the internal market.

VI.1.3.13.3. Conclusion on the grey cement overlaps in the UK

274. For the reasons set out above, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to grey cement in the relevant catchment areas around the Parties' grey cement facilities in Dunbar and Glasgow. The Commission does not have to find, however, whether the Parties' overlaps in grey cement in central England, Wales, south-western England and south-eastern England lead to serious doubts as such since their divestment is necessary to ensure the viability of the divestments required to remove serious doubts in the ready-mix concrete and aggregates markets.

VI.1.4. Conclusion on grey cement

275. The Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to grey cement in the relevant catchment areas in:

- eastern Austria;
- the Czech Republic;
- north-western France, western France and eastern France;
- Réunion;
- south-western Germany, western Germany and central Germany;
- Hungary;
- Romania;
- Slovakia;
- Scotland and northern England.

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191 See replies to questions 31, 32 and 34 – Q2j – Grey cement – Questionnaire to customers – United Kingdom; and replies to questions 32 and 33 – Q1J – Grey cement – Questionnaire to competitors – United Kingdom.

VI.2. READY-MIX CONCRETE

VI.2.1. Relevant product market definition

276. Ready-Mix Concrete (hereinafter referred to 'RMX') is an industrially manufactured product constituted by a blend of aggregates, grey cement, water and additives.[192] RMX is produced in a freshly mixed and unhardened state, and delivered to a construction site. RMX hardens, and thus needs to be used within a short period of time (one to two hours).

277. There are different specifications of RMX that correspond to different composition (mixes of the components), which can also be customised. RMX can be produced at fixed or mobile plants, and then transported. Alternatively, the different components can be transported separately in volumetric trucks, then mixed on site.

VI.2.1.1. Past decisional practice

278. In past decisions, the Commission has consistently considered RMX as a single, distinct product market.[193]

VI.2.1.2. The Notifying Party's arguments

279. In line with this practice, the Notifying Party submits that all specifications of RMX are part of the same product market.[194] This is due to the fact that all inputs are typically used at any plant, and a producer can manufacture any specification, with the few exceptions given by patent-protected products. The Notifying Party also submits that the same product market encompasses RMX specifications irrespective of whether they are supplied through fixed and mobile plants, or by volumetric trucks.[195]

VI.2.1.3. Responses to the market investigation

280. Customers that responded to the market investigation indicated that their choice for a fixed or mobile plant or for a volumetric truck depends on the location of RMX facilities and on the size of the project, i.e. quantities to be supplied. For instance, volumetric trucks are ill-suited to supply big quantities, while the set-up of mobile plants is a preferred choice for construction sites of a significant size.[196] As for competitors that responded to the market investigation, they generally indicated that

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192 Form CO, paragraph 1443.

193 Cases M.3572 Cemex/RMC, 8 December 2004, recital 12; M.4719 HeidelbergCement/Hanson, 7 August 2007, recital 21; M.6153 Anglo American/Lafarge/JV, 16 May 2011, recital 22; M.7054 Cemex/Holcim Assets, 9 September 2014, recital 319.

194 Form CO, paragraph 1452.

195 Form CO, paragraph 1455. At paragraph 1458 of the Form CO the Parties further clarify that they are not active on RMX markets in the EEA with volumetric trucks, which are however in their view an attractive options for new entrants.

196 See replies to question 7 Q4a – RMX questionnaire to customers – UK; Q4b – RMX questionnaire to customers – France; Q4c – RMX questionnaire to customers – Romania; Q4d – RMX questionnaire to customers – Spain; Q4e – RMX questionnaire to customers – Germany / Poland; Q4f – RMX questionnaire to customers – Réunion.

there is a sufficient degree of supply-side substitutability, with few barriers to the set-up of mobile plants or to supply through volumetric trucks.[197]

VI.2.1.4. Conclusion on the relevant product market

281. In light of past decisional practice, the Notifying Party's arguments and the responses to the market investigation, the Commission considers that RMX constitutes a single distinct product market for the purpose of the Notified Transaction.

VI.2.2. Relevant geographic market definition

282. RMX hardens within one to two hours. This time determines the maximum distance over which it can be transported once it is produced.

VI.2.2.1. Past decisional practice

283. In past decisions, the Commission considered but left open a radius of 15-40 km around a production site.[198] In its most recent decision, the Commission considered that the appropriate geographic market over which RMX needs to be assessed is a radius of 25 km.[199]

VI.2.2.2. The Notifying Party's arguments

284. The Notifying Party submits that due to topography, population density and transport features, the precise geographic dimension of an RMX catchment area may vary. It considers, however, a distance of 25 km to be sufficiently representative.[200]

VI.2.2.3. Responses to the market investigation

285. Customers that responded to the market investigation indicated that there are certain circumstances, such as climatic conditions, available road connections and traffic congestion, which can have an impact on the distance from which they can source and transport RMX.[201] The maximum distance to which RMX can be supplied is rarely above 50 km. As for competitors that responded to the market investigation, they highlighted that, irrespective of the maximum distance to which RMX can be supplied, high percentages of their production is delivered within 25 km from their

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197 See replies to questions 6 to 7.1, Q3a – RMX questionnaire to competitors – UK; questions Q3b – RMX questionnaire to competitors – France; Q3c – RMX questionnaire to competitors – Romania; Q3d – RMX questionnaire to competitors – Spain; Q3f – RMX questionnaire to competitors – Réunion; and questions 7 to 8.1, Q3e – RMX questionnaire to competitors – Germany/Poland.

198 Cases M.2317 Lafarge Blue Circle (II), 1 March 2001, recital 11; M.3713 Holcim/Aggregate Industries, 14 March 2005, recital 9; M.3572 Cemex/RMC, 8 December 2004, recital 24; M.4719 HeidelbergCement/Hanson, 7 August 2007, recitals 21 and 29; M.7009 – Holcim/Cemex West, 5 June 2014.

199 Case M.7054 Cemex/Holcim Assets, 9 September 2014, recital 325.

200 Form CO, paragraph 1462.

201 See replies to questions 8 to 9, Q4a – RMX questionnaire to customers – UK; Q4b – RMX questionnaire to customers – France; Q4c – RMX questionnaire to customers – Romania; Q4d – RMX questionnaire to customers – Spain; Q4e – RMX questionnaire to customers – Germany / Poland; Q4f – RMX questionnaire to customers – La Rèunion.

production sites (above [80-90]%, and in many cases above [90-100]%), with little remaining volumes delivered beyond this distance.[202]

VI.2.2.4. Conclusion on the relevant geographic market

286. In light of past decisional practice, the Notifying Party's arguments and the responses to the market investigation, the Commission considers that the relevant geographic market is a radius of 25 km around each RMX plant for the purpose of the Notified Transaction.

VI.2.3. Competitive assessment

287. The Parties are active through RMX plants in a number of contracting parties to the EEA Agreement. The table below summarises the number of plants owned by each Party in those contracting parties to the EEA Agreement where they have RMX operations and the number of overlaps.[203]

RMX Plants (EEA countries where both Parties have plants in bold)

EEA Country	Number of Holcim plants	Number of Lafarge plants	Number of overlaps
Belgium	19	0	0
Bulgaria	3	0	0
Croatia	4	0	0
Czech Republic	16	0	0
France	**137**	**269**	**393**
La Réunion	**5**	**4**	**20**
Germany	**78**	**2**	**2 (one Holcim plant overlaps with two Lafarge plants in Poland)**
Greece	0	24	0
Hungary	24	0	0
Italy	25	0	0
Luxembourg	1	0	0
Netherlands	3	0	0
Poland	0	37	2 (two Lafarge plants overlap with one Holcim plant in Germany)
Romania	**17**	**17**	**42**
Slovakia	28	0	0
Spain	**51**	**58**	**93**
UK	**90**	**93**	**548**

202 See replies to questions 8 to 9, Q3a – RMX questionnaire to competitors – UK; Q3f – RMX questionnaire to competitors – Réunion; questions 8 to 10, Q3b – RMX questionnaire to competitors – France; Q3c – RMX questionnaire to competitors – Romania; Q3d – RMX questionnaire to competitors – Spain; and replies to questions 9 to 12, Q3e – RMX questionnaire to competitors – Germany/Poland.

203 Form CO, paragraph 1484.

288. For the purposes of the assessment, the situation in each of these countries will be considered separately.

VI.2.3.1. Methodology for the calculation of market shares

289. The competitive assessment is carried out on the basis of the plant-centred approach.[204] Production shares serving as a proxy for market shares are calculated as follows:

- To estimate an RMX site's sales in a catchment area, production figures are used as a proxy for a site's sales into a catchment area. The analysis assumes that production is sold uniformly in a radius of 50km around the site's location.[205]
- In general, local RMX demand is estimated by breaking down national (or subnational) RMX consumption, and calculating per-capita consumption.[206] A dataset (NASA) is used to estimate the population size around each plant. Local demand is calculated by multiplying local population by national (or subnational) per capita consumption.

VI.2.3.2. France (Métropole)

290. Lafarge is present in France with 269 RMX plants, whereas Holcim is present with 137 plants. These plants produce a total of 393 overlaps. Of these sites, there are 109 affected catchment areas with combined production shares of more than [20-30]% and a post-merger increment.[207]

291. For the reasons set out in recitals 292 to, 293 the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to RMX in France (Métropole).

292. First, the merged entity will have high market shares in certain affected catchment areas. In 46 cases, the combined market share reached in the catchment area around an RMX plant will exceed 35%, with an increment of at least 1%. In 26 cases, the combined market shares will even exceed [50-60]%; these areas are in particular the catchment areas around Holcim's RMX plants in Beauvais ([70-80]%), Cergy ([50-60]%), Chatillon sur Seine ([60-70]%), Cheny ([50-60]%), Clermont ([50-60]%), Compiegne ([50-60]%), Gaillon ([50-60]%), Isles les Villenoy ([60-70]%), Montbard ([80-90]%), Nogent ([100-110]%)[208], Pons et Marais ([60-70]%), St Soupplets

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204 Form CO, Aggregates Annex 6.3 'Aggregates and RMX methodology note'.

205 Parties' sites that either closed or have been sold are included as long as they reported positive production in 2013.

206 In certain countries, such as France, there are additional data sources for national and subnational aggregates consumption figures.

207 Form CO, Annex RMX 6.3 – France.

208 Fluctuations in demand for RMX may produce a difference between actual demand in a given year and the demand estimated by the allocation of consumption on the basis of population counts and in accordance with the methodology for the attribution of production shares. This explains why in some cases the production shares calculated in a given area may exceed a total of 100%. Cfr. Form CO, paragraph 1496.

([80-90]%); and the catchment areas around Lafarge's RMX plants in Bernières ([50-60]%), Chanas ([60-70]%), Charny ([50-60]%), Gisors ([60-70]%), Gron ([60-70]%), Gurgy ([50-60]%), Malesherbes ([50-60]%), Moreac ([60-70]%), Nesles ([50-60]%), Ploermel ([60-70]%), St Maximin ([110-120]%), St Meen ([50-60]%), Tonnerre ([60-70]%), Troissereux ([70-80]%).

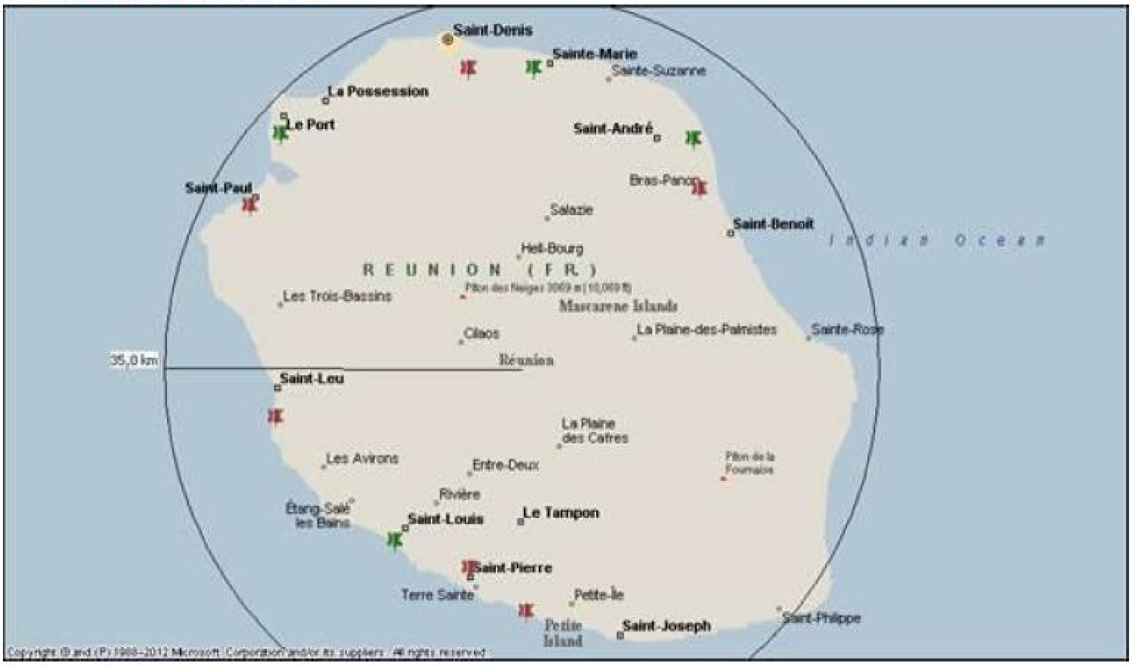
293. Second, certain customers that responded to the market investigation, particularly customers of both Holcim and Lafarge,[209] pointed out that the merger will lead to a high concentration of the RMX business in certain regions of France. Customers indicated in particular the Paris region (Ile-de-France) as a potential area of concern. The view that the Notified Transaction will have an impact on RMX markets in France was also expressed by some competitors that responded to the market investigation.[210]

VI.2.3.3. France (Réunion)

294. In Réunion, Lafarge operates four RMX plants, while Holcim operates five plants.

295. Due to the size of Réunion, a radius of 25 km around any plant captures most other plants. Overall, as illustrated by the below map, all RMX plants in Réunion are captured by a radius of less than 35 km from the centre of the island. Production shares can therefore be calculated by counting all plants on the island.[211]

RMX Plants on La Réunion



296. For the reasons set out in recitals 297 to 298, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to RMX in Réunion.

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209 See replies to questions 14 and 15, Q4b – RMX questionnaire to customers – France.

210 See replies to question 13 to 16 of Q3b – RMX questionnaire to competitors – France.

211 Form CO, paragraph 1505.

297. First, the merged entity will have high market shares. Holcim has a production share of [30-40]%, while Lafarge has a production share of [30-40]%. The merged entity's combined production share will thus amount to [60-70]%.

298. Second, customers that responded to the market investigation[212] and who are customers of both Parties indicated that the Notified Transaction will have an impact on competition because it will reduce the number of RMX suppliers on the island.

VI.2.3.4. Romania

299. Both Lafarge and Holcim are present in Romania with 17 RMX plants each. These plants produce a total number of 42 overlaps. There are 20 affected catchment areas with a combined production shares of more than [20-30]% and a post-merger increment.[213]

300. For the reasons set out in recitals 301 to 302, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to RMX in Romania.

301. First, the merged entity will have high market shares in certain affected catchment areas. In 15 cases, the combined market share reached in the catchment area around an RMX plant will exceed 35%, with an increment of at least 1%. In 3 cases, the combined market shares will exceed [50-60]%; these areas are the catchment areas around Holcim's RMX plants in Cluj 1 and 2 ([50-60]% and [50-60]%) and the catchment area around Lafarge's RMX plant in Plevnei ([50-60]%).

302. Second, certain customers that responded to the market investigation[214] expressed concerns about the impact of the proposed transaction. Similar concerns were voiced by a competitor that is not vertically integrated.[215]

VI.2.3.5. United Kingdom

303. Lafarge is present in the UK through its Lafarge Tarmac joint venture, which operates 93 RMX plants. Holcim, through its subsidiary Aggregate Industries, has 90 RMX plants. These plants produce a total of 548 overlaps. Of these sites, there are 129 affected catchment areas with combined production shares of more than [20-30]% and a post-merger increment.[216]

304. For the reasons set out in recitals 305 to 306, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to RMX in the UK.

305. First, the merged entity will have high market shares in certain affected catchment areas. In 66 cases, the combined production share will exceed 35%, with an increment

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212 Replies to questions 12 to 15 of Q3f – RMX questionnaire to competitors – Réunion and replies to questions 14 to 15 of Q4f – RMX questionnaire to customers – Réunion.

213 Form CO, Annex RMX 6.3 – Romania.

214 See replies to questions14 to 15, Q4c – RMX questionnaire to customers – Romania.

215 See replies to questions 13 to 16, Q3c – RMX questionnaire to competitors – Romania.

216 Form CO, Annex RMX 6.3 – UK.

of at least 1%. In 19 cases, the combined market shares will exceed [50-60]%; these areas are in particular the catchment areas around Holcim's RMX plants in Barrow ([90-100]%), Bow ([50-60]%), Callander ([60-70]%), Denham ([50-60]%), Harlington ([50-60]%), Harlow ([70-80]%), Heathrow ([50-60]%), Hornsey ([50-60]%), Lancaster ([50-60]%), Watford ([50-60]%); and the catchment areas around Lafarge's RMX plants of Carnforth Concrete ([50-60]%), Euromix East London – Silvertown ([50-60]%), Grantham Concrete ([50-60]%), Harper Lane Readymix ([50-60]%), Kings Cross Concrete ([50-60]%), Newark Concrete ([50-60]%), Swadlincote Concrete ([50-60]%), Thurrock – Euromix ([50-60]%), Tyttenhanger Readymix ([50-60]%).

306. Second, customers that responded to the market investigation and who are customers of both Parties[217] indicated that the Notified Transaction will have an impact in several catchment areas as the Parties have a widespread coverage of Great Britain with their RMX plants, and there will be a reduction in the number of competitors. A majority of competitors that responded to the market investigation[218] also pointed out that the Notified Transaction will result in a stronger position for the Parties in several areas of Great Britain. The reduction of the number of RMX suppliers will also affect the London area.

VI.2.3.6. Spain

307. Lafarge is present in Spain with 58 RMX plants, while Holcim operates 51 plants. The activities of the Parties generate 93 overlaps.

308. For the reasons set out in recitals 309 to 311, the Commission finds that as to its compatibility with the internal market in relation to RMX in Spain.

309. First, of these 93 overlaps, there will be only 3 affected catchment areas with combined production shares of more than [20-30]% and a post-merger increment.[219] These areas will be the catchment areas around Holcim's RMX plants in Constantì ([20-30]%), and Polop ([20-30]%); and the catchment area around Lafarge's RMX plants in Perafort ([20-30]%).

310. Second, within the three affected catchment areas, the combined market shares will be below [30-40]% in Constantì, Polop and Perafort, with a limited increment (between [0-5]% for Polop to [5-10]% for Perafort).

311. Third, a large majority of the respondents to the market investigation[220] indicated that they do not expect the Notified Transaction to have any impact on competition in the catchment areas.

217 See replies to questions 14 to15, Q4a – RMX questionnaire to customers – UK.

218 See replies to questions 12 to 15, Q3a – RMX questionnaire to competitors – UK.

219 Form CO, Annex RMX 6.3 – Spain.

220 See replies to questions 14 to 15, Q4d – RMX questionnaire to customers – Spain, and reply to questions 14 to 17, Q3d – RMX questionnaire to competitors – Spain.

VI.2.3.7. Germany and Poland

312. In Germany, Holcim operates 78 RMX plants, whereas Lafarge only operates 2. In Poland, Holcim is not present, while Lafarge operates 37 RMX plants. The Parties' activities in these two countries overlap in the cross border area around Holcim's RMX plant in Eggesin (Germany) [221] and Lafarge's RMX plants in Szczecin – Chmielewskiego and Szczecin – Tama (Poland).[222]

313. For the reasons set out in recitals 314 and 315, the Commission finds that the Notified Transaction does not raise serious doubts as to its compatibility with the internal market in relation to RMX in Germany and Poland.

314. First, the only affected catchment area where the combined market shares of the Parties will exceed [20-30]% will be the area around Holcim's plant in Eggesin ([30-40]%).

315. Second, the increment in production shares determined by the Notified Transaction ([0-5]%) will not bring about any material increase in market power or affect competitive dynamics in the area of Eggesin.[223] This was confirmed by the few market participants that responded to the market investigation. Only one of the two responding competitors indicated that the transaction may have an impact on competition.[224] The only German customer[225] that responded also indicated that no impact is to be expected from the transaction.

VI.2.4. Substantial part of the internal market.

316. Pursuant to the case-law of the Union Courts, the territory of an entire Member State constitutes a substantial part of the internal market regardless of its size.[226] A part of the territory of a Member State can also constitute a substantial part of the internal market.[227] The same applies regarding what constitutes a substantial part of the territory covered by the EEA Agreement.

317. In that regard, in past decisions, the Commission has considered that a part of or a region within a Member State can constitute a substantial part of the internal market on its own, in so far as its overall economic relevance is substantial enough. This may be the case where the volume of production and demand is higher or equal to other Member States[228] or the region's population is higher or equal to the population of

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221 Form CO, Annex RMX 6.3 – Germany.

222 Form CO, Annex RMX 6.3 – Poland.

223 Form CO, paragraph 1514.

224 See replies to questions 17 to 20, Q3e – RMX questionnaire to competitors – Germany/Poland.

225 See reply to questions 14 to 15, Q4e – RMX questionnaire to customers – Germany/Poland.

226 Case T-228/97 *Irish Sugar v Commission*, ECLI:EU:T:1999:246, paragraph 99.

227 Joined cases 40 to 48, 50, 54 to 56, 111, 113 and 114/73 *Suiker Unie and Others v Commission*, ECLI:EU:C:1975:174, paragraph 371.

228 Cases M.2822 – ENBW/ENI/GVS, 17 December 2010, recital 32; M.5496 – Vattenfall/Nuon Energy, 22 June 2009, recital 42; M.5467 – RWE/Essent, 23 June 2009, recital 292.

other Member States.[229] Other relevant factors include the economic importance of the territory concerned, the volume of cross-border trade or general geographic factors.[230]

318. In this case, the Notified Transaction raises serious doubts with respect to a significant portion of the territory of several Member States, including metropolitan areas such as the London area, the Paris-Ile de France area and the Bucharest area. The Notified Transaction also raises serious doubts in relation to the entire territory of Réunion, an island which covers some 2 500 km^2 and has a population of more than 800 000 inhabitants.

319. Considering the size of these markets taken together relative to the internal market, the Commission concludes that they form a substantial part of the internal market.

VI.2.5. Conclusion on RMX

320. For the above reasons, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to RMX in the relevant catchment areas in France (Métropole and Réunion), Romania and the UK.

321. The Commission also concludes that the Notified Transaction does not raise serious doubts as to its compatibility with the internal market in relation to RMX in the relevant catchment areas in Spain and around Holcim's Eggesin plant in Germany.

VI.3. Aggregates

VI.3.1. Relevant product market definition

322. Aggregates are used as base materials in the construction of roads, buildings and other infrastructure, as well as raw materials used to make products such as concrete, asphalt, and mortar. They may be (i) quarried from land and dredged from the sea (together, “primary aggregates”); (ii) obtained from the waste products of other mining or industrial activities (“secondary aggregates”); or (iii) obtained from recycled sources such as demolition sites and construction waste (“recycled aggregates”). They are typically used in construction. They are also supplied for specialist uses such as railway ballast.[231]

VI.3.1.1. Past decisional practice

323. In past decisions the Commission has considered aggregates as a single, separate product market.[232] Moreover, the Commission has considered, but ultimately left open, a further segmentation between (i) primary aggregates (crushed rock, gravel and

229 Case M.3943 – Saint-Gobain / BPB 09 November 2005, recital 117.

230 Case M.5677 –Schuitema/Super de Boer Assets, 25 January 2010, paragraph 38.

231 Cases M.7054 Cemex/Holcim Assets, 9 September 2014, recital 299; M.6153 – Anglo American/Lafarge/JV, 16 May 2011, recital 11.

232 Cases M.3415 – CRH/Semapa/Secil JV, 28 May 2004, recital 10; M.3141 – Cementbouw/Enci/JV, 01 August 2003, recital 11.

sand) and (ii) secondary / recycled aggregates (such as colliery and china clay waste, slate, power station ash, slags and demolition/construction waste).[233]

324. The UK Competition Commission has also recently defined one product market for these types of aggregates in its market investigation into the UK building materials markets, in particular for reasons of demand-side substitutability.[234] In an earlier merger decision, the Competition Commission defined a separate product market for primary aggregates.[235]

325. Within the primary aggregates category, the Commission has also considered in past decisions but left open a further distinction between (i) sand and gravel and (ii) crushed rock.[236] The Commission has noted a certain lack of demand-side substitutability because the choice between crushed rock or sand and gravel is largely influenced by geology and availability for ready-mix concrete and concrete production.[237]

326. As regards specialist aggregates, the UK Competition Commission considered that these constitute a separate product market from construction aggregates. The UK Competition Commission also considered that there may be separate sub-markets for the different types of specialist aggregates due to limited demand-side and supply-side substitution.[238]

VI.3.1.2. The Notifying Party's arguments

327. The Notifying Party submits that construction aggregates generally constitute one single product market. It refers to the UK Competition Commission's report[239] which recently found that primary and secondary construction aggregates form part of the same products market.[240]

328. Moreover, the Notifying Party points to a steady growth in the use of recycled and secondary aggregates due to more efficient recycling technologies, various

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233 Case M.1779 – Anglo American/Tarmac, 13 January 2000, recital 20.

234 UK Competition Commission, Aggregates, cement and ready-mix concrete market investigation, 14 January 2014, recital 5.24.

235 UK Competition Anglo American PLC and Lafarge S.A. A report on the anticipated construction materials joint venture between Anglo American PLC and Lafarge S.A., recital 5.27.

236 Case M.5803 - Eurovia/Tarmac, 10 June 2010, recital 10.

237 Case M.7049 – Cemex/Holcim Assets, 28 October 2013, recital 301.

238 UK Competition Commission, Aggregates, cement and ready-mix concrete market investigation, January 2014, paragraph 5.6; UK Competition Commission, Anglo American PLC and Lafarge S.A., A report on the anticipated construction materials joint venture between Anglo American PLC and Lafarge S.A., paragraphs 5.39 to 5.42.

239 The UK Competition Commission's functions have in the meantime transferred to the Competition and Markets Authority.

240 UK Competition Commission, Aggregates, cement and ready-mix concrete market investigation, 14 January 2014, recital 5.24.

government initiatives and changes in product specifications that will allow for greater use of secondary or recycled aggregates[241] as substitutes for primary aggregates.

329. The Notifying Party further submits that there are also specific types of primary aggregates for certain specialist applications, such as (i) rail ballast, a type of crushed rock aggregate used as a bedding material underneath railway tracks, (ii) high-purity limestone, mostly used in industrial applications, and (iii) high polished stone value ('PSV') aggregates which are derived from crushed rock or sand and gravel sources and which are used for asphalt road surfacing.

330. In any event, the Notifying Party submits that the precise product market definition for aggregates can be left open as the Notified Transaction does not give rise to serious doubts irrespective of the precise delineation of the relevant product market.

VI.3.1.3. Responses to the market investigation

331. As regards potential sub-markets for construction aggregates,certain customers that responded to the market investigation indicated that they can use the different products interchangeably whereas a larger group of customers stressed that demand-side substitutability is limited as specific types of aggregates will be required for specific types of applications.[242]

332. As for competitors that responded to the market investigation, they explained that the use of specific types of aggregates may be required in the contracts with customers. For example certain specifications prohibit the use of recycled aggregates or marine-won aggregates.[243] Competitors also generally confirmed that there appears to be significant variation as to the degree of substitutability between different types of aggregates depending on the specific end use.[244]

VI.3.1.4. Conclusion on product market definition

333. For the purpose of the assessment of the Notified Transaction, the exact market definition can be left open as the competitive assessment remains the same under any plausible market definition.

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241 UK Competition Commission, Aggregates, cement and ready-mix concrete market investigation, 14 January 2014, recital 2.14 – 2.41.

242 See replies to questions 6-8 – Q6a – Aggregates – Questionnaire to customers – UK; questions 7-9 – Q6b – Aggregates – France Métropole/Belgium; questions 6-8 – Q6c – Aggregates – Questionnaire to customers – Réunion; questions 6-9 – Q6d – Aggregates – Questionnaire to customers – Romania; questions 6-8 – Q6e – Aggregates – Questionnaire to customers – Germany/Poland.

243 See replies to questions 6-8 – Q6a – Aggregates – Questionnaire to customers – UK; questions 7-9 – Q6b – Aggregates – France Métropole/Belgium; question 6 – Q6d – Aggregates – Questionnaire to customers – Romania.

244 See replies to questions 7-9 – Q5a – Aggregates – Questionnaire to competitors – UK; questions 8-10 – Q5b – Aggregates – Questionnaire to competitors – France Métropole/Belgium; question 7 – Q5c – Aggregates – Questionnaire to competitors – Réunion; questions 7-9 – Q5e – Aggregates – Questionnaires. The Commission takes note that a larger number of competitors in Romania considers that there is substitutability between the different types of aggregates, see replies to questions 7-9 – Q5d – Aggregates – Questionnaire to competitors - Romania.

334. In light, however, of the previous decisional practice in the United Kingdom, the Commission will assess the impact of the Notified Transaction in specialist aggregates, which only relate to the United Kingdom, separately from the overlaps in construction aggregates.

VI.3.2. Relevant geographic market definition

VI.3.2.1. Past decisional practice

335. In past decisions, the Commission has considered the aggregates market to be local/regional[245] or at most national[246] in scope and has retained a radius of 50 to 80 km depending on the particularities of the areas concerned.[247] This is due to the fact that aggregates are heavy and voluminous products with significant transport costs.

336. As regards specialist aggregates, the UK Competition Commission has in the past analysed the markets for certain specialist aggregates at the national level.[248]

VI.3.2.2. The Notifying Party's arguments

337. The Notifying Party submits that a regional market with a 50km radius around each production site is the most appropriate geographic market for construction aggregates, principally because of the impact of transportation costs in the aggregates industry. The Notifying Party estimates that it delivers 80-90% of its volume of sales within a 50km distance of its aggregates quarries in the EEA.[249]

338. The Notifying Party also explains that there are two exceptions where its delivery distances for construction aggregates are longer. First, in so-called ‘urban sprawl’ areas the lack of available space for quarrying necessitates the transportation of materials over longer distances by truck, rail and barge up to 150-250km. Second, two large costal quarries of Holcim […] supply […] overseas ports by ship over a distance of approximately […] km.[250]

339. In respect of specialist aggregates, notably rail ballast and high PSV aggregates, the Notifying Party submits that the assessment should be done at national level. According to the Notifying Party, demand is spread broadly and unevenly across each Member State, and the Parties transport rail ballast and high PSV aggregates in the UK across distances of 150-300km.[251]

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245 Case M.4298 – Aggregate Industries/Foster Yeoman, 06 September 2006, recital 13.

246 Case M.4179 HeidelbergCement/Hanson, 30 June 2006, recital 27.

247 Case M.3713 - Holcim/Aggregate Industries, 14 March 2005, recital 8; M.2317 – Lafarge/Blue Circle (II), 01 March 2001, recital 10.

248 UK Competition Commission, Anglo American PLC and Lafarge S.A. A report on the anticipated construction materials joint venture between Anglo American PLC and Lafarge S.A., paragraphs 6.36ff.

249 Form CO, paragraph 1326, footnote 649.

250 Form CO, paragraph 1327.

251 Form CO, paragraphs 1329-1330.

VI.3.2.3. Responses to the market investigation

340. As regards construction aggregates, respondents to the market investigation indicated that the proximity of a customer to an aggregates quarry will have a significant impact on costs of supply due to transport costs. Hence, it is more economic for aggregates customers to purchase from quarries at a distance of up to 50 to 80 km as opposed to transporting materials beyond that distance.[252] Aggregates that use rail transportation will generally be able to travel further distances than aggregates that are delivered solely by road vehicles[253].

341. Respondents to the market investigation also indicated maximum delivery distances tend to go up to 100 km or in some cases above 150km, in particular if a specialised product is required. The majority of aggregates will, however, be bought within a radius of less than 80 km.[254] The market investigation provided some evidence that the 50 to 80 km radii also include cross-border areas due to the commoditised nature of the product.[255] The two deviations from Holcim's general delivery distances in aggregates, relating to urban sprawl areas and overseas supplies, are atypical and form only a small part of Holcim's aggregates activities in the EEA.

342. Finally, respondents to the market investigation stated that specialist aggregates are supplied over longer distances.[256]

VI.3.2.4. Conclusion on geographic market definition

343. In light of past decisional practice, the Notifying Party's arguments and the responses to the market investigation, the Commission considers that assessing the local construction aggregates markets within a radius of 50-80km in line with its previous decisional practice is appropriate in this case. In the case of Réunion, the relevant geographic market encompasses the entire island.[257]

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252 See in particular a customer's reply to question 9.1 – Q6e – Aggregates – Questionnaire to customers – Germany/Poland.

253 See the reply of a competitor to question 10 – Q6a – Aggregates – Questionnaire to competitors – UK.

254 See replies to questions 9 and 10 – Q6a – Aggregates – Questionnaire to customers – UK; questions 10-11 – Q6b – Aggregates – Questionnaire to customers – France Métropole/Belgium; question 10 – Q6c – Aggregates – Questionnaire to customers – Réunion; questions 10-11 – Q6d – Aggregates – Questionnaire to customers – Romania; questions 6-8 – Q6e – Aggregates – Questionnaire to customers – Germany/Poland; see replies to questions 10-11 – Q5a – Aggregates – Questionnaire to competitors – UK; questions 11-13 – Q5b – Aggregates – Questionnaire to competitors – France Métropole/Belgium; questions 10-11 – Q5d – Aggregates – Questionnaire to competitors – Romania; questions 10-13 – Q5e – Aggregates – Questionnaire to competitors – Germany/Poland.

255 See replies to question 12 – Q6e – Aggregates – Questionnaire to customers – Germany/Poland; questions 17-18 – Q5b – Aggregates – Questionnaire to competitors – France Métropole/Belgium.

256 See replies to question 9 – Q6e – Aggregates – Questionnaire to customers – UK; question 11 – Q5d – Aggregates – Questionnaire to competitors – Romania; question 11 – Q5e – Aggregates – Questionnaire to competitors – Germany/Poland.

257 See also recital 295 of this decision.

344. In the light of the previous decisional practice in the United Kingdom, the Commission will assess the Parties' overlaps in specialist aggregates, which only relate to the United Kingdom, at the national level.

VI.3.3. Competitive assessment

VI.3.3.1. The Parties' activities

345. Table 76 lists the number of aggregates quarries operated by each Party in the EEA. The fourth column lists the number of Holcim or Lafarge quarries that compete with each other within a 100km radius (i.e. two overlapping 50km catchment areas).

Table 76: Parties' aggregates quarries (EEA countries where both Parties have quarries in bold)258

EEA Country	Number of Holcim quarries	Number of Lafarge quarries	Number of quarries with overlaps[654]
Belgium	6	0	5 (overlaps with Lafarge quarries in France)
Bulgaria	9	0	0
Croatia	3	0	0
Czech Republic	5	0	2 (overlaps with Lafarge quarries in Poland)
France (mainland)	**62**	**127**	**64**
France (La Réunion)	**3**	**3**	**6**
Germany	28	0	1 (overlap with Lafarge quarry in Poland)
Greece	0	8	0
Hungary	0	1	1 (overlap with Holcim quarries in Slovak Republic)
Italy	5	0	0
Poland	0	15	6 (overlaps with Holcim quarries in Germany, Slovak Republic and the Czech Republic)
Romania	**3**	**25**	**12**
Slovakia	6	0	4 (overlaps with Lafarge quarries in Poland and Hungary)
Spain	**19**	**12**	**18**
UK	**80**	**214**	**281**

Source: Form CO, paragraph 1331

346. The Parties' activities in aggregates thus overlap in: (i) France (Métropole); (ii) France (Réunion); (iii) Romania; (iv) the UK and (v) Spain. There are additional minor cross-border overlaps between the Parties' aggregates activities in the border regions of

258 Figures include also wharves, and recycling facilities.

(i) Belgium and France, (ii) Germany, Poland and the Czech Republic and (iii) Hungary and Slovakia.

347. As regards specialist aggregates, the Parties' activities overlap only with respect to rail ballast and high PSV aggregates in the UK.

VI.3.3.2. Methodology for the calculation of market shares

348. The competitive assessment for the regional markets is carried out on the basis of the quarry-centred approach.[259] Production shares serving as a proxy for market shares are calculated as follows:

- To estimate an aggregates' quarry sales in a catchment area, production figures are used as a proxy for a quarry's sales into a catchment area. The analysis assumes that production is sold uniformly in a radius of 50km around the quarry's location.[260]
- In general, local aggregates demand is estimated by breaking down national (or subnational) aggregates consumption, and calculating per-capita consumption. A dataset (NASA) is used to estimate the population size around each plant. Local demand is calculated by multiplying the local population size by the national (or sub-national) per capita consumption.

VI.3.3.3. France (Métropole)

349. Holcim operates 62 aggregates quarries in France whereas Lafarge operates 127 aggregates quarries leading to a total of 64 aggregates quarries with overlaps. Figure 9 illustrates that the overlaps are concentrated in the north-eastern part of France, particularly in Burgundy, Centre, Île-de-France, Picardy, Nord-Pas-de-Calais, Champagne-Ardenne, Franche-Comté and Auvergne.

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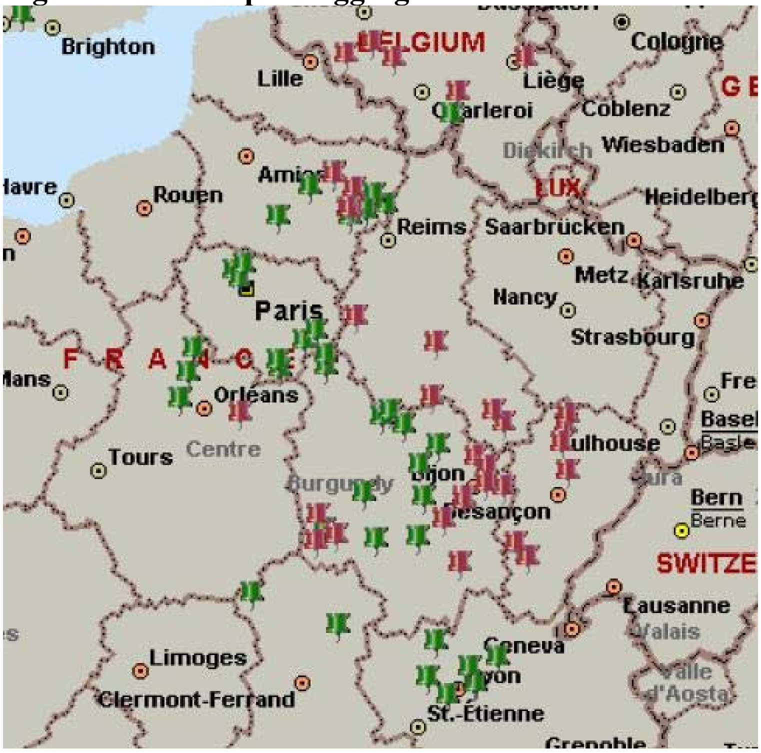
259 Form CO, Aggregates Annex 6.3 'Aggregates and RMX methodology note'.

260 Closed and sold Parties' sites are included as long as they report positive production in 2013.

Figure 9 – Overlaps of aggregates sites in France



Source: Notifying Party, submitted on 28 May 2014

350. For the reasons set out in recitals 351 to 352, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to aggregates in France.

351. First, the merged entity will have high market shares in certain affected catchment areas. In 32 out of the 64 catchment areas involved in an overlap the combined production share of the Parties are above 35% with an increment of more than 1%.[261] The combined market shares are above [50-60]% in 24 of those catchment areas.

352. Second, certain respondents to the market investigation stated that the Notified Transaction could affect competition in aggregates in some affected catchment areas. For example, certain aggregates customers and competitors indicated that the Notified Transaction will lead to increased consolidation of the aggregates markets in France, thereby increasing barriers to expansion and entry.[262]

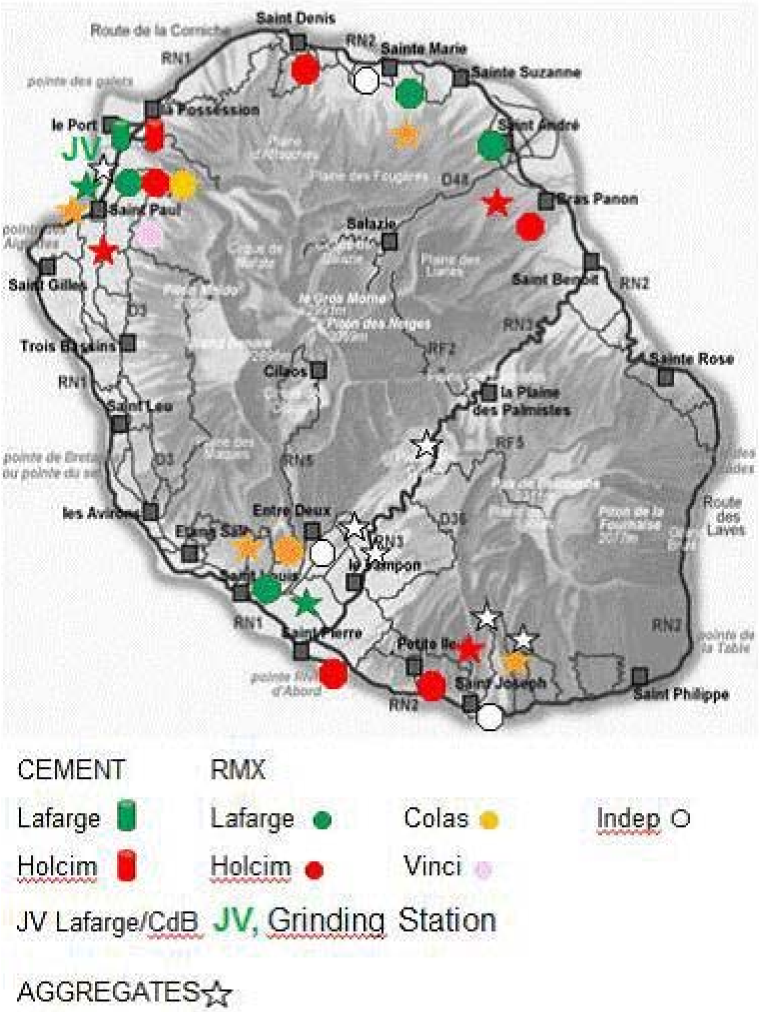
VI.3.3.4. Réunion

353. Holcim and Lafarge each operate three aggregates quarries in Réunion. Figure 10 illustrates that overlaps in Réunion are concentrated on all parts of the coast of Réunion, except for the south-eastern part of the island.

261 Form CO, paragraph 1347.

262 See replies to questions 18 and 19 – Q6b – Question– Aggregates – Questionnaire to customers – France Métropole/Belgium; questions 22 and 23 – Q5b – Aggregates – Questionnaire to competitors – France Métropol/Belgium.

Figure 10 – Overlaps of aggregates sites in Réunion (Aggregates quarries are marked with a star sign)



Source: Notifying Party, Form RM

354. For the reasons set out in recitals 355 to 356, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to aggregates in Réunion.

355. First, the merged entity will have high market shares. The Parties' combined production shares in aggregates in Réunion amount to [40-50]%.

356. Second, certain customers and competitors that responded to the market investigation expressed the concern that the Notified Transaction will create a market leader with a significant position on the island and will thus reduce the level of competition.[263] In view of the particularities related to the insularity of Réunion, competition in the aggregates market is already limited and customers therefore fear that the Notified Transaction will lead to price increases.[264]

263 See replies to question 14 – Q6c – Aggregates – Questionnaire to customers – Réunion; question 15 – Q5c – Aggregates – Questionnaire to competitors – Réunion.

264 See replies to question 15 – Q6c – Aggregates – Questionnaire to customers – Réunion.

VI.3.3.5. Romania

357. Holcim operates 3 aggregates quarries in Romania while Lafarge operates 25 aggregates quarries in Romania leading to a total of 12 aggregates quarries with overlaps. Figure 11 illustrates that the Notified Transaction will result in a concentration of overlaps in the south of Romania, notably in the region around Bucharest, in the north east and in the centre.

Figure 11 – Overlaps of aggregates sites in Romania

Source: Notifying Party, submitted on 28 May 2014

358. For the reasons set out in recitals 359 to 360, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to aggregates in Romania.

359. First, the merged entity will have high market shares in certain affected catchment areas. In six of the overlapping catchment areas, the combined production share of the Parties will be above 35% with an increment of 1%. The combined production share will be above [50-60]% in two affected catchment areas (Boureni in the north-east and Fusea close to Bucharest).

360. Second, respondents to the market investigation provided evidence that Holcim and Lafarge are perceived as the two major aggregates suppliers in central Romania and in the area around Bucharest.[265] Certain aggregates customers in Romania also indicated

265 See replies to questions 15 – Q5d – Aggregates – Questionnaire to competitors – Romania.

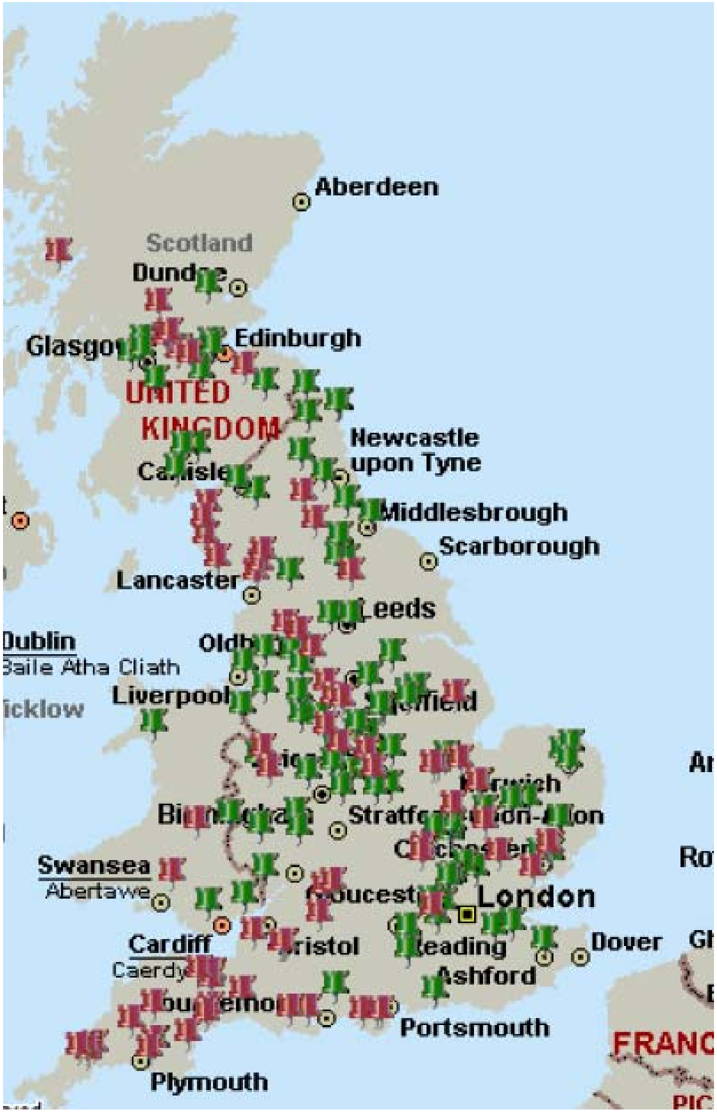
that the Notified Transaction will have a negative impact on their business and the aggregates market in general.[266]

VI.3.3.6. United Kingdom

VI.3.3.6.1. Construction aggregates

361. Holcim operates 80 aggregates quarries in the UK while Lafarge operates 214 aggregates quarries in Romania leading to a total of 281 aggregates quarries with overlaps. Figure 12 illustrates that the Notified Transaction will lead to overlaps in almost all parts of the UK, particularly in the East Midlands, East Anglia, and the north-west.

Figure 12 – Overlaps of aggregates sites in the UK



Source: Notifying Party, submitted on 28 May 2014

362. For the reasons set out in recitals 363 to 364, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to construction aggregates in the UK.

266 See replies to questions 15 and 16 – Q6d – Aggregates – Questionnaire to customers – Romania.

363. First, the merged entity will have high market shares in certain affected catchment areas. In 164 out of 281 catchment areas in an overlap, the combined production share of the Parties will be above 35% with an increment of 1% and in 137 with an increment of more than [5-10]%. In 118 catchment areas, the combined production share will be above [50-60]%, often approaching [90-100]% production shares.[267]

364. Second, certain aggregates customers and competitors in the UK that responded to the market investigation stated that the Notified Transaction will have a negative impact on their business or the aggregates markets in general. Respondents notably expressed concerns that the Notified Transaction will remove an important competitor and therefore reduce competition.[268]

VI.3.3.6.2. Specialist aggregates

365. The Parties' activities in specialist aggregates in the UK overlap with respect to rail ballast and high PSV aggregates.

366. For the reasons set out in recitals 367 to 368, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to specialist aggregates in the UK.

367. First, the merged entity will have high market shares. The Parties' market share for rail ballast in the UK will be [40-50]% (Lafarge [30-40]%; Holcim [10-20]%) and the Parties' market share for high PSV aggregates in the UK will be [50-60]% (Lafarge [40-50]%; Holcim [10-20]%).

368. Second, the UK Competition Commission found in 2012 that there are only a few suppliers of rail ballast and relatively few shipping points (that is to say quarries or depots) in the UK. According to the UK Competition Commission, the main competitors to the Parties are Heidelberg/Hanson[269] and Cemex. The UK Competition Commission also found that supply to the main customer Network Rail, which accounted for 99% of the purchases in the UK, had become more concentrated between 2002 and 2012.[270]

VI.3.3.7. Belgian/French border region, German/Polish/Czech border region, Hungarian/Slovakian border region and Spain

369. For the reasons set out in recitals 370 to 372, the Commission finds that the Notified Transaction does not raise serious doubts as to its compatibility with the internal market in relation to aggregates in the Belgian/French border region, German/Polish/Czech border region, Hungarian/Slovakian border region and in Spain.

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267 Form CO, paragraph 1348.

268 See replies to question 14 and 15 – Q6a – Aggregates – Questionnaire to customers – UK; questions 15 and 16 – Q5a – Aggregates – Questionnaires to competitors – UK.

269 Heidelberg/Hanson acquired the remaining shares in Midland Quarry Products in 2013.

270 UK Competition Commission, 'Anglo American PLC and Lafarge S.A. A report on the anticipated construction materials joint venture between Anglo American PLC and Lafarge S.A.', 1 May 2012, Paragraph 6.37ff.

370. First, in the Belgian/French, German/Polish/Czech and Hungarian/Slovakian border regions and in Spain, the Parties' combined production shares in all but four of the overlapping catchment areas will be less than [20-30]%.[271]

371. Second, in two of the four areas where the Parties' combined production shares will exceed [20-30]%, the market share increments will be less than [0-5]%: (i) in Santa Cruz in Spain (combined production shares of [20-30]% increment of less than [0-5]%) and (ii) Sulikow in Poland (combined production share of [20-30]% with an increment of [0-5]%).

372. Third, in the two catchment areas where the increment will be above [0-5]% (Leffe in Belgium: combined production share of [20-30]% with an increment of [5-10]%, and Givet Carrière in France: combined production share of [20-30]% with an increment of [5-10]%), the majority of the customers and competitors contacted in those areas did not raise substantiated competition concerns.[272] A minority of market respondents also stated that a sufficient number of alternative suppliers will remain in the relevant catchment areas.

VI.3.4. Substantial part of the internal market

373. Pursuant to the case-law of the European Courts the territory of an entire Member State constitutes a substantial part of the internal market regardless of its size.[273] The European Courts have also found that a part of the territory of a Member State can constitute a substantial part of the internal market.[274]

374. The Commission has previously considered that a part of or a region within a Member State can constitute a substantial part of the internal market on its own, in so far as its overall economic relevance is substantial enough. This may be the case where the volume of production and demand is higher or equal to other Member States[275] or the region's population is higher or equal to the population of other Member States.[276] Other relevant factors may be the economic importance of the territory concerned, the volume of cross-border trade or general geographic factors.[277]

375. In this case, the Notified Transaction raises serious doubts with respect to a significant portion of the territory of several Member States, including metropolitan areas such as the London area, the Paris-Ile de France area and the Bucharest area. The Notified

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271 Annex RFI 20140806 Q.25a of 6 August 2014; Annex RFI 20140806 Q.4.

272 See replies to questions 18 and 19 – Q5e – Aggregates – Questionnaire to competitors – Germany/Poland; questions 16 and 17 – Q6e – Aggregates – Questionnaire to customers – Germany/Poland; questions 16 and 17 – Q6b – Aggregates – Questionnaire to competitors – France Métropole/Belgium; questions 20-21 – Q5b – Aggregates – Questionnaire to competitors – France Métropole/Belgium.

273 Judgment in Irish Sugar v. Commission, T-228 /97, paragraph 99.

274 Judgment in Suiker Unie v Commission, Joined cases 40 to 48, 50, 54 to 56, 111, 113 and 114-73, paragraph 371.

275 Cases M.2822 – ENBW/ENI/GVS, 17 December 2010, recital 32; M.5496 – Vattenfall/Nuon Energy, 22 June 2009, recital 42; M.5467 – RWE/Essent, 23 June 2009, recital 292.

276 Case M.3943 – Saint-Gobain / BPB, 09 November 2005, recital 117.

277 Case M.5677 – Schuitema/Super de Boer Assets, 25 January 2010, paragraph 38.

Transaction also raises serious doubts in relation to the entire territory of Réunion, an island which covers some 2 500 km^2 and has a population of more than 800 000 inhabitants.

376. Considering the size of these markets taken together relative to the internal market, the Commission concludes that they form a substantial part of the internal market.

VI.3.5. Conclusion on aggregates

377. In light of the above, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to aggregates in the relevant catchment areas in France (Métropole and Réunion), Romania and the UK.

378. The Commission also finds that the Notified Transaction does not raise serious doubts as to its compatibility with the internal market in relation to aggregates in the relevant catchment areas in the Belgian/French, German/Polish/Czech and Hungarian/Slovakian border regions and in Spain.

VI.4. Asphalt

VI.4.1. Relevant product market definitions

379. Asphalt is manufactured by heating and mixing aggregates and a binding agent (normally bitumen), and is used for surfacing roads, car parks, footpath pavements, airport runways, and other sites. Asphalt mix is typically composed of 95% aggregates and 5% bitumen.

380. Asphalt is typically purchased by private contractors engaged by public authorities in road construction and by those engaged in commercial and residential construction (such as surfacing around retail and housing developments). Given its perishable nature, asphalt is best laid within approximately two to three hours of dispatch.

VI.4.1.1. Past decisional practice

381. The Commission has assessed asphalt in several decisions and found that asphalt is a distinct product market from aggregates and road works.[278]

VI.4.1.2. The Notifying Party's arguments

382. The Parties agree with Commission's precedents, mentioning that this is also in line with a recent report of UK Competition and Markets Authority (CMA).[279]

VI.4.1.3. Conclusion on the relevant product market

383. In light of past decisional practice and the Notifying Party’s arguments the Commission considers that asphalt constitutes a single distinct product market.

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278 See Cases COMP/M.5803, Eurovia/Tarmac, COMP/M.5158 Strabag / Kirchhoff.

279 See Breedon Aggregates and Aggregate Industries*,* CMA Final Report, April 9, 2014.

VI.4.2. Relevant geographic market definitions

384. Asphalt mix is a perishable product that needs to be transported in specially heated containers to prevent it from setting before it can be delivered and laid. This means that the asphalt mix needs to have a temperature of 150-190°C when arriving at the construction site. Consequently the Commission has considered a geographic market within a radius of 25-100 km from the asphalt plant.[280]

VI.4.2.1. Past decisional practice

385. The UK CMA recently considered that an average catchment area size of 17 miles (27 km) in the UK was appropriate, with an extended catchment area of up to 25 miles (40 km) for "*filtering out sites for which the transaction [was] unlikely to lead to competition concerns*".[281]

VI.4.2.2. The Notifying Party's arguments

386. The Notifying Party considers that the relevant geographic market for asphalt is local. The Notifying Party further submits that while precise catchment areas may vary depending on a multiple of factors such as: (i) topography, including natural obstacles such as mountains, rivers etc.; (ii) location of other asphalt plants and/or depots; and (iii) demand density (e.g., urban or rural), a distance of approximately 40 km constitutes a good representative basis for defining local catchment areas around asphalt plants in the UK.[282]

VI.4.2.3. Responses to the market investigation

387. Responses to the market investigation regarding the distance at which customers purchase asphalt were inconclusive. Some customers buy asphalt within a radius of maximum 25-30 miles (56km). However, another customer indicated longer distances.[283] As regards the maximum distance over which asphalt can be transported, respondents to the market investigation stated that the maximum is 80-100 km, mainly due to the temperature at which it must be maintained in order to be in good shape when used for works. [284]

VI.4.2.4. Conclusion on the relevant geographic market

388. In light of past decisional practice, the Notifying Party's arguments and the responses to the market investigation, the Commission considers that the relevant geographic market is a radius of 40 km around each asphalt facility.

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280 See Cases M.5803 - Eurovia/Tarmac, M.3754 Strabag/Dywidag; M.1827 Hanson/Pioneer; M.1779 Anglo American/Tarmac; M.678 Minorco/Tilcon.

281 See Breedon Aggregates and Aggregate Industries, CMA Final Report, para. 4.63.

282 Form CO, paragraph 1905.

283 See replies question 7– Q7b – Asphalt and contracting surfacing – Questionnaire to customers – UK.

284 See replies question 8– Q7b – Asphalt and contracting surfacing – Questionnaire to customers – UK and replies question 8– Q7a – Asphalt and contracting surfacing – Questionnaire to competitors – UK.

VI.4.3. Competitive assessment

389. The Parties' asphalt activities overlap only in the UK. The UK asphalt market has a volume of 21 million t, equal to a value of EUR 1.5 billion.[285]

390. Holcim manufactures and sells asphalt in the UK through its subsidiary Aggregate Industries. Aggregate Industries operates 55 asphalt facilities across the UK. Lafarge is active in asphalt in the UK through a joint venture with Anglo American PLC, Lafarge Tarmac. Lafarge Tarmac operates 72 asphalt facilities across the UK.

391. Many asphalt producers are vertically integrated i.e. are also active in aggregates. The main competitors of the Parties on the asphalt market are: Cemex, Heidelberg/Hanson, HCM and Breedon Aggregates. The Notifying Party submits that vertical integration is not a prerequisite in this market, as any independent supplier (like United Asphalt) can easily source aggregates for the production of asphalt, especially given the significant excess capacity in this market in the UK.[286]

392. For the reasons set out in recitals 393 and 394, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to asphalt in the UK.

393. First, the merged entity will have high market shares. There will be 115 catchment areas where the Parties will have a combined market share of above 35% and an increment of 1% or more. Out of the 115, their combined market shares will be above [50-60]% in 84 catchment areas.[287] With few exceptions, the increment brought by the Notified Transaction will be above [10-20]%. Even on a national level, the combined market shares of the Parties will exceed [50-60]% (more exactly [50-60]%) with an increment of [20-30]%.

394. Second, respondents to the market investigation raised concerns as regards the combined position of the Parties, mentioning price increases and a monopoly position of the merged entity in the entire UK. One customer also mentioned the risk of plant closure and by way of consequence delays in deliveries due to reallocation of their request to other suppliers.[288] Furthermore, all competitors that responded to the market investigation raised concerns as regards the post-merger position of the Parties.[289]

VI.4.4. Substantial part of the internal market

395. Pursuant to the case-law of the European Courts the territory of an entire Member State constitutes a substantial part of the internal market regardless of its size.[290] The

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285 Figures for 2012.

286 Form CO, paragraph 1961.

287 In some of these catchment areas the combined market shares exceed 100% due to the methodology used by the Parties.

288 See replies question 18.1– Q7b – Asphalt and contracting surfacing – Questionnaire to customers – UK.

289 See replies question 14 - Q7a – Asphalt and contracting surfacing – Questionnaire to competitors – UK.

290 Judgment in Irish Sugar v. Commission, T-228 /97, paragraph 99.

European Courts have also found that a part of the territory of a Member State can constitute a substantial part of the internal market.[291]

396. The Commission has previously considered that a part of or a region within a Member State can constitute a substantial part of the internal market on its own, in so far as its overall economic relevance is substantial enough. This may be the case where the volume of production and demand is higher or equal to other Member States[292] or the region's population is higher or equal to the population of other Member States.[293] Other relevant factors may be the economic importance of the territory concerned, the volume of cross-border trade or general geographic factors.[294]

397. The Commission observes that the concerns raised by the Notified Transaction with respect to asphalt relate to a large number of markets in the UK (115 catchment areas) that are likely to represent a high proportion of the territory of the UK.[295] Considering the size of these markets taken together relative to the internal market, the Commission concludes that they form a substantial part of the internal market.

VI.4.5. Conclusion on asphalt

398. For the reasons set out above, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to asphalt in the UK.

VI.5. Contract surfacing

VI.5.1. Relevant product market definition

VI.5.1.1. Past decisional practice

399. In past decisions,[296] the Commission has considered road construction to be a relevant product market in itself, distinct from the materials used, namely aggregates and asphalt. The Parties considers that there is no difference between contract surfacing and road construction as previously defined by the Commission.

VI.5.1.2. The Notifying Party's arguments

400. According to the Notifying Party, contract surfacing (also known as contracting, asphalt surfacing, and road maintenance services) are associated with the construction and maintenance of roads and other surfaces. Asphalt is typically laid onto the prepared foundation layers of a road in layers, with each layer being compacted by paving machines to form the top surface of the road. The assets required to carry out

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291 Judgment in Suiker Unie v Commission, Joined cases 40 to 48, 50, 54 to 56, 111, 113 and 114-73, paragraph 371.

292 Cases M.2822 – ENBW/ENI/GVS, 17 December 2010, recital 32; M.5496 – Vattenfall/Nuon Energy, 22 June 2009, recital 42; M.5467 – RWE/Essent, 23 June 2009, recital 292.

293 Case M.3943 – Saint-Gobain / BPB, 09 November 2005, recital 117.

294 Case M.5677 –Schuitema/Super de Boer Assets, 25 January 2010, paragraph 38.

295 Given that a catchment area based on a radius of 40km around a plant would have a total area of more than 5 000 km^2.

296 Case M.5158 Strabag/Kirchhoff, 15 July 2008, recital 20.

contract surfacing activities are principally road planning and surfacing machines, paving machines, and offices.[297]

VI.5.1.3. Conclusion on the relevant product market

401. In light of past decisional practice and the Notifying Party's arguments, the Commission considers that contract surfacing constitutes a single distinct product market.

VI.5.2. Relevant geographic market definition

VI.5.2.1. Past decisional practice

402. The Commission has previously considered the market for road construction to be national, while leaving open the question of a more local segmentation.[298] Consistent with the Commission's view, the Parties consider the geographic market for contract surfacing to be no wider than national.

VI.5.2.2. The Notifying Party's arguments

403. According to the Notifying Party, the equipment required for road construction and maintenance is mobile and can be moved around a Member State to the point of demand. Once a road construction or maintenance project has been completed, the equipment will usually be moved by lorry to another location for use on another project. Since asphalt inputs can easily be obtained from production sites in the vicinity of the road construction or maintenance project and delivered to the site, road construction and maintenance companies can move their production around a Member State with relative ease.[299]

VI.5.2.3. Responses to the market investigation

404. Responses to the market investigation were inconclusive. While respondents indicated that the biggest surfacing players active in UK are all active on a national basis[300] (Heidelberg/Hanson, Cemex and the Parties), and all vertically integrated in the upstream markets, respondents indicated that there are also some smaller regional or local players (like Toppesfield, Eurovia, Conway and Breedon).[301]

VI.5.2.4. Conclusion on the relevant geographic market

405. In light of past decisional practice, the Notifying Party's arguments and the responses to the market investigation, the Commission considers that the geographic market for contract surfacing is national.

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297 Form CO, par 1895.

298 Case M.5158 Strabag / Kirchhoff, 15 July 2008, recital 20.

299 Form CO, pargraph 1910.

300 See replies question 9 – Asphalt and contracting surfacing – Questionnaire to customers – UK.

301 See replies question 10.1 – Asphalt and contracting surfacing – Questionnaire to customers – UK and replies question 10 – Asphalt and contracting surfacing – Questionnaire to customers – UK.

VI.5.3. Competitive assessment

406. The Parties' activities in contract surfacing overlap only in the UK.

407. Holcim operates through its UK subsidiary Aggregate Industries. Aggregate Industries' contract surfacing operations include sales staff as well as equipment […]. Aggregate Industries' contract surfacing business unit has […] permanent employees including operations, sales, contracts management and general management functions. In addition, Aggregate Industries also regularly employs sub-contracted workers on an ad hoc basis to provide operational services to the business.

408. Lafarge is active through its joint venture Lafarge Tarmac, which has […] contract surfacing offices in the UK. The contract surfacing business unit has […] employees including operations, commercial, contracts management, and general management.

409. For the reasons set out in recitals 410 to 413, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to contract surfacing in the UK.

410. First, the combined market shares of the Parties in UK will be [20-30]%, with an increment of [5-10]% and the Notified Transaction will lead to the creation of the largest contract surfacing operator in the UK. The other competitors will have smaller market shares with the Parties' main competitors at national level being Hanson (Heidelberg) with a market share of [0-5]%, Cemex with a similar market share of [0-5]%, Eurovia (Vinci) with [0-5]% and Colas (Bouygues) with [0-5]%.

411. Second, barriers to entry and expansion in contract surfacing depend on the dimension of the business pursued. Competitors that responded to the market investigation estimated that entry time and costs could range from less than EUR 1 million and a start-up period of three months for a local business, to two years and approximately EUR 6.3 million for a business of a wider scale.[302]

412. Third, competitors that responded to the market investigation indicated that the Parties will have a strong position at national level. One competitor also stressed the value added of a large network of assets, such as the ones owned by the Parties, which confers an advantage vis-à-vis small and regional players for national projects. Another competitor mentioned that the Parties are market leaders in the major highways industry sector.[303]

413. Fourth, the vertical integration of suppliers plays an important role in this industry. One competitor raised concerns during the market investigation about the vertical integration of the Parties in the upstream markets.[304] This is also in line with the findings of the UK CMA, according to which "*95% of the asphalt laid in the UK is laid by contract surfacing players who are active upstream as asphalt producers*".[305]

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302 See replies question 12 – Asphalt and contracting surfacing – Questionnaire to customers – UK.

303 See replies question 15 – Asphalt and contracting surfacing – Questionnaire to competitors – UK.

304 See replies question 16.1 – Asphalt and contracting surfacing – Questionnaire to competitors – UK.

305 Form CO, paragraph 1912.

VI.6. <u>Alternative cementitious materials (cement additives)</u>

VI.6.1. Relevant product market definition

414. As explained in recitals 12 and 13, cement is produced by grinding clinker and, in some cases, alternative cementitious materials that constitute the main reactive components in cement.

415. *Cementitious materials* refer to substances that have cementitious or pozzolanic characteristics and are used in the production of cement. The basic cementitious material is clinker. Alternative or supplementary materials such as blast-furnace slag and fly ash can also be used in the production of cement and concrete. They are added to cement[306] and concrete[307] in order to confer specific characteristics on the end product and to substitute, on the one hand, clinker in the production of cement and, on the other hand, cement in the production of concrete.

416. In addition to clinker, other materials that exhibit cementitious or pozzolanic properties are used in the production of cement with the aim of either providing the end product with specific characteristics or to substitute clinker with cheaper raw materials ('alternative cementitious materials'). The most important alternative cementitious materials are fly ash and blast furnace slag. According to the Notifying Party, other alternative cementitious materials include natural pozzolans and limestone. The Parties do not, however, sell cementitious materials other than fly ash and blast furnace slag.[308]

417. *Fly ash* is a by-product of electricity (and heat) generation in (usually coal-fired) power plants. Fly ash can be either added to cement at the cement plant or used to substitute cement at a ready-mix concrete plant.

418. *Liquid blast furnace slag* is a by-product of steel production that forms during the production of pig iron by a thermo-chemical reaction in a blast furnace where it accumulates on top of the liquid metal. When the slag is released from the blast furnace, it is an extremely hot liquid that can be treated in two ways: it can either be air-cooled slowly or cooled quickly by quenching it in water or steam.

419. When liquid blast furnace slag is cooled quickly by quenching in water or steam, it generates a glassy or amorphous granular or sand-like structure known as *granulated blast-furnace slag* ('GBS'[309]). GBS exhibits cementitious properties and is used as hydraulic binder in the production of, for instance, cement, concrete, mortar and grout.

420. For the production of further downstream products, such as cement, GBS needs to be ground. In the production of cement, the grinding often takes places together with clinker (so-called 'co-grinding') to directly produce blended cements. Alternatively, GBS can be ground separately in which case a powder known as *ground granulated*

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306 This can be done either by grinding them together with clinker in process called 'co-grinding' or by grinding the alternative cementitious materials separately and blending them with ground clinker.

307 This can be done by, for instance blending ground alternative cementitious materials with cement during the production of ready-mix concrete.

308 Form CO, paragraphs 1592-1594.

309 Sometimes also abbreviated as GBFS.

blast-furnace slag ('GGBS'[310]) is produced. GGBS is then blended with ground clinker and other cement constituents to produce blended cements. In some contracting parties to the EEA Agreement, such as the UK, GGBS is also used as a substitute of cement in the production of concrete at ready-mix cement stations.[311]

VI.6.1.1. Past decisional practice

421. In past decisions[312], the Commission considered, but ultimately left open, the question of whether products derived from fly ash and blast furnace slag belong to the same product market, referring to alternative cementitious materials as 'cement additives'.

422. For example, in *Holcim/Cemex West*[313], the Commission found indications that GBS and GGBS were substitutable, but that there was limited substitutability between GBS/GGBS and other alternative cementitious materials, notably fly ash.[314]

VI.6.1.2. The Notifying Party's arguments

423. The Notifying Party submits that there is a single product market comprising slag (including GBS and GGBS) and fly ash. These materials can be used, to an appreciable extent, as a substitute for one another and for various other materials (for example as a partial replacement for grey cement to produce concrete, for clinker to produce cement, for calcium silicate to produce clinker and even for sand to be used for landfills).[315]

424. The Notifying Party submits that the Parties purchase alternative cementitious materials mainly for captive use and resell on average only […] of the purchased volumes. Therefore, the relevant product market, for the purposes of the present Transaction, should primarily be the market for purchasing GBS/GGBS and fly ash and, of secondary importance, for the sale of GBS/GGBS and fly ash.[316]

VI.6.1.3. Conclusion on the relevant product market

425. The exact product market definition concerning alternative cementitious materials can be left open because the Parties' commitments in relation to other products will also remedy any serious doubts in relation to alternative cementitious materials.

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310 Sometimes also abbreviated as GGBFS.

311 See, for instance, UK Competition Commission report of 14.1.2014 – A report on the aggregates, cement and ready-mix concrete market investigation, paragraph 5.45.

312 Cases M.7009 – Holcim/Cemex West, 5 June 2014, recital 324; M.5771 – CSN/Cimpor, 15 February 2010, recital 12; M.4719 – Heidelberg/Hanson, 7 August 2007, recitals 16–20; M.3868 – DONG/Elsam/Energi E2, 14 March 2006.

313 Case M.7009 – Holcim/Cemex West, 5 June 2014, recitals 320-324.

314 Cases M.3868 – DONG/Elsam/Energi E2, 14 March 2006, recital 276; M.3267 – CRH/Cementbouw, 28 May 2004, recital 10; M.2826 – Alsen/E.ON/JV, 14 August 2002, recital 10; and M.2465 – CVC/Amstelland, 16 July 2001, recitals 11 and 15.

315 Form CO, paragraph 1606.

316 Form CO, paragraph 1607.

VI.6.2. Relevant geographic market definition

VI.6.2.1. Past decisional practice

426. In *Heidelberg/Hanson*, which concerned the UK, the geographic market definition was ultimately left open, although respondents to the market investigation supported a wider than national market.[317] The geographic market definition was also left open in *CSN/Cimpor*.[318] In the earlier case of *CRH/Semapa/Secil JV*, however, the wider market for cement additives was considered to be national in scope.[319]

427. In *Holcim/Cemex West*, the Commission analysed the transaction based on 250 km radii around GBS sourcing sites in Germany, but left the exact geographic definition concerning GBS and GGBS open.[320]

VI.6.2.2. The Notifying Party's arguments

428. The Notifying Party submits that the geographic market for slag and fly ash is EEA-wide. Cementitious materials are commodities that can be transported economically in bulk volume up to 500 km by truck, and even further by train and/or barge. There are substantial trade flows between contracting parties to the EEA Agreement, given that (i) the materials are not produced in all contracting parties to the EEA Agreement – the materials are transported from the steel and electricity producers' production sites to the locations of consumption at the cement producers' sites, and (ii) consumption levels vary depending on the volume of cement and concrete production – cementitious materials therefore flow in the direction of consumption.

429. According to the Notifying Party, the conclusion on the scope of the relevant geographic market being EEA-wide will equally apply to GBS/GGBS and fly ash if treated as separate markets.

VI.6.2.3. Conclusion on the relevant geographic market

430. The exact geographic market definition concerning alternative cementitious materials can be left open because the Parties' commitments in relation to other products will also remedy any serious doubts in relation to alternative cementitious materials.

VI.6.3. Competitive assessment

VI.6.3.1. The Notifying Party's arguments

431. According to the Notifying Party, the Notified Transaction will not raise serious doubts for the procurement and sale of slag and fly ash on an EEA, national level, or 250 km radii level for a number of reasons, notably[321]:

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317 Case M.4719 – Heidelberg/Hanson, 7 August 2007, recital 31.

318 Case M.5771 – CSN/Cimpor, 15 February 2010, paragraph 15.

319 Case M.3415 – CRH/SEMAPA/Secil JV, 28 May 2004, recital 16.

320 Case M.7009 – Holcim/Cemex West, 5 June 2014, recitals 320-324

321 Form CO, paragraphs 1645, 1652.

– the Parties do not produce slag and fly ash and their market position as regards the procurement, and ultimately also the sale of such products is purely the result of contracts with steel and electricity producers;

– contracts tendered by steel and electricity producers are limited in duration; market shares for the procurement and sales of these materials do not reflect a stable competitive position;

– significant and increasing overcapacity for slag and fly ash (for example, Holcim was forced to dispose […] GBS […]); and

– trade flows of alternative cementitious materials available to purchasers in addition to supply from nearby sites.

VI.6.3.2. The Commission's assessment

432. Whether the relevant market is defined as GBS/GGBS, fly ash alone, or a GBS/GGBS/fly ash market, the Parties' activities overlap in the procurement of alternative cementitious materials in France (GBS/GGBS: [60-70]%, increment of [20-30]%; fly ash: [30-40]%, increment of [5-10]%; GBS/GGBS/fly ash: [50-60]%, [20-30]%). In addition, the Parties' activities overlap on a GBS/GGBS only market, and on a market comprising both GBS/GGBS and fly ash in Slovakia (GBS/GGBS: [60-70]%, increment of [10-20]% increment; GBS/GGBS/fly ash: [50-60]%, increment of [10-20]%). There are also certain overlaps in Austria, Croatia, Italy, Germany[322], Romania and the UK, but with a small increment only. The Parties also overlap in the supply of alternative cementitious materials to third parties in the UK. The identified overlaps on national level largely capture the overlaps identified at the level of 250 km radii around the source sites.[323]

VI.6.3.3. Conclusion on alternative cementitious materials

433. In any case, it can be left open whether the overlaps identified in recital 432 raise serious doubts concerning alternative cementitious materials because the Parties' commitments in relation to other products will also remedy any serious doubts in relation to alternative cementitious materials.

VI.7. Other products

434. Concerning other products and services, the Parties' activities overlap in the following areas: clinker (section VI.7.1), white cement (section VI.7.2), alternative fuels (section VI.7.3), screed (section VI.7.4) and concrete products (section VI.7.5).[324]

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322 As explained in recital 180, the Commission will take into account the activities of Cemex West in its assessment of Holcim's German activities to carry out a forward looking merger assessment.

323 See Annex Q2b in reply to the Commission's request for information of 1 August 2014.

324 There was also an overlap in 2013 as regards dry mortar in Spain. However, as Holcim has closed or mothballed in 2014 all its dry mortar plants in Spain, dry mortar will not be considered further in this Decision. This is also an overlap between the Parties' activities in road binders, which are a lower-quality type of grey cement (consisting of grey cement, lime, gypsum, GGBS and fly ash) used to improve the stability of the underlying soil when constructing roads or railway lines. As road binder is typically grey cement in a more diluted form, the competitive impact of the transaction in road binders is similar to the one in grey cement. To the extent that road binders are distinct from grey cement, the Parties' activities overlap in France and Romania. The Parties' main plants producing road

VI.7.1. Clinker

435. Clinker is the main raw material for cement production. It is produced through the conversion of limestone in a thermal, chemical reaction to the desired calcined mineral. Then it is ground and blended with gypsum and/or other components to the desired cement product, either in a specific grinding mill or within the cement plant if it is integrated. Clinker can thus be used in-house or sold to third Parties (for example grinding mills).

436. The Notifying Party considers that clinker does not constitute an economic market on its own as it has no economic use besides the manufacturing of cement. In a recent decision however, the Commission considered clinker as a separate product market given that clinker cannot be replaced by any other raw material in the production of cement[325]. The same reasoning applies in this case.

437. As regards the geographic scope of the clinker market, the Notifying Party submits that the geographic scope of a hypothetical clinker market would be worldwide or EEA-wide and, in any event, wider than national given that clinker can easily be transported within the EEA, and outside the EEA, by vessel, barge, rail, and trucks.

438. The Commission previously considered that the clinker market could be assessed at both EEA and national level, while ultimately leaving the precise geographic market definition open.[326] As the competitive assessment in this case will not be altered by an EEA-wide or national definition, the geographic market definition for clinker can also be left open for the purpose of this Decision.

439. On an EEA-wide basis, the market for clinker will not be affected since the Parties' combined market share amounted to [10-20]% in 2013. There are similarly no affected markets at national level; the only countries where the activities of the Parties overlap are Germany ([10-20]%) and Spain ([10-20]%).

440. On the basis of the above elements, the Commission finds that the Notified Transaction does not raise serious doubts as regards the clinker market at EEA or national level.

VI.7.2. White cement

441. White cement is a hydraulic binder, similar to grey cement in most respects, but for its high degree of whiteness. White cement has equivalent characteristics of strength, durability, and workability compared to grey cement. The main difference between white and grey cement lies in the particular quality of limestone used for the production of white cement after eliminating mineral materials, which causes its high degree of whiteness. White cement is used for different purposes than grey cement (in particular reflecting esthetical/optical aspects), is produced in limited quantities compared to grey cement and is more expensive than grey cement.

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binders in France are Héming, Lumbres, Dannes and Ebange (all Holcim), the latter mothballed in 2013. In Romania, the main plants producing road binders are Alesd, Pitesti and Hoghiz. The overlaps around these plants have already been assessed in the various grey cement sections.

325 Case M.7054 Cemex/Holcim assets, 9 September 2014.

326 Case M.7054 Cemex/Holcim assets, 9 September 2014.

442. In past decisions, the Commission has defined distinct product markets for white cement and grey cement.[327]

443. As regards the geographic scope for white cement, the Notifying Party submits that it is at least EEA-wide as white cement is transported throughout Europe and beyond. In support of this claim, it notes that it supplies customers across Europe from its two white cement production facilities in Slovakia and Italy. Lafarge manufactures white cement in France and Spain and ships it to […].

444. In a previous case, the Commission has considered the white cement market as being EEA-wide in scope but ultimately left the question open.[328] As the competitive assessment in this case will not be altered by an EEA-wide or national definition, the geographic market definition for white cement can also be left open for the purpose of this Decision.

445. On an EEA-wide basis, the market for white cement will not be affected since the combined market share will amount to [10-20]%[329], with the merged entity's main competitors being Aalborg ([10-20]%), Cemex ([10-20]%) and Italcementi ([10-20]%). There are no affected markets at national level, except in France where the merged entity will hold a market share of [50-60]%, albeit with a small overlap ([0-5]%).

446. On the basis of the above elements, the Commission finds that the Notified Transaction does not raise serious doubts as regards the white cement market at EEA or national level.

VI.7.3. Alternative fuels

447. To reduce energy consumption, carbon dioxide (CO2) emissions, and related costs, grey cement producers do not only use conventional fuel but also resort to alternative fuels, including industrial, municipal, biological or pharmaceutical waste ("AFR").[330] In 2013, […] of Holcim's thermal energy demand was covered by co-processing alternative fuels, while Lafarge achieved an average fuel substitution rate of […].[331]

448. The use of AFR requires expertise, regulatory approvals and certain investments. AFR activities are often plant-specific. AFR activities are not only a means of reducing fuel costs, but also a service offered to waste generators that need to dispose of certain waste. The Parties offer the following AFR-related services in Europe: (a) analytical services (specialised analysis of AFR); (b) freight management services (shipping and storage of waste streams); (c) pre-processing waste to generate AFR, and co-

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327 See the section on grey cement product market definition.

328 Case M.5711 CSN/Cimpor, 15 February 2010.

329 This market share falls to [10-20]% following the planned divestment of the Rohožnik plant (see below proposed remedies).

330 Materials suitable for co-processing in clinker kilns are for example tires, sludge, solvents, oil, consumer goods, building waste, detergents, plastics, pharmaceuticals etc.

331 The substitution rate indicates the percentage at which conventional fuels (such as natural gas, fuel oil, or coal) are replaced by alternative fuels for thermal energy needs in cement kilns.

processing (incineration) of AFR in cement kilns; and (d) resource management services (avoidance, minimisation, recycling and reuse of waste).

449. The majority of waste streams can be incinerated in a broad variety of disposal facilities, for example high temperature incinerators.

450. In previous decisions, the Commission found that waste management services can be further sub-divided into individual markets for the management of hazardous and of non-hazardous waste.[332] The Commission considered that on the market for waste management services high temperature incinerators ("HTIs") exercise competitive pressure on cement kilns at least for certain waste streams. The Commission also found that the incineration of hazardous waste in HTIs formed a distinct product market.[333] Depending on the type of AFR, this may apply also to other types of waste disposal facilities.

451. The geographic scope of the market for incineration of hazardous waste was found to be either EU-wide or national,[334] whereas the scope of the market for incineration of non-hazardous waste was found to be national or regional.[335]

452. The Parties' AFR activities overlap in the Czech Republic, France, Germany, Romania and Spain. None of the relevant geographic markets in the EEA for waste management services will be affected since, even on the national level, the Parties' combined market shares will remain limited ([10-20]% combined share on the hazardous waste market in Romania, and even lower – [0-5]% or less - on all other national markets with an overlap).

453. On the basis of the above elements, the Commission finds that the Notified Transaction does not raise serious doubts as regards any of the AFR markets at EEA or national level.

VI.7.4. Screed

454. The Parties' activities with respect to screed overlap in the UK. Lafarge – through its joint venture Lafarge Tarmac – supplies both anhydrite screed and conventional screed from a network of 17 plants across Great Britain. Similarly, Holcim produces and sells anhydrite screed and conventional screed from a network of 35 plants throughout the UK.[336] All of the Parties' production of screed takes place at RMX plants.

455. Screed is used as a thin top layer of flooring. According to the description of screed by the UK CMA, there are two types of screed: (i) conventional screed which is a mixture of sand and cement which has a dense consistency and, once delivered, must

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332 See, for example, Case COMP/M.4576 – AVR / Van Gansewinkel, para. 9.

333 Case M.4318 – Veolia / Cleanaway, 21 September 2006.

334 Cases,M.4576 – AVR / Van Gansewinkel, 3 April 2007; M.4318 – Veolia / Cleanaway, 21 September 2006.

335 Case IV/M.283 - Waste Management International plc/SAG, 21 December 2002, M.2760 Nehlsen/Rethmann/SWB/Bremerhavener Entsorgungswirtschaft, 30 May 2002; M.4318 – Veolia / Cleanaway, 21 September 2006, M.4576 – AVR / Van Gansewinkel, 3 April 2007.

336 Ibid.

be physically raked and packed down into position by a team of workers in order to produce a flat surface and (ii) anhydrite screed or ‘flowing’ screed which is a newer, value added product that is more liquid in consistency and consequently offers quicker and less labour intensive installation because it is self-levelling. Anhydrite screed is produced by replacing the cement input by anhydrite or hemi-hydrite binder.[337]

456. The Parties submit that mortar plants are capable of producing screed while most RMX plants are capable of producing screed or could be capable with a limited investment of GBP 50 000. According to the Parties, customers for screed are largely specialist contractors.[338]

457. The Parties further submit that conventional screed and anhydrite screed fall into the same product market and that screed should be considered as forming part of the RMX market. The Parties also submit that screed is perishable in a similar way to RMX. As a result, screed is typically supplied to local customers around the production site. The relevant geographic market should therefore be equivalent the maximum economically viable delivery distance from the production site, i.e. a 25km radius around each relevant site.[339]

458. The UK CMA has found that screed constitutes a product market separate from mortar and RMX.[340] It also considered the definition of separate product markets for conventional and anhydrite screed while ultimately leaving that question open.[341] The CMA also excluded site-mixed screed from its market on a cautious basis. As regards the geographic scope of the market, the CMA has found that the markets for screed were either local or national in geographic scope while ultimately leaving the geographic market definition open.[342]

459. The precise product market definition can be left open in this case as the competitive assessment will not be altered under any plausible market definition. In addition, the Commission considers that it is appropriate to assess the markets for screed at the level of local catchment areas, applying the same radii of 25km as for the assessment of RMX.

460. For the reasons set out in recitals 461 to 463, the Commission finds that the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to screed in the UK.

461. First, although the market is local in geographic scope, the Parties' national combined market share of [40-50]% illustrates their strength in the UK (Holcim: [0-5]%; Lafarge: [30-40]%).

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337 UK Competition and Markets Authority, Lafarge Tarmac Holdings/Tarmac Building Products, 9 April 2014, full text decision, paragraph 36.

338 See the Parties' reply to the Commission's request for information, 04.08.2014, relating to the draft Form CO on the UK, Question 11.

339 See Holcim’s reply to the Commission's request for information, 08.12.2014, Question 4.

340 UK Competition and Markets Authority, Lafarge Tarmac Holdings/Tarmac Building Products, 9 April 2014, full text decision, paragraphs 34 and 35.

341 Ibid, paragraph 39.

342 Ibid, paragraph 67.

462. Second, the overlaps between the activities of the Parties in screed lead to 116 overlapping catchment areas around the Parties' screed producing sites leading to 58 affected markets. In 49 of the affected markets, the Parties' combined market shares reach more than 35% while in 48 of those catchment areas the increment in market shares is higher than 1%. In 31 of the catchment areas across various parts of the UK, the Parties' combined market shares reach more than [50-60]% while in 22 of those catchment areas the increment in market shares is higher than [5-10]%.

463. Third, the market conditions in the market for screed are similar to the conditions in the market for RMX where the Commission has already found that the Notified Transaction will lead to serious doubts in the UK as outlined in section VI.2.3.5.

VI.7.5. Concrete products

464. Holcim's and Lafarge Tarmac's activities in concrete products overlap in the UK.

465. Lafarge – through its joint venture Lafarge Tarmac – supplies aerated blocks produced at two plants, Alfreton in Derbyshire and Linford in Essex. Lafarge also supplies aggregate blocks – both dense aggregate blocks and lightweight aggregate blocks – from a network of seven plants located across England. Lafarge Tarmac's main customers for blocks from its building products division are builders merchants and major house builders.[343]

466. Holcim – through its subsidiary Aggregates Industries – is also active in concrete products in the UK. It produces and sells concrete blocks, flagstones, kerbstones, and commercial and garden landscaping products from a network of plants across the UK.[344]

467. The Commission has previously found that the different concrete products form part of a single product market for pre-cast concrete products with the relevant geographical market being national in scope.[345] The Commission has also considered that there is a separate sub-market for concrete building blocks, while leaving open whether this market is national or local in geographic scope.[346] In addition, the Commission has considered that paving materials made of concrete, pre-cast floors and building materials for load-bearing walls (such as aerated concrete or pre-cast concrete walls) could each fall into separate product markets while ultimately leaving that question open.[347] The precise market definitions can be left open in this case as all of Lafarge's concrete products operations in the UK will be divested.

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343 See the Parties' reply to the Commission's request for information, 04.08.2014, relating to the draft Form RM on the UK, Question 20.

344 See Holcim's reply to the Commission's request for information, 08.12.2014, Question 3.

345 Cases M.2317 – Lafarge/Blue Circle (II), 1 March 2001; M.3713 – Holcim/Aggregate Industries, 14 March 2003, recital 10; M.1874 – Lafarge/Blue Circle, 7 April 2000, recital 11; M.4719 – HeidelbergCement/Hanson, 7 August 2007, recital 24.

346 Case M.1779 – Anglo American/Tarmac, 13 January 2000, recitals 19 and 24; see also Case M.3713 – Holcim/Aggregate Industries, 14 March 2003 and M.4719 – HeidelbergCement/Hanson, 7 August 2007, recitals 24 and 26.

347 Case M.3267 - CRH/Cementbouw, 29 September 2003, recitals 12 to 14; see also M.4719 – HeidelbergCement/Hanson, 7 August 2007, recitals 25 and 26.

468. The Parties' combined market share in concrete products in the UK is [20-30]% as shown in Table 77.

Table 77: Sales shares in the UK

Concrete products	
Holcim	[5-10]%
Lafarge	[10-20]%
Combined	**[20-30]%**
Heidelberg	[10-20]%
H&M	[5-10]%
Plasmor	[5-10]%
Cemex	[5-10]%
Thomas Armstrong	[5-10]%
Stowell	[0-5]%
S Morris	[0-5]%
Lignicite	[0-5]%
Others	[20-30]%
Total	**100%**

469. The Parties have not provided market shares regarding potential sub-markets for concrete products and for potential local markets for concrete products in the UK.

470. In any event, all of Lafarge's concrete products operations in the UK will be divested. The Commission does not therefore have to find whether the Notified Transaction raises serious doubts as to its compatibility with the internal market in relation to concrete products in the UK.

VII. COMMITMENTS

471. In order to render the Notified Transaction compatible with the internal market, the Parties have modified the Notified Transaction by entering into commitments.

472. The Parties submitted two successive sets of commitments on 27 October 2014 (the "Initial Commitments") and 11 December 2014 (the "Final Commitments") in order to address the serious doubts raised by the Notified Transaction. The Final Commitments are annexed to this decision and form an integral part thereof.

VII.1. Framework for the Commission's assessment of commitments

473. Where a concentration raises serious doubts as to its compatibility with the internal market, the Parties may undertake to modify the concentration so as to remove the grounds for the serious doubts identified by the Commission with a view to having the Notified Transaction approved in phase I of the merger review procedure. In this respect, the Commission has the power to accept commitments provided that they will remove the grounds for serious doubts.

474. As set out in the Commission's Remedies Notice,[348] the commitments have to eliminate the competition concerns entirely[349] and have to be comprehensive and effective from all points of view.[350]

348 Commission Notice on remedies acceptable under Council Regulation (EEC) No 139/2004 and under Commission Regulation (EC) No 802/2004 (OJ C 267, 22.10.2008, p. 1-27).

475. In assessing whether commitments will maintain effective competition, the Commission considers all relevant factors including, *inter alia*, the type, scale and scope of the proposed commitments, judged by reference to the structure and particular characteristics of the market in which the competition concerns arise, including the position of the Parties and other participants on the market.[351]

476. In order for the commitments to comply with those principles, they must be capable of being implemented effectively within a short period of time.[352] Where, however, the Parties submit remedies proposals that are so extensive and complex that it is not possible for the Commission to determine with the requisite degree of certainty, at the time of its decision, that they will be fully implemented and that they are likely to maintain effective competition in the market, an authorisation decision cannot be granted. [353]

477. Concerning the form of acceptable commitments, the Merger Regulation gives discretion to the Commission as long as the commitments meet the requisite standard.[354] Structural commitments will meet the conditions set out above only in so far as the Commission is able to conclude with the requisite degree of certainty that it will be possible to implement them and that it will be likely that the new commercial structures resulting from them will be sufficiently workable and lasting to ensure that effective competition will be maintained.[355] Divestiture commitments are generally the best way to eliminate competition concerns resulting from horizontal overlaps, although other structural commitments, such as access remedies, may be suitable to resolve concerns if those remedies are equivalent to divestitures in their effects.[356]

VII.2. <u>Commitments submitted by the Parties</u>

478. In order to ensure that effective competition will be maintained, the Parties submitted a set of commitments under Article 6(2) of the Merger Regulation on 27 October 2014. Those Initial Commitments were refined and improved by the Final Commitments on 11 December 2014.

479. The Final Commitments remove the entire overlaps between the Parties' activities on a market-by-market basis (apart from a number of exceptions, as explained further), thereby re-establishing the ex-ante situation. The Parties committed to defer implementation of the merger until a final binding sale and purchase agreement for the sale of the divestment package has been signed with one or multiple purchasers approved by the Commission (that is, an "upfront buyer" solution).

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349 See also Case C-202/06 P *Cementbouw Handel & Industrie v Commission* [2007] ECR 2007 I-12129, Paragraph 54.

350 Remedies Notice, Paragraphs 9 and 61.

351 Remedies Notice, Paragraph 12.

352 Remedies Notice, Paragraph 9.

353 Remedies Notice, Paragraphs 13, 14 and 61 *et seq*.

354 Case T-177/04 *easyJet v Commission* [2006] ECR II-1913, Paragraph 197.

355 Remedies Notice, Paragraph 10.

356 Remedies Notice, Paragraph 19.

480. In phase I of a merger control proceeding by the Commission, commitments can only be accepted where the competition problem raised by the notified concentration is readily identifiable and can easily be remedied. The competition problem therefore needs to be so straightforward and the proposed remedies so clear-cut that it is not necessary to enter into an in-depth investigation. In other words, the commitments must be sufficient to clearly rule out any serious doubts within the meaning of Article 6(1)(c) of the Merger Regulation. Where the Commission's assessment confirms that the proposed commitments remove the grounds for serious doubts on that basis, the Commission clears the notified concentration in phase I, that is on the basis of Article 6(1)(b) in conjunction with Article 6(2) of the Merger Regulation.

481. The Commission analysed the proposed commitments in that context and found the Final Commitments appropriate to ensure that effective competition will be maintained.

VII.2.1. Initial Commitments

VII.2.1.1. Description of the Initial Commitments

VII.2.1.1.1. Scope of the Initial Commitments

482. The Parties submitted the Initial Commitments on 27 October 2014, together with their notification, to render the Notified Transaction compatible with the internal market. The Initial Commitments were market tested in the week of 10 November 2014.

483. The Initial Commitments provided for the divestment of the entire business operations of one of the Parties in each EU Member State where their activities overlap as a going concern ('Divestment Business') [357] with certain exceptions. The divestment consists of the entire position of one of the Parties in each Member State where the Parties' activities overlap and include all activities in that Member State in white and grey cement, RMX, and aggregates, as well as any other upstream or downstream business, including all cementitious materials activities.

484. In the Initial Commitments, the businesses to be divested in the EU[358] included the following assets:

- the entirety of Holcim's operational business activities in France (with the exception of Holcim's Altkirch cement plant and adjacent aggregates sites and ready-mix plants in the Haut-Rhin region);
- the entirety of Holcim's operations in Hungary (that is, terminals, RMX sites and laboratories), with the following exceptions: (i) the Miskolc cement plant

357 The Divestment Business will contain divestment packages for each of Germany, Hungary, Romania, the UK, Slovakia, Austria and France. The Czech Republic divestment package and the divestment package for Spain are to be sold to Cemex. Out of the 22 EEA-countries in which one of the Parties has grey cement sales, the Parties do not overlap or overlap to an insignificant extent (i.e., with a share increment of less than [0-5]%) in 14 Member States: Belgium, Bulgaria, Croatia, Finland, Greece, Ireland, Italy, Lichtenstein, Luxembourg, the Netherlands, Poland, Portugal, Slovakia, and Slovenia.

358 The Parties retain the possibility of selling the European assets in combination with one or more 'rest of the world' Divestment Packages.

(mothballed), (ii) the closed Lábatlan cement plant / terminal (and nearby limestone quarry and marl quarry, the production of which is contracted to a third party), (iii) a plot of land at Nyergesújfalu near Lábatlan, and (iv) a logistics company (Pultrans Kft).

– the entirety of Holcim's operations in Slovakia;

– the entirety of Holcim's business activities in the Czech Republic, to be sold on the basis of an already signed SPA to Cemex;

– Holcim's Gador plant and Yeles grinding station in Spain, to be sold on the basis of an already signed SPA to Cemex;

– the entirety of Lafarge's business activities in Germany;

– the entirety of Lafarge's business activities in Romania; and

– Lafarge's activities in Réunion, with the exception of its shareholding in Ciments de Bourbon;

– Lafarge's business activities in the UK, currently carried out by Lafarge Tarmac, with the exception of (i) the Cauldon grey cement plant (excluding the two plastic packaging lines operated at the Cauldon grey cement plant; the national laboratory located at or adjacent to that plant; the Sapphire operations at that plant) (ii) the Cauldon limestone quarry, (iii) the Cauldon Low aggregates quarry (including the recycled aggregates site located at that quarry but excluding the asphalt plant located at that quarry), (iv) the rail depot located in Willesden, London and (v) the road terminal located at Coles Hill.

485. In the case of Spain and the Czech Republic, the assets should in principle be sold to Cemex, in a limited follow-up of the wider transaction between Holcim and Cemex that was cleared by the Commission on 9 September 2014[359] and by the Czech Office for the Protection of Competition on 12 March 2014[360].

486. Following the conclusion of a binding agreement between Holcim and Cemex, dated 29 October 2014, the Spanish and Czech transactions will be closed during the first quarter of 2015, albeit with a narrower scope as regards Spain than previously foreseen.

487. Since those transactions, once implemented, will eliminate the whole overlaps between the Parties' activities in those countries and since the Parties have identified and entered into a legally binding agreement with a buyer outlining the essentials of the purchase during the Commission procedure, the Commission is able to decide in this Decision that the transfer of the Divestment Business relating to Spain and the Czech Republic to Cemex as the identified purchaser will remove any serious doubts the Transaction would raise in those countries. Further to such a 'fix-it-first solution', no additional Commission decision for approving Cemex as a suitable purchaser is

359 Case M.7054 – Cemex/Holcim Assets.

360 Case S541/13 – Spojení soutěžitelů CEMEX Czech Republic, s.r.o., a Holcim (Česko) a.s.

needed since the Commission can conclude with the requisite degree of certainty that the commitments will be implemented by way of a sale to Cemex as a suitable purchaser.

VII.2.1.1.2. Modalities of the Initial Commitments

488. The Parties proposed two alternative ways to divest the Divestment Business.

489. A first option consisted of a standard merger and acquisition ('M&A') divestment under a traditional divestment process, whereby the Parties proposed one or several buyer(s) for the Divestment Business (or certain parts of it)[361] that the Commission would have to approve ('M&A Option'). Only after the buyer approval by the Commission would the Parties be allowed to close the Notified Transaction.

490. A second option ('Hybrid Option') would be for the Parties to divest part of the Divestment Business to the capital markets. In a first step, the Parties would propose to the Commission an 'Anchor Investor' for the Divestment Business which would acquire a *de facto* controlling stake of [<50%] in the Divestment Business, based on the past attendance rates at Holcim and Lafarge shareholder meetings. Similar to the M&A Option, the Anchor Investor would need to receive the Commission's buyer approval and subsequently the Parties would be allowed to create and list the Divestment Business, and transfer ownership of the controlling stake to the approved Anchor Investor.[362]

491. In a second step, the remaining shares (that is, the […] remaining shares not sold to the Anchor Investor) would be disposed of through

i. an initial Public Offering (IPO) whereby the merged entity tenders the remaining shares of the Divestment Business on financial markets or,

ii. a spin-off whereby the merged entity distributes the remaining shares of the Divestment Business pro quota to its own shareholders, or

iii. an IPO with Preferential Subscription Rights (PSR) under which the merged entity distributes rights to its own shareholders to acquire shares of the Divestment Business at a discount and whereby shareholders could then use the rights to buy shares of the Divestment Business at a discount, or sell those rights on capital markets.

492. In any of the above capital markets events, the core shareholders of Holcim and Lafarge (defined as those having more than […] and […] in either company) would have to sell any share or right in the Divestment Business they receive, and commit not to acquire any interest in the Divestment Business for a period of […] years.

VII.2.1.2. Assessment of the Initial Commitments

493. The Commission assessed the appropriateness of the Initial Commitments in the light of the principles underlying its commitments policy and the results of the market test.

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361 See recitals 527ff for a discussion of the different potential divestment packages.

362 The Anchor Investor can either be a single buyer or a consortium with a maximum of […] participants, one of which has to hold […] of the consortium shares.

494. As set out in the Remedies Notice, commitments, once implemented, need to fully and unambiguously resolve the competition concerns identified. The Commission therefore needs to be able to conclude - with the requisite degree of certainty - that the new commercial structures resulting from the remedy will be sufficiently workable and lasting to ensure that all grounds for serious doubts as to the compatibility of the Notified Transaction with the internal market will be removed.

495. The Commission concluded that the Notified Transaction raised serious doubts as to its compatibility with the internal market:

(i) in relation to grey cement in the relevant catchment areas in eastern Austria, the Czech Republic, north-western France, western France and eastern France, Réunion, south-western Germany, western Germany and central Germany, Hungary, Romania, Slovakia, Scotland and northern England;

(ii) in relation to RMX in the relevant catchment areas in France (Métropole), Réunion, Romania and the UK;

(iii) in relation to aggregates in the relevant catchment areas in France (Métropole), Réunion, Romania and the UK;

(iv) in relation to asphalt in the UK;

(v) in relation to contract surfacing in the UK;

(vi) in relation to screed in the UK.

496. The objective of the market test was to assess the workability of the Initial Commitments both in terms of their effectiveness and the viability of the Divestment Business.

497. On the basis of the information obtained in the context of the market test, the Commission concluded that the Initial Commitments would only partially remove the serious doubts identified by it (see VII.2.1.2.1 for the areas where the Initial Commitments would have removed the Commission's serious doubts, and VII.2.1.2.2 for those areas where serious doubts would have remained despite the Initial Commitments.)

VII.2.1.2.1. Removal of serious doubts by the Initial Commitments

498. Overall, respondents to the market test expressed positive feedback as regards the scope of the Initial Commitments to remove the serious doubts identified by the Commission, as well as with respect to the long-term viability of the Divestment Business.

499. A majority of respondents to the market test (including a majority of customers in each Member State) stated that the Initial Commitments would be capable of removing the serious doubts identified by the Commission, and that the assets that form part of the Divestment Business constitute a viable business.

500. Against this background, the Commission notes that the Initial Commitments would remove the entirety of the overlaps of the Parties' activities in grey cement in the

relevant catchment areas in eastern Austria, the Czech Republic, north western France, western France, south-western Germany, central Germany, Romania, Slovakia, Scotland and northern England. Similarly, the Initial Commitments would remove the entirety of the overlaps of the Parties' activities in RMX and aggregates in the relevant catchment areas in France (Métropole)[363], Réunion and Romania. In addition, the Initial Commitments would remove the entirety of the overlaps of the Parties' activities in asphalt, contract surfacing and screed in the UK.

501. As will be set out in recitals 503 ff. below, the Commission has verified that the few exceptions to the general principle of divesting the entire business operations of one of the Parties in each Member State where they are both active and of thereby removing all overlaps between the Parties' activities in all of the affected markets would not raise serious doubts as to the compatibility of the Notified Transaction as modified by the Initial Commitments with the internal market. Those exceptions relate to western Germany (recitals 503 to 509), eastern France (recitals 511 to 513), Réunion (recitals 515 to 519) and the UK (recitals 521 to 525). The exceptions relating to Hungary will be analysed in section VII.2.1.2.2.

502. As will be set out in recitals 527 to 538, the Commission has also verified the suitability of the structure of the Divestment Business and the features of a suitable purchaser as proposed by the parties.

Western Germany

503. As regards the overlaps between the Parties' activities in grey cement in western Germany, the Initial Commitments foresaw the divestment of the entirety of Lafarge's operations in Germany and Holcim's activities in France with the exception of Holcim's Altkirch cement plant and adjacent aggregates sites and RMX plants in the Haut-Rhin region).

504. The Initial Commitments thus foresaw that there would be a combination of assets of Holcim France and of Lafarge Germany in the Divestment Business. In particular, Holcim France's integrated plant in Héming and Lafarge Germany's integrated plant in Wössingen and grinding station in Sötenich would be divested to the same purchaser. There is an overlap between the activities of the facilities in Héming, Wössingen and Sötenich. Since the assets of Lafarge Germany and Holcim France would be divested together, the overlap would persist within the Divestment Business. Therefore, the Initial Commitments would not remove the entire overlap between the Parties' activities in western Germany.

505. Certain customers in Rhineland-Palatinate in western Germany raised concerns about that overlap during the market investigation as outlined in recital 194. They explained that Holcim had provided them with competitive offers and had supplied them from Héming. They were concerned that, absent any divestments, the merged entity could stop offering them cement at competitive prices.

506. However, following the implementation of the Initial Commitments, the merged entity would retain ownership over all of Holcim's plants in Germany. This includes, among

363 As regards the aggregates sites and RMX plants in the Haut-Rhin region which will be retained by the merged entity, the catchment areas of those sites do not overlap with the catchment areas of any of the aggregates sites or RMX plants to be retained by the merged entity.

others, the plant in Dotternhausen, the plants to be acquired from Cemex West (comprising the integrated cement plant in Beckum-Kollenbach and two grinding stations in Duisburg/Schwelgern and Dortmund, all in North Rhine-Westphalia) and the cement terminal in Wiesbaden (Hessen) […]. Customers in western Germany would therefore have the Divestment Business and the merged entity as potential suppliers.

507. To assess whether the merged entity would be a competitive supplier to customers in western Germany, the Commission analysed Holcim's current costs-to-market[364] to certain sample destinations in the relevant federal states Saarland, Rhineland-Palatinate and Hessen from current German Holcim plants that will be owned by the merged entity. The costs-to-market of the plant in Dotternhausen and of the plants to be acquired from Cemex West are […] those of Héming […]. For instance, the costs-to-market per tonne of cement from Dotternhausen to Koblenz (Rhineland-Palatinate) at […] per tonne are approximately […] than those of Héming; the costs-to-market per tonne of cement from Dotternhausen to Saarbrücken (Saarland) are approximately […] than those of Héming.

508. The Commission also assessed the free cement capacity available in Dotternhausen and Cemex West. These amounted to […] tons and […] tons[365] in 2013 respectively. The aggregate spare capacity of […] tons thus exceeds the sales volumes of Héming to Germany of […] tons by more than […] tons.

509. The Commission therefore concludes that the merged entity would have assets in Germany which would have comparable or lower costs-to market with sufficient spare capacity to continue selling cement to customers in western Germany. The merged entity would therefore have the same ability and incentive to compete for sales in western Germany as before the Notified Transaction.

510. Consequently, the exception to the principle of removing all overlaps between the Parties' activities relating to western Germany would not in itself raise serious doubts as to the compatibility of the Notified Transaction (as modified by the Initial Commitments) with the internal market.

Eastern France

511. Under the Initial Commitments, the Parties committed to divest the whole of Holcim's activities in France with the exception of Holcim's Altkirch cement plant and adjacent aggregates sites and ready-mix plants in the Haut-Rhin region.

512. However, the overlaps of the Parties' activities in the catchment area of the Altkirch plant in eastern France do not raise serious doubts as to the compatibility of the Notified Transaction with the internal market as explained in recitals 155 to 163. In

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364 The costs-to-market include the variable production costs and the transportation costs.

365 Cemex West's plant in Beckum currently has a […] clinker capacity utilisation rate – based solely on the clinker produced in Beckum – resulting in a de facto grey cement spare capacity of […] tons. […] Cemex West has […] spare grinding capacity of […] at its Beckum plant and the two grinding stations in Dortmund and Schwelgern. According to the signed SPA with Cemex, Holcim will acquire Cemex West in the first quarter of 2015. Holcim's plant in […] could supply […] of clinker to Cemex West, which could be converted into up to […] tons of cement; see Holcim's reply to the Commission's request for information, 10.12.2014, Question 3.

addition, the divestment of Holcim's other plants in France will lead to a substantial weakening of the Parties' market position in the Altkirch catchment area as shown in Table 78.

Table 78: Sales shares Altkirch catchment area

Altkirch catchment area	*150km*	*250km*
Holcim	[40-50]%	[20-30]%
Lafarge	[0-5]%	[5-10]%
Combined	[40-50]%	[20-30]%
Merged entity	**[20-30]%**	**[10-20]%**
Divestment Business	**[10-20]%**	**[10-20]%**

Source: Notifying Party, Form CO

513. As regards the excluded aggregates sites and RMX plants in the Haut-Rhin region, none of the catchment areas of those plants overlap with the catchment areas of any aggregates sites and RMX plants to be retained by the merged entity. In addition […].[366]

514. Consequently, the exception to the principle of divesting the entire business operations of one of the Parties in each Member State where they are both active in relation to eastern France would not in itself raise serious doubts as to the compatibility of the Notified Transaction (as modified by the Initial Commitments) with the internal market.

Réunion

515. Under the Initial Commitments, the Parties committed to divest the whole of Lafarge’s activities in Réunion with the exception of its […] shareholding in Ciments de Bourbon.

516. Therefore, the merged entity would have a higher market share in Réunion post-divestment than Holcim or Lafarge's pre-merger market share, as shown in Table 79. Assuming that [60-70]% of the [50-60]% market share of Lafarge originates from the shareholding in Ciments de Bourbon[367], the merged entity will hold a [70-80]% market share and the Divestment Business a market share of [20-30]%.

Table 79: Sales shares in Réunion

Réunion	
Holcim	[40-50]%
Lafarge	[50-60]%
Combined	[90-100]%
Merged entity	**[70-80]%**
Divestment Business	**[20-30]%**

Source: Notifying Party, Form CO

517. However, despite the fact that the overlap between the Parties' activities would not be fully eliminated by the Initial Commitments, the Commission considers that they would remove serious doubts in respect of Réunion for the following reasons.

366 Form CO, paragraph 1503 and footnote 635.

367 See footnote 119. This is a conservative approach given […].

518. First, although the Divestment Business would have no more shareholding in, and access to, the Ciments de Bourbon grinding station, the Parties would be prepared to offer to the purchaser, at the option of the purchaser, a supply contract at market conditions for the next […] years and/or facilitate an agreement between the Divestment Business and a third party supplier. The Divestment Business could therefore replace Lafarge's current sales originating from Ciments de Bourbon through grey cement purchased from the merged entity and third-party suppliers.

519. Second, and unlike the previous situation when Lafarge and Holcim were both sourcing cement from the same facility and presumably at the same price, the implementation of the Initial Commitments would create a new supplier that would become, after the expiration of the supply contract, fully independent of the merged entity in terms of sourcing policy and prices. This evolution of the market structure has also been welcomed by respondents to the market test in Réunion.[368]

520. Consequently, the exception to the principle of removing all overlaps between the Parties' activities relating to Réunion would not in itself raise serious doubts as to the compatibility of the Notified Transaction (as modified by the Initial Commitments) with the internal market.

The UK

521. Under the Initial Commitments the Parties committed to divest all of Lafarge's activities in the UK with the exception of the Cauldon cement plant (including the Cauldon limestone quarry), the Cauldon Low aggregates quarry (excluding the asphalt plant located at that quarry), the rail depot located in Willesden/London and the road terminal located at Coles Hill.

522. However, as shown in Table 80, the merged entity will have a lower market share in the Cauldon plant catchment area post-divestment than Lafarge's market share pre-merger. The Parties offer to divest [20-30]% of market share in the relevant catchment area, which is higher than the original increment of [5-10]% brought about by Holcim.

Table 80: Sales shares Cauldon plant catchment area

Cauldon catchment area	***150km***	***250km***
Holcim	[5-10]%	[0-5]%
Lafarge	[30-40]%	[30-40]%
Combined	[30-40]%	[30-40]%
Merged entity	**[20-30]%**	**[10-20]%**
Divestment Business	**[10-20]%**	**[20-30]%**

Source: Notifying Party, Form CO

523. The retention of the Cauldon cement plant by the merged entity would lead to the creation of a fifth domestic cement producer in the UK. The merged entity would retain Holcim's importing business in the UK which would be complemented by the domestic Cauldon cement plant. The creation of a fifth domestic cement producer was the objective of the remedies imposed by the UK Competition Commission in its sector enquiry of January 2014. The UK CMA informed Lafarge on 10 December 2014 that it consented to the sale of the Cauldon cement plant to Holcim under the interim undertakings given by Lafarge Tarmac following the sector enquiry.

368 See replies to question 5 – Market test commitments M2d – Questionnaire to customers – Réunion.

524. The retained rail depot in Willesden, London and the retained road terminal in Coles Hill will serve the merged entity […]. The Divestment Business includes the rail-linked Tunstead cement plant as well as the rail-linked depots in Northfleet and West Thurrock […]. In the light of the limited market share of the merged entity and the existing logistics assets of the Divestment Business, the exclusion of the rail depot and road terminal does not raise concerns.

525. As regards the Cauldon Low aggregates quarry, the retention of that quarry by the merged entity will only lead to a limited increase in market shares from [10-20]% for Holcim pre-merger to [10-20]% post-divestment as is shown in Table 81.

Table 81: Production shares Cauldon Low quarry

Cauldon Low quarry catchment area	***50km***
Holcim	[10-20]%
Lafarge	[60-70]%
Combined	[80-90]%
Merged entity	**[10-20]%**
Divestment Business	**[60-70]%**

Source: Notifying Party, Form CO

526. Consequently, the exception to the principle of divesting the entire business operations of one of the Parties in each Member State where they are both active in relation to the UK would not in itself raise serious doubts as to the compatibility of the Notified Transaction (as modified by the Initial Commitments) with the internal market.

Structure of the Divestment Business and features of a suitable purchaser

527. The intended effect of the divestiture will only be achieved if and when the Divestment Business is transferred to a suitable purchaser in whose hands it will become an active competitive force in the market. The market test therefore requested respondents for their views on whether the Initial Commitments would require a specific purchaser to transform the Divestment Business into a competitive force on the market in terms of (i) the composition of the Divestment Business (one or several asset packages) and, consequently, whether (ii) there should be a single buyer for the Divestment Business or several buyers for the different parts of the Divestment Business, and (iii) the identity of the buyer or buyers (financial investor or industrial buyer).

528. As a preliminary point, it should be noted that Holcim has already entered into a binding agreement with Cemex as regards the Spanish and the Czech divestment businesses, which would therefore in principle be sold separately from the remainder of the Divestment Business. In terms of (year 2013) turnover, the Spanish and Czech divestment businesses respectively account for EUR […] and EUR […] turnover out of an estimated total EUR […] turnover for the whole of the Divestment Business.

529. The Initial Commitments also contained an explicit option for the UK assets to be sold separately as well: the UK part of the Divestment Business alone accounts for […] of the total Divestment Business (EUR […]).

530. Moreover, in view of the specificities of cement sourcing in Réunion linked to its geographical location, the assets in Réunion can be safely separated from the rest of the Divestment Business. Therefore, in essence, the question on the composition of the Divestment Business or packages made up thereof relates to France, Germany and some central European countries.

531. As regards the latter, the following elements have to be taken into consideration. In Hungary, Holcim will propose to divest assets downstream of cement production: cement terminals, RMX operations and its road binder business. As Holcim has no cement production in Hungary, Holcim committed to divest the entirety of its cement production operations in Slovakia (from where it supplies cement to Hungary), including the flagship Rohožnik plant, even though the Notified Transaction does not lead to direct overlaps between the Parties' activities in Slovakia (Lafarge does not own any asset in Slovakia but holds a minority shareholding in a cement competitor as explained in recital 234).

532. The results of the market test can be summarised as follows. First, respondents to the market test confirmed that the Hungarian part of the Divestment Business, confined to activities downstream of cement production, would not be viable for a buyer that cannot also buy the Slovak cement production assets. Consequently, assets in central-European countries (including at least Austria, Slovakia and Hungary) have to be seen as an "integrated cluster" requiring a single buyer.

533. Second, as to the composition of the Divestment Business, respondents to the market test did not express a uniform view - neither among customers nor among competitors and potential buyers - as to whether and, if so, how the Divestment Business would need to be split into different parts to be sold to different buyers. In certain countries (particularly in Germany) a small majority[369] of respondents stated that the Divestment Business could be split up into different packages and that different buyers could be found, each acquiring a different part of the Divestment Business. While some of those replies appear to be guided by the aspirations of potential buyers to acquire certain specific assets, others stated that splitting up the Divestment Business and selling different parts to different buyers would result in more competition. Such a view was, however, not unanimous, and in most other countries respondents stated that a combined sale of the entire Divestment Business to a single purchaser would increase its viability and the capability of the purchaser to compete on a lasting basis. In that respect, some respondents stated that selling the Divestment Business as a single European package would offer the best guarantee for the Divestment Business to be a sustainable and independent operator in the sector. A single purchaser would minimise transaction uncertainties and could offset the potentially lower performance of the Divestment Business in slow-growth countries with a better performance in more dynamic markets.

534. Third, some market test respondents stated that the Divestment Business would be an important opportunity for a new player to enter the European markets with sufficient critical mass. The Divestment Business would offer a whole network in several countries.

535. Fourth, replies to the market test also stressed that a larger divestment package would have more potential for increasing efficiencies with regard to the central functions (such as R&D, sales, logistics, HR, accounting and quality control) as well as ancillary services such as access to alternative fuels, which are critical to maintaining the overall competitiveness of the divested plants.

369 24 out of 39 customers indicated a preference for different packages, although most respondents did not substantiate or offer specific explanations for that preference.

536. Finally, no clear picture emerged from the market test whether an acceptable buyer of the Divestment Business should be an industrial buyer or could be a financial investor.

537. The Commission takes the view that when defining assets to be included in the Divestment Business, the Parties ensured that assets would not be carved out from functioning networks and deprived of shared central functions. The Parties' proposal for the composition of the Divestment Business is not a 'mix and match' of Holcim and Lafarge assets since in any given Member State (with the exception of Lafarge's Ciments Kercim in France) all assets come from the same party, which ensures that they are divested as a going concern. The outcome of the market test has confirmed the importance of maintaining existing synergies and central functions and as such there is no support for a divestment of assets at individual plant level. It can be concluded from the above that, whilst no clear opinion emerges from the market test concerning the question whether the Divestment Business should be sold in its entirety to a single buyer or whether different parts of the Divestment Business should be sold to different buyers, safeguarding the viability and comprehensiveness of the Divestment Business is of paramount importance.

538. In any case, at this stage, (i) whether the Divestment Business will be sold in its entirety to a single buyer or whether different parts of the Divestment Business will be sold to different buyers, and (ii) the identity of the buyer have no impact on the certainty that the Divestment Business will be transferred to a suitable purchaser in a timely manner, since the Parties committed not to complete the Notified Transaction before having entered into a binding agreement with a purchaser, either through the M&A Option or the Hybrid Option, and having received approval by the Commission as to the agreement and the suitability of the buyer.

VII.2.1.2.2. Serious doubts not removed by the Initial Commitments

539. A number of respondents to the Commission's market test raised concerns about the Divestment Business in France (see recitals 541 to 550) and Hungary (see recitals 551 to 552), as well as about some general issues regarding the central functions of the Divestment Business (see recital 553). In addition, some concerns were expressed with regard to the modalities of implementation of the Initial Commitments, notably as regards the Hybrid Option (see recitals 554 to 556).

540. For the reasons set out below, the Commission concluded that the Initial Commitments would not have removed all grounds for serious doubts as to the compatibility of the Notified Transaction, notably in respect of France, Hungary, certain central functions and the commitment modalities.

France

541. Respondents to the market test identified two major weaknesses in the French divestment package: (i) a general lack of attractiveness of Holcim's assets in France and (ii) the viability of some of Holcim's assets in western France.

542. With respect to the first issue, those respondents noted that in France the Divestment Business includes integrated cement plants which are generally old and use outdated and very energy-intensive production processes (wet or semi-wet process). Only the Altkirch plant, which is not part of the French divestment package, is equipped with the more modern dry production process. The respondents that claimed that the Altkirch plant should be included in the Divestment Business in France, most of them

potential buyers of the Divestment Business, said that this would strengthen the appeal of the Divestment Business in France.

543. However, for the reasons outlined below, the Commission does not consider that it will be necessary to include the Altkirch plant in the Divestment Business to ensure the viability and competitiveness of the Divestment Business in France.

544. First, as explained in the section related to eastern France and in recitals 512 to 513, the Altkirch plant is located in an area where the Notified Transaction does not raise serious doubts as to its compatibility with the internal market, as Lafarge has very limited sales in the catchment areas around the Altkirch plant Moreover, more than half of the production of the Altkirch plant is sold in Switzerland and Southern Germany.

545. Second, the Commission did not find that the divestment of the Altkirch plant would be necessary to ensure the viability of the Divestment Business in France. In addition, whilst it is indeed the case that the plants the Parties propose to divest in France use older technology, the efficiency of those plants and the margins they produce are not consistently and significantly worse than other French plants such as Altkirch that use more modern technologies. This is in particular the case when alternative fuels can be used.[370]

546. As regards western France, Lafarge has traditionally been the main player in those regions with market shares in grey cement above [50-60]% in Brittany, Pays de Loire and Poitou-Charentes. As discussed in the section related to western France (recitals 144 to 154), in the last five years, Holcim has developed its presence in the grey cement markets in western France, through the opening of two grinding stations in Normandy and La Rochelle (the latter operational since July 2014) and one cement terminal in Brittany. Holcim has invested EUR […] to enable its expansion in western France and has achieved a grey cement market share of 5 to 10%. Moreover, Holcim's entry in western France provided a new supply alternative for customers in that region and the resulting intensification of competition led to lower prices in the last four years.

547. The Parties offered to divest the following assets serving western France: a cement terminal in Montoir and grinding stations in Rouen and La Rochelle. The divestment of those assets would have eliminated the full overlap between the Parties' activities in western France.

548. However, for the purchaser of the Divestment Business to maintain in western France the same degree of competitive pressure on the merged entity, the viability of the Holcim assets in that region were considered by respondents to the market test to be of crucial importance. As those assets are currently integrated into Holcim's European network, they are to a large extent supplied with raw materials input or final products from Holcim's plants outside France. The terminal of Montoir serves as a storage facility and is supplied with cement from […]. The grinding stations of Rouen and La Rochelle are supplied with clinker from […]. None of those Holcim plants outside France were proposed for divestment. In the absence of alternative supply sources, it

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370 See Holcim's internal ranking of its plants, Form RM of 27 October 2014, page 17.

is therefore unlikely that post-transaction a purchaser of the divestment business would be in a position to operate those assets in a viable and competitive way.

549. Further doubts were raised with regard to the overall viability of the assets in western France, and notably the Montoir terminal. The Montoir terminal is situated in the proximity of a liquefied natural gas terminal […], Lafarge acquired a newly-built grinding station in July 2014 (Kercim in St Nazaire) which is located less than 10 km from Montoir. The Kercim grinding station, which has a production capacity of 600,000 tonnes, […].

550. In the light of the above and the available evidence, the Commission had serious doubts as to the viability of the assets proposed for divestment in western France, and in particular the Montoir terminal.

Hungary

551. Respondents to the market test raised two issues regarding the Hungarian divestment business. The first issue concerns the retention by the Parties of the logistics company Pultrans Kft ('Pultrans'). That company provides logistic services to third parties and ensures deliveries of cement from a Romanian plant that remains with the merged entity to a terminal in eastern Hungary which is part of the Divestment Business. The second issue concerns a legal dispute between Holcim and a private individual, […], regarding the ownership of the mothballed Miskolc plant. Some respondents submitted that should Holcim reach an arrangement with […] and restart the plant, this could jeopardise the viability of the Turna plant,[371] which is included in the Divestment Business. As explained above, whilst the Turna plant is located in Slovakia it supplies Hungary and is therefore an essential divestment asset.

552. In the light of the above and the available evidence, the Commission had serious doubts as to the viability of the assets proposed for divestment in Hungary.

General issues on scope

553. Several respondents to the market test identified a general lack of clarity as regards the divestment of some central functions that would enable the purchaser to run the Divestment Business as a going concern post-divestment, raising in particular the issue of access to alternative fuels, which are essential for operating cement plants in a competitive manner, notably cement plants that operate a wet or semi-wet production process. Market test respondents stressed that the assets should include all that is needed for the purchaser to operate the business within the shortest possible time and to replicate their effectiveness in full.

Commitment modalities

554. The market test also focused on the modalities of the Hybrid Option as presented in the Initial Commitments.

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371 These concerns are supported by [reference to Holcim internal documents on the legal dispute], see Holcim’s reply to the Commission's request for information, 24.07.2014, Annex Q.4.23, page 1; [reference to Holcim internal documents on the legal dispute], see Holcim’s reply to the Commission's request for information, 24.07.2014, Annex Q.4.22, in particular page 7.

555. The great majority of respondents did not provide any feedback on those modalities, citing a lack of expertise and insight into the details of such capital markets centred remedy. Among those who replied to the relevant questions in the market test, most respondents were potential buyers who may thus have some degree of bias regarding the modalities of the divestment. Some of these respondents welcomed the Hybrid Option as a suitable means to enact divestments of such a wide scope, but at the same time expressed concerns about possible implementation risks and the need of safeguards to ensure that whoever acquires a controlling interest in the divestment business has an incentive to run it competitively on a lasting basis. In particular, market test respondents mentioned that in case of a consortium of more than one investor acting as an Anchor Investor, further safeguards on the stability and continuity of such a consortium would be required in addition to the Commission's evaluation of the buyer's suitability.

556. Moreover, some respondents questioned whether the long term commitment of an Anchor Investor in the Hybrid Option was sufficiently reflected in a shareholding that does not ensure *de jure* control. The Parties had capped the anchor shareholding at [<50%] maximum since that would, in the Parties' view, normally suffice for exercising *de facto* control over the Divestment Business, based on past attendance rates at Holcim and Lafarge shareholder meetings.

557. Nevertheless, within the specific setting of a divestiture that may be partly implemented through the capital markets, it is important to ensure that the Anchor Investor that will be subject to the Commission's buyer approval will commit to the divestment business for the longer term. Other than demonstrating that commitment in the business plan for the divestment business, the Anchor Investor should provide the required reinsurance and stability of its long term commitment by acquiring *de jure* control, that is a minimum of 50% + 1 share, of the divestment business. In addition, such an investment would also provide the required clarity that the Anchor Investor would be the driving force in a possible consortium in addition to the assurances that the commitments provide on the stability and continuity of such a consortium.

558. In the light of the above and the available evidence, the Commission had serious doubts as to the suitability and efficacy of the commitment modalities.

VII.2.1.3. Conclusion on the Initial Commitments

559. On the basis of the above and the available evidence, including the market test, the Commission concluded that the Initial Commitments could not fully remove the serious doubts identified by it and informed the Parties accordingly.

VII.2.2. Final Commitments

VII.2.2.1. Description of the Final Commitments

560. The Parties submitted Final Commitments on 11 December 2014 aimed at addressing the shortcomings identified with regard to the Initial Commitments.

561. The Final Commitments introduced the following improvements:

   i. As regards France, the Parties commit to divest all Ciments Kercim assets (Lafarge) located in St Nazaire. In turn, the Montoir terminal (Holcim) will not be divested.

ii. Regarding Hungary, the Parties commit to include in the Divestment Business, at the request of the purchaser, an option to either acquire Pultrans, or to enter into arrangements for the supply of rail transportation services by Pultrans to supply cement to the Ercsi and/or Bekescsaba terminals that are part of Holcim Hungary (on substantially the same terms as those services supplied to Holcim at completion of the divestment).

iii. Further as regards Hungary, the Parties commit to include in the Divestment Business, at the request of the purchaser, an option to take over Holcim's legal position concerning its litigation relating to the ownership of the Miskolc plant, and to acquire the plant assets.

iv. The Parties have provided more clarity on their commitment to divest the cement assets with all the central functions that are necessary for them to operate efficiently, and in particular the alternative fuel activities.

v. Finally, as regards the modalities of the Hybrid Option, the Anchor Investor would acquire *de jure* control ([…], acquire a controlling interest of at least [>50%]) and the lock-in period has been extended to [duration of lock-in period in case the Anchor investor is a consortium] (see recital 567 for a more detailed description of the improvements of the Hybrid option).

VII.2.2.2. Assessment of the Final Commitments

VII.2.2.2.1. The improvements contained in the Final Commitments fully remove the remaining concerns

562. For the reasons set out below, the Final Commitments rectify the deficiencies of the Initial Commitments which the Commission had identified on the basis of the market test. Consequently, the Commission did not have to carry out a further market test of the Final Commitments.

563. First, the proposed swap of the Holcim Montoir terminal with the Kercim grinding station (acquired by Lafarge in July 2014) will provide the purchaser with a very modern and performing production asset. The buyer of the Divestment Business in France will be able to operate three grinding stations in western France and to source clinker from overseas to supply those grinding stations.

564. In particular, the Kercim plant appears well situated and equipped to rely on abundantly available clinker import volumes as a competitive substitute to Holcim's current supply chain. The availability of clinker at competitive prices in the Mediterranean area was confirmed by respondents to the market test as well as in the Commission's 2014 investigation[372] in the Spanish cement and clinker markets. According to Kercim's business strategy prior to being acquired by Lafarge, it was planning to source its clinker requirements from […] that is capable of readily supplying six different qualities of clinker and, in the longer term, from other

[372] In the 2014 decision in case M.7054 - CEMEX / HOLCIM ASSETS the Commission found that, although imports are slightly more costly than domestic sourcing, and more challenging from a logistical perspective, the main grinding mills active in the Levante region that responded to the market investigation indicated that they have resumed imports of clinker in 2013 from Turkey and Egypt and were planning to continue to do so in 2014.

suppliers with comparable resources available in […]. In addition, it was confirmed that importing clinker did not impede Kercim from achieving sustainable margins in the cement markets in which it was active prior to its acquisition by Lafarge.

565. Second, in Hungary, the purchaser of the Divestment Business will have the option to step into Holcim's position regarding its dispute concerning the Miskolc plant and acquire the plant equipment. Whilst the Parties have reconfirmed that there are no clear signs that the litigation is on the verge of being settled, the purchaser will be in a position to gather more information about the assets to be divested and potential viability issues, and will therefore be able to decide whether Miskolc would be an important asset or rather a (future) liability. The purchaser will also have the option to acquire the Pultrans rail transport company or enter into a supply arrangement with Pultrans.

566. Third, cement assets will be divested with all the central functions that are necessary for them to operate efficiently. In particular, access to alternative fuels will be ensured for all the divested assets.

567. Fourth, as regards the modalities of the Hybrid Option:

i. In case of the Hybrid Option, the Anchor Investor will need to acquire a shareholding of at least [>50%] of the shares of the Divestment Business, thus providing it with *de jure* control. In case a consortium of buyers becomes the Anchor Investor, that consortium should consist of a maximum of […] members and will need to enter into a shareholders' agreement so that it acts as a block.

ii. With regard to the concerns expressed as to the stability and continuity of the purchaser in case of the Hybrid Option, the Anchor Investor must commit to hold *de jure* control […] Equally, if the Anchor Investor is a consortium, the lead investor of that consortium must commit to hold [>50%] in the consortium which it cannot sell for at least […] years. This ensures that, […], the Divestment Business will be run *de jure* by a controlling Anchor Investor as approved by the Commission.

iii. The Parties commit to ensure that the shares the present core shareholders in Holcim and Lafarge (that is, those shareholders having more than […] and […]in either company) were to obtain in the Divestment Business are divested to unconnected third parties (that is, third parties which are independent of the core shareholders and the Parties), and that the monitoring trustee will obtain the necessary information to verify compliance with this obligation.

iv. The Parties commit to establish procedural safeguards concerning the present core shareholders of Holcim and Lafarge, […].

568. In light of the above, the Commission considers that the improvements contained in the Final Commitments fully remove the concerns that remained after the submission of the Initial Commitments.

VII.2.2.2.2. Overall viability of the Divestment Business

569. For the reasons set out below, and in the light of the improvements contained in the Final Commitments, the Commission considers that the Divestment Business will be viable.

570. First, the plants included in the Divestment Business are similar to the merged entity's average plant in terms of efficiency, and are well situated. In terms of equipment effectiveness, total cost per tonne, energy consumption, and environmental performance, the average ranking of the Lafarge and Holcim plants that are to be divested is equal to or higher than the average ranking of the European plants that the merged entity will retain. The Commission notes that in 2013, according to data submitted by the Parties, the assets included in the divestment business would have generated a turnover of around EUR […] with an EBITDA of approximately EUR […]. The deficiencies in terms of viability of the assets (such as the Montoir terminal) have been adequately addressed by the Final Commitments.

571. Second, when taken together, the Divestment Business's European assets will cover a wide number of construction materials markets, including cement, aggregates and RMX, and will also be present in segments such as asphalt or mortar. The Divestment Business as a whole consists of 17 integrated cement plants, 7 grinding stations (for a total grey cement capacity of over […] t per year); as well as close to 300 aggregates quarries with significant reserves for a total volume sold of about […] t in 2013 and 315 RMX plants for over […] m^3 sold in 2013. The Divestment Business will be among the three largest cement suppliers in France, Romania, and the UK. The Divestment Business will also own significant limestone reserves to ensure the sustainability and continuity of its operations.

572. The Divestment Business will be vertically integrated where relevant, and include activities upstream and downstream of cement such as RMX, aggregates and cementitious additives operations. The Divestment Business, taken together, will generate grey cement sales in at least 12 countries and will have the possibility to export into additional countries. It will account for grey cement sales and capacity of approximately […] t and […] t respectively.

573. Third, the Divestment Business as well as the assets to be divested in Spain and the Czech Republic do not require carve-outs or arrangements that could lead to substantial implementation risks. In particular, the exclusion of the Montoir terminal and the inclusion of the Kercim plant will eliminate the risk linked to an interruption of supply from […]. It will also enable the purchaser to benefit from economies of scale (through the increase of its order sizes and its ability to fill a vessel) when importing clinker for three grinding stations located on the western coast of France, thereby increasing the potential advantages of overseas clinker sourcing.

574. Fourth, the Divestment Business has been designed with a minimal degree of "mixing and matching" assets that were previously owned by Holcim and Lafarge[373]: in a given Member State (with the exception of France) all divested assets come from the same Party to ensure that they are divested as a going concern. In that respect, participants to the market test considered that access to alternative fuel sourcing was of the utmost importance to ensure the viability of the cement production assets. The Lafarge subsidiaries in the UK, Germany and Romania will be divested together with the local businesses. Holcim's alternative fuels operations are performed and implemented locally and the contracts held by the local plants will transfer with the businesses and assets to be divested.

373 With the exception of Western France where Lafarge's Kercim asset will need to be integrated with the Holcim assets.

575. The assets include all that is needed for the purchaser to operate the business within the shortest possible time and to replicate their effectiveness in full. To this end, the Divestment Business will include all supplier and customer relationships which the Parties may have entered into, as well as all relevant operating permits, licences and authorisations.

576. Furthermore, the Divestment Business will include all the central and essential functions currently performed at group level for the national operating companies would need to be divested or otherwise added to the Divestment Business to operate viably and independently. Such corporate functions include inter alia areas: (i) marketing; (ii) sourcing and procurement; (iii) health, safety and human resources; (iv) environmental; (v) Information and communication technology; (vi) financial matters; and (vii) legal matters. Technical assistance is considered one of the main services to be provided by the new central organisation of the Divestment Business. The Parties will provide the Divestment Business with transitional support agreements if required by the Divestment Business.

577. Fifth, corporate and global brands will remain with the merged entity as those brands are also used in countries which are not in the scope of the divestment. Local brands will be transferred to the Divestment Business in countries where Lafarge's or Holcim's entire business will be divested. The merged entity will license to the individual business units the other intellectual property rights (for example, patents, copyrights, trade secrets) where relevant.

578. Sixth, respondents to the market test considered the Divestment Business and the assets to be sold in Spain and the Czech Republic to be viable. [374] Whilst respondents to the market test pointed to some viability shortcomings of the Initial Commitments with regard to western France as well as to the need for improvements in respect of transport logistics, central functions and access to alternative fuels, those issues were limited in scope and have been effectively addressed by the improvements contained in the Final Commitments.

579. Last, the upfront buyer clause included in the Final Commitments ensures that the Parties will not close the Notified Transaction before having reached a binding agreement with a purchaser approved by the Commission. The risk of implementation – in other words, the risk of not finding a suitable purchaser for lack of attractiveness of the Divestment Business – therefore lies with the Parties.

VII.2.2.2.3. Overall assessment of the Final Commitments

580. The Final Commitments will result in the elimination of almost the entire overlap of the Parties' activities brought about by the Notified Transaction.

581. The Final Commitments, when implemented, would therefore recreate the competitive conditions as they existed prior to the implementation of the Notified Transaction. Following the implementation of the Final Commitments, there will be as many

374 The majority of respondents considered that the Divestment Business as well as the assets to be divested in Spain and the Czech Republic would be viable. When split between Member States, the figures are as follows: Germany (85%), Austria (74%), Romania (97%), Czech Republic (93%), UK (93%), France (Métropole 67% and Réunion 76%), Slovakia (78%), Spain (70%), Hungary (88 %).

competitors after the Notified Transaction[375] as there were before it, and in the UK there will be one more cement producer than there was before the Notified Transaction. Finally, Holcim's Montoir terminal will not be divested as it is substituted by Lafarge's better performing and more viable Kercim operations.

582. Moreover, already in their replies to the market test of the Initial Commitments[376], respondents confirmed the ability of the Divestment Business to replicate the competitive constraint exerted by Holcim and Lafarge pre-Transaction.

583. The Commission therefore concludes that the Final Commitments remove the serious doubts raised by the Notified Transaction as to its compatibility with the internal market.

VII.2.2.3. Conclusion on the Final Commitments

584. On the basis of the above and the available evidence, the Commission considers that the Final Commitments submitted by the Parties are sufficient to remove all serious doubts as to the compatibility of the Notified Transaction with the internal market and with the functioning of the EEA Agreement.

585. The Final Commitments shall be therefore attached to this Decision and made binding on the Parties.

VIII. CONDITIONS AND OBLIGATIONS

586. Under 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 Notified Transaction compatible with the internal market.

587. The achievement of the measure that gives rise to the 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 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 concerned may also be subject to fines and periodic penalty payments under Articles 14(2) and 15(1) of the Merger Regulation.

588. 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

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375 In the Czech Republic and Spain there will be one competitor less because the assets will be sold to Cemex. However such is subsequent to these transactions already having been cleared in separate procedures by the Czech Office for the Protection of Competition and the Commission.

376 The majority of respondents consider that the remedies will remove concerns. When split between Member States, the figures are as follows: Germany (80%), Austria (60%), Romania (78%), Czech Republic (55%), UK (75%), France (Métropole 67% and Réunion 62%), Slovakia (76%), Spain (56%), Hungary (58 %).

sections B and D of the Final Commitments (conditions), whereas the remaining sections of the Final Commitments constitute obligations on the Parties.

IX. CONCLUSION

589. For the above reasons, the Commission has decided not to oppose the Notified Transaction 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 sections B and D of the Final Commitments annexed to this Decision and with the obligations contained in the other sections of the Final 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

11 December 2014

Case M.7252 – Holcim Ltd./Lafarge S.A

COMMITMENTS TO THE EUROPEAN COMMISSION

Pursuant to Article 6(2) of Council Regulation (EC) No 139/2004 (the ***Merger Regulation***), Holcim Ltd. (***Holcim***) and Lafarge S.A. (***Lafarge***) (the ***Parties***) hereby enter into the following Commitments (the ***Commitments***) vis-à-vis the European Commission (the ***Commission***) with a view to rendering the proposed merger of equals between Holcim and Lafarge (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***).

The Commitments shall take effect upon the Effective Date, provided that if completion of the Concentration does not subsequently take place for whatever reason and is thereby abandoned, the Parties shall not be bound by these Commitments.

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***).

Anchor Investor: the Purchaser of a controlling interest (within the meaning of Article 3 of the Merger Regulation) of at least [>50%] in the Divestment Business.

Assets: the assets that contribute to the current operation or are necessary to ensure the viability and competitiveness of the Divestment Business, specifically, the assets of either the Holcim Divestment Business or the Lafarge Divestment Business as indicated in Section B, paragraphs 19, 20 and 21 and described more in detail in Schedules I and II.

Closing: the transfer of the legal title in respect of the Divestment Business whether: (a) by way of an M&A Disposal; or (b) by way of a Hybrid M&A Disposal; or (c) any variation of these structures as agreed with the Commission.

Completion: means the implementation of the proposed Concentration, which will take place no later than [...], or such later date as the Parties and the Commission may agree.

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.

Core Shareholder: means (i) […] (as Holcim shareholder), and […] (as Lafarge shareholders) (together the ***Original Core Shareholders***); and (ii) prior to the execution of the sale and purchase agreement referred to in paragraph 4 any shareholder in either Holcim or Lafarge holding an interest in excess of […] who has […] (Holcim or Lafarge), noting that a shareholder, other than an Original Core Shareholder, would no longer be considered as a Core Shareholder if its (direct and indirect) interest in the relevant entity (Holcim or Lafarge, or the combined Holcim/Lafarge) is less than […] and that shareholder no longer […].

Core Shareholder Disposal Period: shall have the meaning set out in paragraph 11.

Divestiture Trustee: one or more natural or legal person(s) who is/are approved by the Commission and appointed by the Parties and who has/have received from the Parties the exclusive Trustee Mandate to sell the Divestment Business to a Purchaser […], subject to Completion.

Divestment Business: means the entirety of the Holcim Divestment Business and the Lafarge Divestment Business in Europe, with the option, at the discretion of the Parties, of disposing of (i) the Holcim Spain Divestment Business, and/or (ii) the Lafarge UK Divestment Business separately from the remainder of the Divestment Business, and taking into account the provisions of paragraph 20 of these Commitments.

Divestment Company: means a new holding company or companies for the Divestment Business, jointly held by the Parties and formed for the purposes of effecting Closing.

Divestment: the disposal by the Parties of the Divestment Business, whether (a) by way of an M&A Disposal; or (b) by way of a Hybrid M&A Disposal, and ***Divest, Divested***, ***Divesting*** and ***Divestiture*** shall be interpreted accordingly.

Effective Date: the date of adoption of the Decision.

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

Holcim: Holcim Ltd, incorporated under the laws of Switzerland, with its registered office at Zurcherstrasse, 156, 8645, Jona, Switzerland.

Holcim Czech Divestment Business: Holcim's businesses in the Czech Republic as defined in Schedule I which the Parties commit to divest.

Holcim Divestment Business: all of the European businesses of Holcim as defined in Section B paragraphs 19 and 20 and in Schedule I which the Parties commit to divest.

Holcim Spain Divestment Business: Holcim's businesses in Spain as defined in Schedule I which the Parties commit to divest.

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

Hybrid M&A Closing Period: the period of […] months from the Purchaser Approval Date but no later than […] months from the date of Completion.

Hybrid M&A Disposal: shall have the meaning set out in paragraph 3(b).

Hybrid M&A Trustee Divestiture Period: the period of […] months from the end of the Hybrid M&A Closing Period.

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

Lafarge: Lafarge S.A., incorporated under the laws of France, with its registered office at 61 rue des Belles Feuilles, 75116, Paris, France and registered with the Commercial/Company Register at Paris under number 542 105 572.

Lafarge Divestment Business: all of the European businesses of Lafarge as defined in Section B paragraph 21 and in Schedule II which the Parties commit to divest.

Lafarge UK Divestment Business: Lafarge's business activities in the UK as defined in Schedule II, which the Parties commit to divest by […] to a suitable purchaser. Prior to divesting Lafarge Tarmac, and subject to the approval of the UK Competition and Markets Authority, Lafarge Tarmac will transfer certain assets to Holcim's existing UK business, Aggregate Industries, or to another subsidiary of Holcim or Lafarge that will be retained by the combined entity (the ***Cauldon Assets***, as described in Schedule II).

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

M&A Disposal Closing Period: the period of […] months from the Purchaser Approval Date but no later than […] months from the date of Completion.

M&A Disposal: shall have the meaning set out in paragraph 3(a).

M&A Trustee Divestiture Period: the period of […] months from the date of the end of the M&A Disposal Closing Period.

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

Parties: Holcim and Lafarge.

Personnel: all staff currently employed by either the Holcim Divestment Business or the Lafarge Divestment Business, including staff seconded to the Holcim Divestment Business or the Lafarge Divestment Business, shared personnel as well as the additional personnel listed in Schedule I and Schedule II.

Purchaser: the entity or entities approved by the Commission as acquirer or acquirers of the Divestment Business, including, to the extent relevant, the Anchor Investor, in accordance with the criteria set out in Section D (provided that, for the avoidance of doubt, there may be one or more Purchasers for one or more parts of the Divestment Business).

Purchaser Approval Date: the date of the Commission's decision approving the Purchaser pursuant to paragraph 35.

Purchaser Criteria: the criteria laid down in paragraph 32 of these Commitments that the Purchaser must fulfil in order to be approved by the Commission.

Schedule: the schedules to these Commitments describing more in detail each of the Holcim Divestment Business and the Lafarge Divestment Business.

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

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

Section B. The commitment to divest and the Divestment Business

Commitment to divest by way of an M&A Disposal or a Hybrid M&A Disposal

2. In order to maintain effective competition, the Parties commit to Divest, or procure the Divestiture of the Divestment Business as a going concern and on terms approved by the Commission in accordance with the procedure described in paragraph 33 of these Commitments.

3. Divestiture of the Divestment Business shall be carried out either:

   (a) by way of a sale of 100% of the Divestment Business to a Purchaser (***M&A Disposal***); or

(b) by way of a sale of a controlling interest of at least [>50%] of the Divestment Business to an Anchor Investor, with the remainder of the Divestment Business being disposed of by way of an initial public offering (***IPO***), including a Preferential Subscription Rights Initial Public Offering (***PSI***), and/or by way of a spin-off involving a distribution of Divestment Company shares by the Parties directly to their shareholders *pro rata* to their interest in the share capital of Holcim or Lafarge (as applicable) combined with a listing on one or more recognised stock exchanges of the Divestment Company shares (***Spin-off***) (together ***Hybrid M&A Disposal***).

4. To carry out the Divestiture, the Parties commit, within the First Divestiture Period:

(a) in the case of an M&A Disposal, to find a Purchaser and to enter into a final binding sale and purchase agreement (or agreements) for the sale of the Divestment Business, subject to Completion; or

(b) in the case of a Hybrid M&A Disposal, to enter into a final binding sale and purchase agreement with an Anchor Investor for the sale of a controlling interest of at least [>50%] of the shares in the Divestment Company, and obtain all approvals required to implement a Hybrid M&A Disposal in respect of the remaining shares in the Divestment Company, both subject to Completion and the listing of the Divestment Company shares on one or more recognised stock exchanges.

5. At the same time as the Parties submit the reasoned proposal referred to in paragraph 35 of these Commitments, they shall inform the Commission as to whether the Divestment Business will be sold:

(a) in its entirety as a single package, or whether the Holcim Spain Divestment Business shall be sold separately, if not sold to Cemex as described in paragraph 20 of these Commitments (in which case paragraphs 6 to 9 of these Commitments shall apply to the divestment of the Holcim Spain Divestment Business) and/or the Lafarge UK Divestment Business shall be sold separately (in which case paragraphs 6 to 9 or paragraphs 10 to 15 of these Commitments shall apply to the divestment of the Lafarge UK Divestment Business) and whether the Holcim Czech Divestment Business shall form part of the Holcim Divestment Business as described in paragraph 20 of these Commitments;

(b) by way of an M&A Disposal (in which case paragraphs 6 to 9 of these Commitments shall apply) or by way of a Hybrid M&A Disposal (in which case paragraphs 10 to 15 of these Commitments shall apply); and

(c) if by way of a Hybrid M&A Disposal, whether the Divestment will be effected via an IPO, PSI or Spin-off.

Provisions applicable in the case of an M&A Disposal

6. If the Parties have not entered into an agreement as envisaged in paragraph 4(a) above with respect to the entirety of the Divestment Business by the end of the First Divestiture Period, or if the Parties have not complied with their obligation in paragraph 5 above, the Parties shall grant the Divestiture Trustee an exclusive mandate to sell the Divestment Business, or those parts of the Divestment Business that are not disposed of pursuant to paragraph 4(a) above, in accordance with the procedure described in paragraph 52 within the Trustee Divestiture Period, and subject to Completion.

7. If Closing does not take place within the M&A Disposal Closing Period, the Parties shall grant the Divestiture Trustee an exclusive mandate to sell the Divestment Business, or those parts of the Divestment Business that are not disposed of pursuant to paragraph 4(a) above, in accordance with the procedure described in paragraph 52 within the M&A Trustee Divestiture Period, and subject to Completion.

8. The proposed Concentration shall not be implemented before the Parties or the Divestiture Trustee have entered into one or more final binding sale and purchase agreements for the sale of the Divestment Business, subject to Completion, and the Commission has approved the Purchaser and the terms of sale in accordance with paragraph 33.

9. The Parties shall be deemed to have complied with this commitment if:

   (a) by the end of the Trustee Divestiture Period, the Parties or the Divestiture Trustee have 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 33; and

   (b) either, the Closing of the sale of the Divestment Business to the Purchaser takes place within the M&A Disposal Closing Period; or

   (c) in the case of a sale by a Divestiture Trustee, the Divestiture Trustee sells the Divestment Business, or those parts of the Divestment Business that are not disposed of pursuant to paragraph 4(a) above in accordance with the procedure described in paragraph 52 within the M&A Trustee Divestiture Period.

Provisions applicable in the case of a Hybrid M&A Disposal

10. If the Parties have not implemented the steps set out in paragraph 4(b) above with respect to the entirety of the Divestment Business by the end of the First Divestiture Period, or if the Parties have not complied with their obligation in paragraph 5 above, the Parties shall grant the Divestiture Trustee an exclusive mandate to sell the Divestment Business, or those parts of the Divestment Business that are not disposed of pursuant to paragraph 4(b) above, in accordance with the procedure described in paragraph 52 within the Trustee Divestiture Period, and subject to Completion.

11. The Parties commit to ensure, within the First Divestiture Period, that each Core Shareholder irrevocably agrees, at the latest by the time the sale and purchase agreement referred to in

paragraph 4(b) is executed: (i) not to acquire any shares in the Divestment Company for a period of […], so long as the relevant shareholder, other than the Original Core Shareholders, remains a Core Shareholder in the combined Holcim/Lafarge; and (ii) […]. […] to carry out the disposal to an unconnected third party […] The Core Shareholder Disposal Mandate shall include provisions for the Monitoring Trustee […]in order to ensure that any disposal pursuant to the terms of the Core Shareholder Disposal Mandate complies with the terms of these Commitments. […]. The Parties shall furnish the Commission and the Monitoring Trustee with adequate evidence that demonstrates that the steps referred to in (i) and (ii) above have been complied with, […].

12. If Closing of the sale to an Anchor Investor does not take place within the M&A Disposal Closing Period, the Parties shall grant the Divestiture Trustee an exclusive mandate to sell those (geographic) parts of the Divestment Business that are not disposed of pursuant to paragraph 4(a) or 4(b) above, in accordance with the procedure described in paragraph 52 within the M&A Trustee Divestiture Period, and subject to Completion.

13. If Closing of the sale of the remainder of the Divestment Business (i.e. other than that sold to an Anchor Investor, or disposed of separately in accordance with the terms of these Commitments) does not take place within the Hybrid M&A Closing Period, the Parties shall grant the Divestiture Trustee an exclusive mandate to sell the remainder of the Divestment Business, in accordance with the procedure described in paragraph 52 within the Hybrid M&A Trustee Divestiture Period, and subject to Completion.

14. The proposed Concentration shall not be implemented before the Parties have entered into a final binding sale and purchase agreement with an Anchor Investor for the sale of at least [>50%] of the Divestment Business, obtained all approvals required to implement a Hybrid M&A Disposal, and obtained the agreement of each Core Shareholder as set out in paragraph 11, all subject to Completion and the listing of the Divestment Company shares, and the Commission has approved the Anchor Investor as well as such agreements and/or arrangements.

15. The Parties shall be deemed to have complied with this commitment if:

(a) by the end of the Trustee Divestiture Period, the Parties implemented the steps set out in paragraph 4(b) and 11 above to effect the Divestment and the Commission approves the proposed Anchor Investor and the arrangements for a Hybrid M&A Disposal and the terms of the Divestment as being consistent with the Commitments in accordance with the procedure described in paragraph 33; and

(b) the Closing of the sale to the Anchor Investor by way of a Hybrid M&A Disposal takes place within the M&A Closing Period, the closing of the sale of the shares that are the subject of paragraph 11 takes place within the Core Shareholder Disposal Period and the closing of the sale of the remainder of the Divestment Business (i.e. other than that sold to an Anchor Investor, or disposed of separately in accordance with the terms of these Commitments) takes place within the Hybrid M&A Closing Period; or

(c) in case of a sale by the Divestiture Trustee, the Divestiture Trustee sells the Divestment Business in accordance with the procedure described in paragraph 52 within the M&A Trustee Divestiture Period; or

(d) the Divestiture Trustee sells those shares in the Divestment Company that are not disposed of to an Anchor Investor, in accordance with the procedure described in paragraph 52 within the Hybrid M&A Trustee Divestiture Period.

<u>Common provisions</u>

16. For the avoidance of doubt, Divestiture of the Divestment Business can be done in conjunction with any other business of the Parties, in particular, with any other non-European business or asset that is not the subject of these Commitments.

17. In order to maintain the structural effect of the Commitments, the Parties shall, for a period of […] 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 Parties showing good cause and accompanied by a report from the Monitoring Trustee (as provided in paragraph 66 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.

<u>Structure and definition of the Divestment Business</u>

18. The Divestment Business comprises the Holcim Divestment Business and the Lafarge Divestment Business, as defined above.

19. The Holcim Divestment Business consists of the entirety of Holcim's operational business activities in:

(a) France (with the exception of Holcim's Altkirch cement plant and adjacent aggregates sites and ready-mix plants in the Haut-Rhin region, Holcim's Montoir import terminal in Northwest France and Holcim's operations in La Réunion);

(b) Hungary, including at the request of the Purchaser, (i) an option for the Purchaser to take over Holcim's legal position concerning its litigation relating to the ownership of the Miskolc plant, and acquire the plant assets; and (ii) an option to either acquire Holcim's Hungarian logistics company PULTRANS Kft, or to enter into arrangements for the supply of rail transportation services by PULTRANS to supply cement to the Ercsi and/or Békéscsaba terminals that are part of the Holcim Divestment Business (on substantially the same terms as those services supplied to Holcim at completion of the Divestment (as described in Schedule I); and

(c) Slovakia.

20. Holcim entered into binding sale and purchase agreements with Cemex in respect of the Holcim Czech Divestment Business and the Holcim Spain Divestment Business on 30 October 2014. If, for whatever reason, Holcim retains ownership of the Holcim Czech Divestment Business and/or the Holcim Spain Divestment Business at the time of Closing, Holcim commits to add to the Holcim Divestment Business the entirety of the Holcim Czech Divestment Business and/or the Holcim Spain Divestment Business, as applicable, with the option of disposing of the Holcim Spain Divestment Business separately from the remainder of the Divestment Business.

21. The Lafarge Divestment Business consists of:

 (a) the entirety of Lafarge's business activities in Germany;

 (b) the entirety of Lafarge's business activities in Romania;

 (c) Lafarge's grinding station Ciments Kercim located in Montoir-de-Bretagne in Western France;

 (d) the entirety of Lafarge's business activities in La Réunion, with the exception of its shareholding in Ciments de Bourbon; and

 (e) the Lafarge UK Divestment Business. In so far as the Lafarge UK Divestment Business is disposed of separately from the remainder of the Divestment Business, the provisions of these Commitments shall apply *mutatis mutandis* (both in respect of the M&A Disposal and the Hybrid M&A Disposal).

22. The legal and functional structure of the Holcim Divestment Business and the Lafarge Divestment Business as operated to date is described in Schedules I and II respectively. Both the Holcim Divestment Business and the Lafarge Divestment Business, described in more detail in Schedules I and II, include (subject to third party consents where relevant) all assets and staff that contribute to the current operation or are necessary to ensure the viability and competitiveness of the Holcim Divestment Business and the Lafarge Divestment Business, in particular:

 (a) all tangible (including on-site alternative fuel assets) and intangible assets (including intellectual property rights as described in the attached Schedules);

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

 (c) all contracts, leases, commitments and understandings of the Holcim Divestment Business and of the Lafarge Divestment Business;

 (d) all customer, credit and other records of the Holcim Divestment Business and of the Lafarge Divestment Business; and

 (e) all Personnel.

23. In addition, the Holcim Divestment Business and the Lafarge Divestment Business include the benefit, for a transitional period of up to […] after Closing, and on terms and conditions equivalent to those at present afforded to the Holcim Divestment Business and the Lafarge Divestment Business, of all current arrangements under which the Parties or their Affiliated Undertakings supply products or services to the Holcim Divestment Business or the Lafarge Divestment Business, as the case may be, as detailed in Schedules I and II, 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 relevant operations.

Section C. Related commitments

<u>Preservation of viability, marketability and competitiveness</u>

24. From the Effective Date until Closing, the Parties 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 the Parties undertake:

(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 the Parties' remaining business. Where, nevertheless, individual members of the Key Personnel exceptionally leave the Divestment Business, the Parties shall provide a reasoned proposal to replace the person or persons concerned to the Commission and the Monitoring Trustee. The Parties 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.

<u>Hold-separate obligations</u>

25. The Parties commit, from the Effective Date until Closing, to procure that each of the Holcim Divestment Business and the Lafarge Divestment Business is kept separate from each other and from the businesses that the Parties will be retaining and, to the extent relevant, after closing of the Concentration to keep each of the Holcim Divestment Business and the Lafarge

Divestment Business separate from the businesses that the Parties are retaining and to ensure that unless explicitly permitted under these Commitments: (i) management and staff of the businesses retained by the Parties have no involvement in either of the Holcim Divestment Business or the Lafarge Divestment Business; and (ii) the Key Personnel and Personnel of the Holcim Divestment Business and Lafarge Divestment Business have no involvement in any business retained by the Parties and do not report to any individual outside the Holcim Divestment Business or of the Lafarge Divestment Business, as appropriate.

26. Until Closing, the Parties shall assist the Monitoring Trustee in ensuring that both the Holcim Divestment Business and the Lafarge Divestment Business are managed as distinct and saleable entities separate from the businesses retained by the Parties. Immediately after the adoption of the Decision, Holcim shall appoint a Holcim Hold Separate Manager and Lafarge shall appoint a Lafarge Hold Separate Manager. The Holcim Hold Separate Manager, who shall be part of the Key Personnel, shall manage the Holcim 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 the Parties. The Lafarge Hold Separate Manager, who shall be part of the Key Personnel, shall manage the Lafarge 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 the Parties. Both the Holcim Hold Separate Manager and the Lafarge Hold Separate Manager shall closely cooperate with and report to the Monitoring Trustee and, if applicable, the Divestiture Trustee. Any replacement of the Holcim Hold Separate Manager or the Lafarge Hold Separate Manager shall be subject to the procedure laid down in paragraph 24(c) of these Commitments. The Commission may, after having heard the Parties, require the Parties to replace either the Holcim Hold Separate Manager or the Lafarge Hold Separate Manager.

Ring-fencing

27. The Parties shall implement, or procure the implementation of, all necessary measures to ensure that they do not, after the Effective Date, obtain any Confidential Information relating to either the Holcim Divestment Business or the Lafarge Divestment Business and that the Holcim Divestment Business does not obtain any Confidential Information relating to the Lafarge Divestment Business, and *vice versa*, and that any such Confidential Information obtained by the Parties before the Effective Date will be eliminated and not be used by the Parties. This includes measures vis-à-vis the Parties' appointees on the supervisory board and/or board of directors of each of the Holcim Divestment Business and the Lafarge Divestment Business. In particular, the participation of either the Holcim Divestment Business or the Lafarge Divestment Business in any central information technology network shall be severed to the extent possible, without compromising the viability of either the Holcim Divestment Business or the Lafarge Divestment Business. The Parties may obtain or keep information relating to the Holcim Divestment Business and the Lafarge Divestment Business which is reasonably necessary for the divestiture of the Holcim Divestment Business or the Lafarge Divestment Business or the disclosure of which to the Parties is required by law or which is reasonably required by the Parties to comply with their financial reporting or other legal obligations (including in relation to tax filings).

Non-solicitation clause

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

Due diligence

29. In order to enable potential purchasers to carry out a reasonable due diligence of the Divestment Business, the Parties 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; and

(b) provide to potential purchasers sufficient information relating to the Personnel and allow them reasonable access to the Personnel.

Reporting

30. The Parties shall submit written reports on the Divestiture process in English 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), including, if applicable, on potential purchasers of the Divestment Business and developments in the negotiations with such potential purchasers, and on the status of the Divestment. The Parties shall submit a list of all credible potential purchasers having expressed interest in acquiring the Divestment Business, and to whom the Parties would be willing to Divest the Divestment Business to the Commission at each stage of the divestiture process, as well as a copy of all credible offers made by such potential purchasers within five days of their receipt.

31. The Parties shall inform the Commission and the Monitoring Trustee on the divestiture process, in particular, on preparation of the data room documentation and the due diligence procedure and shall submit a prior copy of any information memorandum, prospectus or similar documents to the Commission and the Monitoring Trustee.

Section D. The Purchaser

32. In order to be approved by the Commission, the Purchaser must fulfil the following criteria:

(a) The Purchaser shall be independent of and unconnected to the Parties and their Affiliated Undertakings (this being assessed having regard to the situation following the divestiture);

(b) The Purchaser shall have the financial resources, proven expertise and incentive to maintain and develop the Divestment Business, as a viable and active competitive force in competition with the Parties and other competitors; and

(c) The acquisition of the Divestment Business by the Purchaser must neither be likely to create, in light of the information available to the Commission, *prima facie* competition concerns nor give rise to a risk that the implementation of the Commitments will be delayed. In particular, the Purchaser must reasonably be expected to obtain all necessary approvals from the relevant regulatory authorities for the acquisition of the Divestment Business.

33. The Purchaser of the Lafarge UK Divestment Business shall not have any structural or financial links (whether directly or indirectly) with any existing Great Britain cement producer, and shall not otherwise create competition or regulatory concerns in Great Britain, consistent with the UK Competition Commission's Final Report of 14 January 'Aggregates, cement and ready-mix concrete market investigation'.

34. To the extent the Anchor Investor is a consortium, the Parties shall procure that: (i) there shall be a maximum of […] consortium members, one of whom shall hold an interest of at least […] in the consortium and commit not to sell its […] shareholding in the consortium for a period of at least […] years from Closing (other consortium members shall be permitted to sell their respective shareholdings in the consortium either to other consortium members or to third parties on the condition that the maximum limit of […] consortium members is retained for a period of at least […] years from Closing); (ii) the consortium shall commit to holding an interest of at least [>50%] in the Divestment Business for a period of at least […] years from Closing; and (iii) the consortium members enter into a shareholders' agreement governing the relationship among them.

35. The final binding sale and purchase agreement (or agreements) (as well as ancillary agreements), or other documentation, including but not limited to a prospectus or shareholder circular, relating to the Divestiture of the Divestment Business shall be conditional on the Commission's approval, in the case of a sale and purchase agreement, or be subject to Commission approval prior to publication, in the case of a prospectus or similar document. When the Parties have reached an agreement (or agreements) with a purchaser (or purchasers), and/or have finalised any relevant shareholder circular or equivalent document (where relevant), and/or have finalised and approved with relevant listing authorities (where relevant) necessary documentation for the Divestment, they shall submit a fully documented and reasoned proposal, including a copy of the final agreement(s) and/or any other necessary and final documentation, within one week to the Commission and the Monitoring Trustee. The Parties must be able to demonstrate to the Commission that the purchaser (or purchasers) (including a sale of a controlling interest of at least [>50%] of the Divestment Business), fulfils the Purchaser Criteria and that the Divestment Business is being divested in a manner consistent with the Commission's Decision and the Commitments. For the approval, the Commission shall verify that the purchaser (or purchasers) fulfils the Purchaser Criteria and that the Divestment Business is being divested 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 Divestiture 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 Divestment, taking account of the proposed Purchaser (if any).

Section E. Trustee

I. Appointment procedure

36. The Parties shall appoint a Monitoring Trustee to carry out the functions specified in these Commitments for a Monitoring Trustee. The Parties commit not to close the Concentration before the appointment of a Monitoring Trustee.

37. If the Parties have not implemented all of the steps set out in either paragraph 4 (a) or (b) above regarding the Divestment Business one month before the end of the First Divestiture Period, or if the Commission has rejected a purchaser proposed by the Parties at that time or thereafter (if applicable), the Parties shall appoint a Divestiture Trustee. The appointment of the Divestiture Trustee shall take effect upon the commencement of the Trustee Divestiture Period.

38. In the case of an M&A Disposal, if Closing has not taken place one month before the end of the M&A Disposal Closing Period , the Parties shall appoint a Divestiture Trustee in accordance with the terms of paragraph 45 of these Commitments. The appointment of the Divestiture Trustee shall take effect upon the commencement of the M&A Trustee Divestiture Period.

39. In the case of a Hybrid M&A Disposal, if Closing of the sale to an Anchor Investor has not taken place one month before the end of the M&A Disposal Closing Period , the Parties shall appoint a Divestiture Trustee in accordance with the terms of paragraph 45 of these Commitments. The appointment of the Divestiture Trustee shall take effect upon the commencement of the M&A Trustee Divestiture Period.

40. In the case of a Hybrid M&A Disposal, if Closing of the sale of the remainder of the Divestment Business not sold to the Anchor Investor or disposed of separately in accordance with the terms of these Commitments, has not taken place one month before the end of the Hybrid M&A Closing Period , the Parties shall appoint a Divestiture Trustee in accordance with the terms of paragraph 45 of these Commitments. The appointment of the Divestiture Trustee shall take effect upon the commencement of the Hybrid M&A Trustee Divestiture Period.

41. In the case of disposal of the Core Shareholder shares that are the subject of paragraph 11 of these Commitments, if the disposal of such shares has not taken place one month before the end of the Core Shareholder Disposal Period, the Parties shall appoint a Divestiture Trustee in accordance with the terms of paragraph 45 of these Commitments. The appointment of the Divestiture Trustee shall take effect upon the commencement of the Core Shareholder Disposal Period.

42. The Trustee shall:

(a) at the time of appointment, be independent of the Parties and their Affiliated Undertakings;

(b) possess the necessary qualifications to carry out its mandate, for example have sufficient relevant experience as an investment banker or consultant or auditor; and

(c) neither have nor become exposed to a Conflict of Interest.

43. The Trustee shall be remunerated by the Parties 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 relevant Trustee Divestiture Period.

Proposal by the Parties

44. No later than two weeks after the Effective Date, the Parties shall submit the name or names of one or more natural or legal persons whom the Parties propose to appoint as the Monitoring Trustee to the Commission for approval.

45. No later than one month before the end of the First Divestiture Period or on request by the Commission, the Parties shall submit a list of one or more persons whom the Parties propose 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 42 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; and

(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

46. 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, the Parties 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, the Parties 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 the Parties

47. If all the proposed Trustees are rejected, the Parties 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 36 and 46 of these Commitments.

Trustee nominated by the Commission

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

II. Functions of the Trustee

49. 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 the Parties, 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

50. The Monitoring Trustee shall:

(a) 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.

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

(i) monitor the preservation of the economic viability, marketability and competitiveness of both the Holcim Divestment Business and the Lafarge Divestment Business, and the keeping separate of the Holcim Divestment Business and the Lafarge Divestment Business from the business retained by the Parties, in accordance with paragraphs 24 and 25 of these Commitments;

(ii) supervise the management of each of the Holcim Divestment Business and the Lafarge Divestment Business as distinct and saleable entities, in accordance with paragraph 26 of these Commitments;

(iii) with respect to Confidential Information:

– determine all necessary measures to ensure that the Parties do not after the Effective Date obtain any Confidential Information relating to either the Holcim Divestment Business or the Lafarge Divestment Business;
– in particular strive for the severing of the Holcim Divestment Business' or the Lafarge Divestment Business' participation in a central information technology network to the extent possible, without compromising the

viability of either the Holcim Divestment Business or the Lafarge Divestment Business;

- make sure that any Confidential Information relating to either the Holcim Divestment Business or the Lafarge Divestment Business obtained by the Parties before the Effective Date is eliminated and will not be used by the Parties; and
- decide whether such information may be disclosed to or kept by the Parties as the disclosure is reasonably necessary to allow the Parties to carry out the divestiture or as the disclosure is required by law;

(iv) monitor any splitting of assets and the allocation of Personnel between the Holcim Divestment Business and the Lafarge Divestment Business, as the case may be, and the Parties or Affiliated Undertakings;

(c) propose to the Parties such measures as the Monitoring Trustee considers necessary to ensure the Parties' 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;

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

(i) 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

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

(e) review documentation in connection with a Hybrid M&A Disposal and verify that, if implemented, the applicable structure would be effective to achieve a Divestiture of the Divestment Business, and verify that the Core Shareholder shares that are the subject of paragraph 11 of these Commitments are being disposed of in a manner that it compliant with these Commitments;

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

(g) provide to the Commission, sending the Parties 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 businesses are held in a manner consistent with the Commitments and the progress of the divestiture process as well as potential purchasers;

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

(h) within one week after receipt of the documented proposal referred to in paragraph 35 of these Commitments, submit to the Commission, sending the Parties a non-confidential copy at the same time, a reasoned opinion as to the suitability and independence of the proposed purchaser or purchasers and the viability of the Divestment Business after the Divestment and as to whether the Divestment Business is divested in a manner consistent with the conditions and obligations attached to the Decision, in particular, if relevant, whether the Divestment of the Divestment Business without one or more Assets or not all of the Personnel affects the viability of the Divestment Business after the Divestment, taking account of the proposed purchaser or purchasers (if any);

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

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

Duties and obligations of the Divestiture Trustee

52. Within the Trustee Divestiture Period, or the M&A Trustee Divestiture Period, and/or the Hybrid M&A Trustee Divestiture Period, and/or if the Core Shareholder shares that are the subject of paragraph 11 of these Commitments are not disposed of during the Core Shareholder Disposal Period, as applicable, the Divestiture Trustee shall, subject to Completion, sell […] the Divestment Business, and if applicable the Core Shareholder shares, 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 32 and 35 of these Commitments, and in the case of the Core Shareholder shares, the disposal is in accordance with paragraph 11 of these Commitments. The Divestiture Trustee retains a discretion as to the manner in which it shall sell the Divestment Business, and if applicable, the Core Shareholder shares. The Divestiture Trustee shall include in the sale and purchase agreement, or other disposal arrangement, (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 the Parties, subject to the Parties' unconditional obligation to divest […] in the Trustee Divestiture Period.

53. In each of the Trustee Divestiture periods referred to in paragraph 52 (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 Parties.

III. Duties and obligations of the Parties

54. The Parties shall provide and shall cause their 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 the Divestment Business' books, records, documents, management or other personnel, facilities, sites and technical information necessary for fulfilling its duties under the Commitments and the Divestment Business shall provide the Trustee upon request with copies of any document. The Holcim Divestment Business and the Lafarge 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.

55. The Parties shall provide the Monitoring Trustee with all managerial and administrative support that it may reasonably request on behalf of the management of the Holcim Divestment Business and the Lafarge Divestment Business. This shall include all administrative support functions relating to each of the Holcim Divestment Business and the Lafarge Divestment Business which are currently carried out at headquarters level. The Parties 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. The Parties shall inform the Monitoring Trustee on possible credible purchasers, submit lists of all credible potential purchasers at each stage of the selection process, including the offers made by credible potential purchasers at those stages, and keep the Monitoring Trustee informed of all developments in the divestiture process.

56. The Parties 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, the Parties shall cause the documents required for effecting the sale and the Closing to be duly executed.

57. The Parties shall indemnify the Trustee and its employees and agents (each an ***Indemnified Party***) and hold each Indemnified Party harmless against, and hereby agree that an Indemnified Party shall have no liability to the Parties 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.

58. At the expense of the Parties, the Trustee may appoint advisors (in particular for financial or legal advice), subject to the Parties' 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 the Parties refuse to approve the advisors proposed by the Trustee the Commission may approve the appointment of such advisors instead, after having heard the Parties. Only the Trustee shall be entitled to issue instructions to the advisors. Paragraph 57 of these Commitments shall apply *mutatis mutandis*. In the Trustee Divestiture Periods, the Divestiture Trustee may use advisors who served the Parties during the Divestiture Period if the Divestiture Trustee considers this in the best interest of an expedient sale.

59. The Parties agree that the Commission may share Confidential Information proprietary to the Parties and the Holcim Divestment Business and the Lafarge Divestment Business 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*.

60. The Parties agree 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.

61. 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. <u>Replacement, discharge and reappointment of the Trustee</u>

62. 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 the Parties, require the Parties to replace the Trustee; or

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

63. If the Trustee is removed according to paragraph 62 of these Commitments, the Trustee may be required to continue in its function until a new Monitoring 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 36 to 48 of these Commitments.

64. Unless removed according to paragraph 62 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

65. The Commission may extend the time periods foreseen in the Commitments in response to a request from the Parties or, in appropriate cases, on its own initiative. Where the Parties request an extension of a time period, they shall submit a reasoned request to the Commission no later than one month before the expiry of that period, showing good cause. **Good cause shall include, inter alia, circumstances where Completion could not take place on or before […] for reasons outside of the Parties' control.** 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 Parties. Only in exceptional circumstances shall the Parties be entitled to request an extension within the last month of any period.

66. The Commission may further, in response to a reasoned request from the Parties 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 Parties. 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

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

(signed) duly authorised for and on behalf of Holcim Ltd.	(signed) duly authorised for and on behalf of Lafarge S.A.

SCHEDULE I

1. The Holcim Divestment Business comprises:

   (a) the entirety of Holcim's business activities in France, currently carried out by Holcim France S.A.S (***Holcim France***), with the limited exception of Holcim's cement plant at Altkirch and the adjacent aggregates sites and RMX plants in the Haut-Rhin region, Holcim's Montoir import terminal in Northwest France and Holcim's operations in La Réunion. A list of subsidiaries and participations that form part of Holcim France and that will be divested is contained at **Annex I.1(a)**;

   (b) the entirety of Holcim's operating assets in Hungary (***Holcim Hungary***), with the exception of: (i) the mothballed Miskolc cement plant (and its quarries), subject to granting the Purchaser, at the request of the Purchaser, an option to take over Holcim's legal position concerning its litigation relating to the ownership of the Miskolc plant, and to acquire the plant assets; (ii) the closed Labatlan cement plant/terminal (and a nearby limestone quarry and marl quarry, the production of which is contracted to a third party); (iii) a plot of land at Nyergesújfalu near to Labatlan; and (iv) a rail logistics company (PULTRANS Kft), subject to granting the Purchaser, at the request of the Purchaser, an option to either acquire PULTRANS Kft, or to enter into arrangements for the supply of rail transportation services by PULTRANS to supply cement to the Ercsi and/or Békéscsaba terminals that are part of the Holcim Divestment Business (on substantially the same terms as those services supplied to Holcim at completion of the Divestment). A list of subsidiaries and participations that form part of Holcim Hungary and that will be divested is contained at **Annex I.1(b)**; and

   (c) the entirety of Holcim's business activities in Slovakia, currently operated through Holcim (Slovensko) a.s (***Holcim Slovakia***), which includes an ecorec alternative fuels business. A list of subsidiaries and participations that form part of Holcim Slovakia and that will be divested is contained at **Annex I.1(c).**

2. In addition, to the extent Holcim retains ownership of any assets in the Czech Republic and in Spain at the time of Closing, the Holcim Divestment Business will also comprise:

   (a) the entirety of Holcim's business activities in the Czech Republic, currently operated through Holcim (Česko) a.s., člen koncernu (***Holcim Czech***). A list of subsidiaries and participations that form part of Holcim Czech and that will be divested is contained at **Annex I.2(a)**; and

   (b) Holcim's integrated cement plant at Gador and Holcim's grinding station at Yeles in Spain, with the option of disposing of these assets in Spain separately from the remainder of the Divestment Business.

Holcim France

3. Holcim France comprises:

   (a) Holcim's integrated cement plants at Héming, Lumbres and Rochefort;

   (b) Holcim's grinding stations at Dannes, Dunkerque, Grand-Couronne, La Rochelle and Ebange (mothballed);

   (c) Holcim's import terminal at Dunkerque;

   (d) 65 of Holcim's aggregates sites[1];

   (e) 120 of Holcim's RMX plants[2]; and[3]

   (f) related alternative fuels and resources assets and services, including the Saint Etienne du Vauvray platform and waste processing installations in each plant (including the fluff process implemented in Héming, Lumbres and Rochefort).[4]

4. In accordance with paragraphs 22 and 23 of these Commitments, subject to third party consent where relevant, Holcim France includes, but is not limited to:

   (a) *all tangible assets* at each of the integrated plants (including waste processing installations), grinding stations, import terminals, aggregates sites, RMX plants and the waste processing platform referred to in paragraph 3 above, including the plants, grinding stations, import terminals and sites themselves, as well as all land, associated quarries, buildings, offices, machinery and equipment.[5] A list of tangible and intangible assets owned by Holcim France that will form part of the Holcim Divestment Business is contained at **Annex I.4(a)** and a list of just the AFR assets is contained at **Annex I.4(a).2**;

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1 Including active, inactive, closed and project aggregates sites.

2 Including active and closed RMX sites.

3 And, in addition, Holcim's Schifflange plant in Luxemburg.

4 For this purpose, the splitting of Geocycle France and Belgium is anticipated by Holcim to be implemented in the first semester of 2015. Following the split, all activities of Geocycle France (with the exception of the fluff processing equipment that forms part of Altkirch) will transfer to Holcim France. All 26 employees of Holcim France currently working for Geocycle will form part of the Holcim Divestment Business. This includes the entire French sales force and all employees working at the waste pre-treatment platform in Saint-Etienne du Vouvray. Any cross-border contracts that are currently held by the entity situated in the country of waste origin will be reassigned to the entity where the facility is located that receives the waste and processes it, e.g., a Belgian waste producer that currently delivers waste to Lumbres in France and has a contract with Holcim Belgium will in the future have a contract with Holcim France. In cases where a re-assignment is not possible due to contractual obligations, the entity holding the contract will subcontract to the other entity for the rest of the contract duration.

5 Holcim's depots in Chelles and Villeneuve are also included in the divestment.

(b) *all intangible assets* relating to each of the integrated plants, grinding stations, import terminals, aggregates sites, RMX plants and alternative fuels and resources assets and services (with the exception, in the case of the latter, of the 'geocycle' brand) referred to in paragraph 3 above, including all goodwill and software. A list of local brands that are used by Holcim France and that, in principle, will be transferred together with the Holcim Divestment Business is contained at **Annex I.4(b)**.

(c) *all necessary licences, permits and authorisations* relating to each of the integrated plants, grinding stations, import terminals, aggregates sites, RMX plants and the waste processing platform referred to in paragraph 3 above, including the following main permits and authorisations:

(i) permits for quarry exploitation ("*Arrêté carriere*");

(ii) permits for plant exploitation ("*Arrêté ICPE*" - *Installation Classée pour la Protection de l'Environnement*"); and

(iii) harbour authorisations ("*Autorisation portuaire*");

(d) *all contracts, agreements, leases, commitments and understandings*, in particular, key supply contracts and all customer contracts held by Holcim France and/or any third parties. In relation to the alternative fuels and resources assets and services, this means all customer contracts for which waste is processed in France;

(e) *all customer, credit and other records* that are held by Holcim France;

(f) *all Personnel*;

(g) *all Key Personnel,* including […]; and

(h) at the purchaser's request, arrangements for the supply of products or services currently supplied by the Parties or their Affiliated Undertakings (on substantially the same terms as those products or services supplied to Holcim France at completion of the Divestment) for a transitional period of up to […] after Closing.

5. Holcim France shall not include:

(a) Holcim's cement plant located at Altkirch[6];

(b) 9 adjacent aggregates sites[7] and 18 adjacent RMX plants[8] located in the Haut-Rhin region;

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[6] The alternative fuels and resources (***AFR***) assets located at Altkirch will not form part of Holcim France and will be retained by the Parties. The AFR assets located in Belgium (Seneffe and Obourg) following the split of Geocycle France and Belgium will not form part of Holcim France. All 50 employees of Holcim Belgium working for Geocycle will be retained by the Parties.

(c) Holcim's import terminal located at Montoir; and

(d) Holcim's operations in La Réunion.

6. Subject to paragraph 4 above, if there is any asset or personnel which is not be covered by paragraph 4 of this Schedule but which is both used (exclusively or not) by Holcim France and necessary for the continued viability and competitiveness of Holcim France, that asset or adequate substitute will be offered to potential purchasers.

<u>Holcim Hungary</u>

7. Holcim Hungary comprises:

(a) Holcim's cement import terminals in Ercsi and Békéscsaba;

(b) Holcim's 27 RMX plants;

(c) Holcim's three RMX laboratories at Rákospalota, Békéscsaba and Miskolc;

(d) Holcim's road binder business;[9] and

(e) a road transportation services business, Transplus Hungaria Kftr.

8. In accordance with paragraphs 22 and 23of these Commitments, subject to third party consent where relevant, Holcim Hungary includes, but is not limited to:

(a) *all tangible assets* at each of the import terminals, RMX plants and RMX laboratories referred to in paragraph 7 above, or included in the road binder business and the road transportations services business, including the import terminals, plants and laboratories themselves, as well as all land, buildings, offices, machinery and equipment. A list of tangible and intangible assets owned by Holcim Hungary that will form part of the Holcim Divestment Business is contained at **Annex I.8(a)**;

(b) *all intangible assets* relating to each of the import terminals, RMX plants and laboratories referred to in paragraph 7 above, or included in the road binder business

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[7] Namely, Holcim's aggregates sites located at Bartenheim (incl. La Hardt(Sierentz)), Blotzheim, Herrlisheim, Hirtzfelden, Houssen, Munchhouse, Ottmarsheim, Sausheim and Ensisheim (mothballed). For the sake of clarity, the Parties note that in addition, they will also retain landfilling operations in Rixheim, located at the same site as the corresponding RMX plant.

[8] Namely, Holcim's RMX plants located at: Altkirch, Bavilliers, Cernay, Contrexeville, Eloyes, Etupes (I + II), Golbey, Guebwiler (inactive), Hégenheim, Herrlisheim, Houssen, Le Tholy, Maiche, Rixheim, Rupt sur Moselle, Sausheim, Sierentz and St Louis (inactive).

[9] Holcim's road binder business means the customer relations relating to the sale of […] of road binder products by Holcim Magyarország.

and the road transportation services business, including all goodwill and software. A list of local brands that are used by Holcim Hungary and that, in principle, will be transferred together with the Holcim Divestment Business is contained at **Annex I.8(b)**.

(c) *all necessary licences, permits and authorisations* relating to Holcim Hungary, including permits that relate to water and air quality;

(d) *all contracts, agreements, leases, commitments and understandings*, in particular, key supply contracts and all customer relationships relating to the operation of the assets of Holcim Hungary and/or any third parties;

(e) *all customer, credit and other records* that pertain to Holcim Hungary;

(f) *all Personnel*;

(g) *all Key Personnel*: including […]; and

(h) at the purchaser's request, arrangements for the supply of products or services currently supplied by the Parties or their Affiliated Undertakings (on substantially the same terms as those products or services supplied to Holcim Hungary at completion of the Divestment) for a transitional period of up to […] after Closing.

9. Holcim Hungary shall not include:

(a) Holcim's mothballed cement plant located at Miskolc (and its quarries), subject to granting the Purchaser, at the request of the Purchaser, an option to take over Holcim's legal position concerning its litigation relating to the ownership of the Miskolc plant, and to acquire the plant assets;

(b) Holcim's closed cement plant/terminal located at Labatlan (and a nearby limestone quarry and marl quarry);

(c) a plot of land at Nyergesujfalu near to Labatlan; and

(d) a rail logistics company (PULTRANS Kft), subject to granting the Purchaser, at the request of the Purchaser, an option to either acquire PULTRANS Kft or to enter into arrangements for the supply of rail transportation services by PULTRANS to supply cement to the Ercsi and/or Békéscsaba terminals that are part of the Holcim Divestment Business (on substantially the same terms as those services supplied to Holcim at completion of the Divestment).

10. Subject to paragraph 9 above, if there is any asset or personnel which is not be covered by paragraph 8 of this Schedule but which is both used (exclusively or not) by Holcim Hungary and necessary for the continued viability and competitiveness of Holcim Hungary, that asset or adequate substitute will be offered to potential purchasers.

Holcim Slovakia

11. Holcim Slovakia comprises:

(a) Holcim's integrated cement plants at Rohoznik and Turna;

(b) Holcim's six aggregates sites;

(c) Holcim's 31 RMX sites (2 of which are land only);

(d) the alternative fuels and resources business, comprising ecorec Slovensko s.r.o, ecorec Osterreich GmbH and ecorec Hungaria Kft, and including the alternative fuel processing plant at Pezinok in Slovakia (but, for the avoidance of doubt, excluding the ecorec regional offices); and

(e) a road transportation services business, Transplus (Slovensko) s.r.o.

12. In accordance with paragraphs 22 and 23of these Commitments, subject to third party consent where relevant, Holcim Slovakia includes, but is not limited to:

(a) *all tangible assets* at each of the integrated cement plants, aggregates sites, RMX plants, or included in the alternative fuels and resources business or, if applicable, the road transportation services business referred to in paragraph 11 above, including the integrated cement plants, aggregates sites, RMX plants and alternative fuel processing plant themselves, as well as all land, buildings, offices, machinery and equipment. A list of tangible and intangible assets owned by Holcim Slovakia that will form part of the Holcim Divestment Business is contained at **Annex I.12(a)**;

(b) *all intangible assets* relating to each of the integrated cement plants, aggregates sites, RMX plants, or included in the alternative fuels and resources business or, if applicable, the road transportation services business referred to in paragraph 11 above, including all goodwill and software. A list of local brands that are used by Holcim Slovakia and that, in principle, will be transferred together with the Holcim Divestment Business is contained at **Annex I.12(b).**

(c) *all necessary licences, permits and authorisations* relating to Holcim Slovakia, including permits that relate to water and air quality;

(d) *all contracts, agreements, leases, commitments and understandings*, in particular, key supply contracts and all customer relationships relating to the operation of the assets of Holcim Slovakia and/or any third parties;

(e) *all customer, credit and other records* that pertain to Holcim Slovakia;

(f) *all Personnel*;

(g) *all Key Personnel* including […]; and

(h) at the Purchaser's request, arrangements for the supply of products or services currently supplied by the Parties or their Affiliated Undertakings (on substantially the same terms as those products or services supplied to Holcim Slovakia at completion of the Divestment) for a transitional period of up to […] after Closing.

13. Holcim Slovakia shall not include Holcim Business Services s.r.o.

14. Subject to paragraph 13 above, if there is any asset or personnel which is not be covered by paragraph 12 of this Schedule but which is both used (exclusively or not) by Holcim Slovakia and necessary for the continued viability and competitiveness of Holcim Slovakia, that asset or adequate substitute will be offered to potential purchasers. In addition, the Parties commit to licence, at the Purchaser's option, Holcim's […] technologies for continuous use at the Rohoznik plant on an exclusive royalty-free basis for the life-time of the underlying patents.

15. In the event that Holcim Czech is included in the Holcim Divestment Business:

Holcim Czech

16. Holcim Czech comprises:

(a) Holcim's integrated cement plant at Prachovice;

(b) Holcim's 4 main active aggregates sites;[10]

(c) Holcim's 16 RMX plants;

(d) a road transportation services business, Transplus (Cesko) s.r.o; and

(e) an alternative fuels and resources business, ecorec (Cesko) s.r.o.

17. In accordance with paragraphs 22 and 23of these Commitments, subject to third party consent where relevant, Holcim Czech includes, but is not limited to:

(a) *all tangible assets* at the integrated plant, aggregates sites and RMX plants referred to in paragraph 16 above, or included in the road transportation services business or alternative fuels and resources business, including the plants and sites themselves, as well as all land, associated quarries, buildings, offices, machinery and equipment. A list of tangible and intangible assets owned by Holcim Czech that will form part of the Holcim Divestment Business is contained at **Annex I.17(a)** and a list of just the AFR assets is contained at **Annex I.17(a).2**;

(b) *all intangible assets* relating to the integrated plant, aggregates sites and RMX plants referred to in paragraph 16 above, or included in the road transportation services business or alternative fuels and resources business, including all goodwill and

[10] Holcim Czech also includes an agreement with a landowner in Vysocany […].

software. A list of local brands that are used by Holcim Czech and that, in principle, will be transferred together with the Holcim Divestment Business is contained at **Annex I.17(b)**.

(c) *all necessary licences, permits and authorisations* relating to the integrated plant, aggregates sites and RMX plants referred to in paragraph 16 above, including mining authorisations, approvals relating to drainage, CO2 emissions and water consumption;

(d) *all contracts, agreements, leases, commitments and understandings*, in particular, key supply contracts and all customer contracts held by Holcim Czech and/or any third parties;

(e) *all customer, credit and other records* that are held by Holcim Czech;

(f) *all Personnel*;

(g) *all Key Personnel*: including […]***;*** and

(h) at the purchaser's request, arrangements for the supply of products or services currently supplied by the Parties or their Affiliated Undertakings (on substantially the same terms as those products or services supplied to Holcim Czech at completion of the Divestment) for a transitional period of up to […] after Closing.

18. If there is any asset or personnel which is not be covered by paragraph 17 of this Schedule but which is both used (exclusively or not) by Holcim Czech and necessary for the continued viability and competitiveness of Holcim Czech, that asset or adequate substitute will be offered to potential purchasers.

19. In the event that the Holcim Spain Divestment Business is included in the Holcim Divestment Business:

<u>Holcim Spain Divestment Business</u>

20. The Divestment Business comprises:

(a) Holcim's integrated cement plant at Gador; and

(b) Holcim's grinding station at Yeles.

21. In accordance with paragraphs 22 and 23 of these Commitments, subject to third party consent where relevant, the Holcim Spain Divestment Business includes, but is not limited to:

(a) *all tangible assets* at the integrated plant and grinding station referred to in paragraph 20 above, including the plant, grinding station, and sites themselves, as well as all land, associated quarries, buildings, offices, machinery and equipment. A list of tangible and intangible assets owned by the Holcim Spain Divestment Business that will form part of the Holcim Divestment Business is contained at **Annex I.21(a)**;

(b) *all intangible assets* relating to the integrated plant and grinding station referred to in paragraph 20 above, including all goodwill and software;

(c) *all necessary licences, permits and authorisations* relating to the integrated plant and grinding station referred to in paragraph 20 above, including the following main permits and authorisations:

  (i) operating permits ("*Licencia Apertura y actividad Fabrica de cement*");

  (ii) environmental authorisations ("*Autorizacion Ambiental Integrada*"); and

  (iii) authorisations to emit greenhouse gases ("*Autorizacion de Emision de Gases de Efecto Invernaderso"*);

(d) *all contracts, agreements, leases, commitments and understandings*, in particular, key supply contracts and all customer contracts in connection with Gador and Yeles;

(e) *all customer, credit and other records* that are held in relation to Gador and Yeles;

(f) *all Personnel*;

(g) *all Key Personnel*; including, […]; and

(h) at the purchaser's request, arrangements for the supply of products or services currently supplied by the Parties or their Affiliated Undertakings (on substantially the same terms as those products or services supplied to Holcim Spain at completion of the Divestment) for a transitional period of up to [...] after Closing.

22. If there is any asset or personnel which is not be covered by paragraph 21 of this Schedule but which is both used (exclusively or not) by Holcim Spain and necessary for the continued viability and competitiveness of Holcim Spain, that asset or adequate substitute will be offered to potential purchasers.

SCHEDULE II

1. The Lafarge Divestment Business comprises:

   (a) the entirety of Lafarge's business activities in Germany (***Lafarge Germany*)**. A list of subsidiaries and participations that form part of Lafarge Germany and that will be divested is contained at **Annex II.1(a)**;

   (b) the entirety of Lafarge's business activities in Romania (***Lafarge Romania*)**. A list of subsidiaries and participations that form part of Lafarge Romania and that will be divested is contained at **Annex II.1(b)**;

   (c) Lafarge's grinding station Ciments Kercim located in Montoir-de-Bretagne in Western France (***Lafarge France***);

   (d) the entirety of Lafarge's business activities in La Réunion, with the exception of its shareholding in Ciments de Bourbon (***Lafarge La Réunion***). A list of subsidiaries and participations that form part of Lafarge La Réunion and that will be divested is contained at **Annex II.1(d)**; and

   (e) Lafarge's business activities in the UK, currently carried out by Lafarge Tarmac, subject to the joint venture partner's agreement, and with the exception of the Cauldon Assets (defined below) (***Lafarge UK***). A list of subsidiaries and participations that form part of Lafarge UK and that will be divested is contained at **Annex II.1(e)**.

Lafarge Germany

2. Lafarge Germany comprises:

   (a) Lafarge's integrated cement plants at Karsdorf and Wössingen;

   (b) Lafarge's grinding station at Sötenich; and

   (c) Lafarge's RMX plants at Neufahrn and Großpösna (the latter subject to the joint venture partner's agreement).

3. In accordance with paragraphs 22 and 23of these Commitments, subject to third party consent where relevant, Lafarge Germany includes, but is not limited to:

   (a) *all tangible assets* at each of the integrated plants, grinding station and RMX plants referred to in paragraph 2 above, including the plants and grinding station themselves, as well as all land, associated quarries, buildings, offices, machinery and equipment. A list of tangible and intangible assets owned by Lafarge Germany that will form part of the Lafarge Divestment Business is contained at **Annexes II.3(a).1-II.3(a).4** and a list of just the AFR assets is contained at **Annex II.3(a).5**;

(b) *all intangible assets* relating to each of the integrated plants, grinding station and RMX plants referred to in paragraph 2 above, including all goodwill and software. A list of local brands that are used by Lafarge Germany and that, in principle, will be transferred together with the Lafarge Divestment Business is contained at **Annex II.3(b)**.

(c) *all necessary licences, permits and authorisations* relating to each of the integrated plants, the grinding station and RMX plants referred to in paragraph 2 above;

(d) *all contracts, agreements, leases, commitments and understandings*, in particular, all key supply contracts and all customer contracts held by Lafarge Germany and/or any third parties;

(e) *all customer, credit and other records* that are held by Lafarge Germany;

(f) *all Personnel;*

(g) *all Key Personnel*: […]; and

(h) at the purchaser's request, arrangements for the supply of products or services currently supplied by the Parties or their Affiliated Undertakings (on substantially the same terms as those products or services supplied to Lafarge Germany at completion of the Divestment) for a transitional period of up to […] after Closing.

4. If there is any relevant asset or personnel which is not covered by paragraph 3 of this Schedule but which is both owned (exclusively or not) by Lafarge Germany and necessary for the continued viability and competitiveness of Lafarge Germany, that asset or adequate substitute will be offered to potential purchasers.

Lafarge Romania

5. Lafarge Romania comprises:

(a) Lafarge's integrated cement plants at Medgidia and Hoghiz;

(b) Lafarge's grinding station at Targu Jiu;

(c) Lafarge's SICIM import terminal and cement distribution terminals at Cluj and Glina;

(d) Lafarge's 17 RMX plants;[11] and

(e) Lafarge's 26 aggregates quarries[12] and 3 distribution centers.[13]

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11 This figure includes two inactive plants.

12 This figure includes seven inactive quarries and two quarries rented to third parties. This figure takes into account that there are two quarries in Hoghiz and two quarries in Racos.

6. In accordance with paragraphs 22 and 23of these Commitments, subject to third party consent where relevant, Lafarge Romania includes, but is not limited to:

(a) *all tangible assets* at each of the integrated plants, grinding station, import and distribution terminals, RMX plants and aggregates sites referred to in paragraph 5 above, including the plants, grinding station, terminals and sites themselves, as well as all land, associated quarries, buildings, offices, machinery and equipment. A list of tangible and intangible assets owned by Lafarge Romania that will form part of the Lafarge Divestment Business is contained at **Annexes II.6(a).1 – II.6(a).4** and a list of just the AFR assets is contained at **Annex II.6(a).5**;

(b) *all intangible assets* relating to each of the integrated plants, grinding station, import and distribution terminals, RMX plants and aggregates sites referred to in paragraph 5 above, including all goodwill and software. A list of local brands that are used by Lafarge Romania and that, in principle, will be transferred together with the Lafarge Divestment Business is contained at **Annex II.6(b)**.

(c) *all necessary licences, permits and authorisations* relating to each of the integrated plants, grinding station, import and distribution terminals, RMX plants and aggregates sites referred to in paragraph 5 above;

(d) *all contracts, agreements, leases, commitments and understandings*, in particular, all key supply contracts and all customer contracts held by Lafarge Romania and/or any third parties;

(e) *all customer, credit and other records* that are held by Lafarge Romania;

(f) *all Personnel;*

(g) *all Key Personnel*: […]; and

(h) at the purchaser's request, arrangements for the supply of products or services currently supplied by the Parties or their Affiliated Undertakings (on substantially the same terms as those products or services supplied to Lafarge Romania at completion of the Divestment) for a transitional period of up to […] after Closing.

7. If there is any relevant asset or personnel which is not covered by paragraph 6 of this Schedule but which is both owned (exclusively or not) by Lafarge Romania and necessary for the continued viability and competitiveness of Lafarge Romania, that asset or adequate substitute will be offered to potential purchasers.

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[13] This figure includes one inactive aggregates distribution center.

Lafarge La Réunion

8. Lafarge La Réunion comprises:

(a) Lafarge Ciments Réunion (***LCR***)'s import terminal at Le Port;

(b) Lafarge Granulats Bétons Réunion (***LGBR***)'s aggregates business, including LGBR's aggregates production and distribution centres in Le Port, St Louis, and Ste Marie, and quarries in Buttes du Port, Bédache Payet, Plaine Chabrier, and Ste Anne;

(c) LGBR's RMX sites in Le Port, St Louis, Ste Marie, and St André; and

(d) LGBR's precast sites in Le Port, St Louis, and Ste Marie.

9. In accordance with paragraphs 22 and 23of these Commitments, subject to third party consent where relevant, Lafarge La Réunion includes, but is not limited to:

(a) *all tangible assets* referred to in paragraph 8 above, including the import terminal, aggregates production and distribution centres, and MRX and precast plants, as well as all land, associated quarries, buildings, offices, machinery and equipment. A list of tangible and intangible assets owned by Lafarge La Réunion that will form part of the Lafarge Divestment Business is contained at **Annexes II.9(a).1 – II.9(a).4**;

(b) *all intangible assets* relating to each of the assets referred to in paragraph 8 above, including all goodwill and software. A list of local brands that are used by Lafarge La Réunion and that, in principle, will be transferred together with the Lafarge Divestment Business is contained at **Annex II.9(b)**.

(c) *all necessary licences, permits and authorisations* relating to the assets referred to in paragraph 8 above;

(d) *all contracts, agreements, leases, commitments and understandings*, in particular, all key supply contracts and all customer contracts held by Lafarge La Réunion;

(e) *all customer, credit and other records* that are held by Lafarge La Réunion;

(f) *all Personnel;*

(g) *all Key Personnel*: […]; and

(h) at the purchaser's request, arrangements for the supply of products or services currently supplied by the Parties or their Affiliated Undertakings (on substantially the same terms as those products or services supplied to Lafarge La Réunion at completion of the Divestment) for a transitional period of up to […] after Closing.

10. The Lafarge La Réunion Divestment Business shall not include Lafarge's shareholding in Ciments de Bourbon.

11. If there is any relevant asset or personnel which is not covered by paragraph 9 of this Schedule but which is both owned (exclusively or not) by Lafarge La Réunion and necessary for the continued viability and competitiveness of Lafarge La Réunion, that asset or adequate substitute will be offered to potential purchasers.

Lafarge UK

12. Lafarge UK comprises Lafarge's business activities in the UK, currently carried out by Lafarge Tarmac, a joint venture together with Anglo American PLC. All of Lafarge Tarmac's activities will be included with the UK Divestment Business, save for the Cauldon Assets (defined below).

13. Lafarge UK comprises:

(a) Lafarge Tarmac's integrated cement plants at Aberthaw, Cookstown, Tunstead, and Dunbar;

(b) Lafarge Tarmac's bagging and distribution facility at Barnstone;

(c) Lafarge Tarmac's cement depots in Aberdeen, Inverness, Seaham (Durham), Uddingston, Carlisle, Westbury, Liskeard, Vectis, West Thurrock, and Leeds;

(d) Lafarge Tarmac's import terminal at Northfleet, and mothballed import terminal at Leith Docks;

(e) Lafarge Tarmac's 104 active aggregates quarries, 60 recycled aggregates sites, 8 secondary aggregates sites, 20 active wharves, and 32 active distribution sites;

(f) Lafarge Tarmac's 93 RMX plants;

(g) Lafarge Tarmac's 72 asphalt facilities and contract surfacing assets, including its 22 offices;

(h) Lafarge Tarmac's building products business (including its 47 building products sites); and

(i) Lafarge Tarmac's lime and powders operations.

14. In accordance with paragraphs 22 and 23of these Commitments, subject to third party consent where relevant, Lafarge Tarmac includes, but is not limited to:

(a) *all tangible assets* at each of the integrated grey cement plants, facilities, and depots; RMX plants and aggregates sites; as well as the asphalt, contract surfacing, lime and powders, and building products assets referred to in paragraph 13 above, including the plants and sites themselves, as well as all land, associated quarries, buildings, offices, machinery and equipment. A list of tangible and intangible assets owned by Lafarge UK that will form part of the Lafarge Divestment Business is contained at **Annex II.14(a)** and a list of just the AFR assets is contained at **Annex II.14(a).2**;

(b) *all intangible assets* relating to each of the integrated grey cement plants, facilities, and depots; RMX plants and aggregates sites; as well as the asphalt, contract surfacing, lime and powders, and building products assets referred to in paragraph 13 above, including all goodwill and software. A list of local brands that are used by Lafarge Tarmac and that, in principle, will be transferred together with the Lafarge Divestment Business is contained at **Annex II.14(b)** .

(c) *all necessary licences, permits and authorisations* relating to each of the integrated grey cement plants, facilities, and depots; RMX plants and aggregates sites; as well as the asphalt, contract surfacing, lime and powders, and building products assets referred to in paragraph 13 above;

(d) *all contracts, agreements, leases, commitments and understandings*, in particular, all key supply contracts and all customer contracts held by Lafarge Tarmac and/or any third parties;

(e) *all customer, credit and other records* that are held by Lafarge Tarmac;

(f) *all Personnel;*

(g) *all Key Personnel*: […]; and

(h) at the purchaser's request, arrangements for the supply of products or services currently supplied by the Parties or their Affiliated Undertakings (on substantially the same terms as those products or services supplied to Lafarge Tarmac at completion of the Divestment) for a transitional period of up to […] after Closing.

15. Lafarge UK shall not include the Cauldon Assets, which comprise:

(a) the Cauldon grey cement plant, excluding:

(i) the two plastic packaging lines operated at the Cauldon grey cement plant;

(ii) the national laboratory located at or adjacent to the Cauldon grey cement plant;

(iii) the Sapphire operations at the Cauldon grey cement plant;

(b) the Cauldon limestone quarry (formerly part of the Lafarge Group);

(c) the Cauldon Low aggregates quarry (formerly part of the Tarmac Group) including the recycled aggregates site located at that quarry, but excluding the asphalt plant located at that quarry;

(d) the rail depot located in Willesden, London; and

(e) the road terminal located at Coles Hill;

16. Lafarge UK shall not include the non-operational land or properties listed in **Annex II.16.**

17. Subject to paragraph 15 above, if there is any relevant asset or personnel which is not covered by paragraph 14 of this Schedule but which is both owned (exclusively or not) by Lafarge Tarmac and necessary for the continued viability and competitiveness of Lafarge Tarmac, that asset or adequate substitute will be offered to potential purchasers.

Lafarge France

18. Lafarge France comprises Lafarge's grinding station Ciments Kercim located in Montoir-de-Bretagne in Western France and all associated tangible and intangible assets, all necessary licences, permits and authorisations, all contracts, agreements, leases, commitments and understandings, all customers, credit and other records, all Personnel that were acquired by, or transferred to, Lafarge in July 2014, to the extent applicable.

Annex I.1(a) […]

Annex I.1(b) […]

Annex I.1(c) […]

Annex I.2(a) […]

Annex I.4(a) […]

Annex I.4(a).2 […]

Annex I.4(b) […]

Annex I.8(a) […]

Annex I.8(b) […]

Annex I.12(a) […]

Annex I.12(b) […]

Annex I.17(a) […]

Annex I.17(a).2 […]

Annex I.17(b) […]

Annex I.21(a) […]

Annex II.1(a) […]

Annex II.1(b) […]

Annex II.1(d) […]

Annex II.1(e) […]

Annexes II.3(a).1-II.3(a).4 […]

Annex II.3(a).5 […]

Annex II.3(b) […]

Annexes II.6(a).1 – II.6(a).4 […]

Annex II.6(a).5 […]

Annex II.6(b) […]

Annexes II.9(a).1 – II.9(a).4[…]

Annex II.9(b) […]

Annex II.14(a) […]

Annex II.14(a).2 […]

Annex II.14(b) […]

Annex II.16. […]