

# Mergers: Commission opens in-depth investigation into KME's proposed acquisition of competing copper products supplier MKM

Commissioner Margrethe **Vestager**, in charge of competition policy, said: *"Copper is a key input in many industries including electrical equipment and pipes for heating equipment in our homes. Our investigation aims to ensure that these customers, and ultimately final consumers, will not pay higher prices for this important input, following the proposed acquisition of MKM by KME."*

KME and MKM are both active in the manufacturing and marketing of copper and copper alloy products, including rolled copper products and copper alloys, and copper tubes (including sanitary copper tubes). Rolled copper products are used as an input in the manufacturing of many products, including electrical transformers, semiconductors, heat exchangers, and roofing materials. Sanitary copper tubes are used in the construction industry for drinking water installations, radiator connections, surface heating and cooling and sanitary gas installations.

## **The Commission's preliminary competition concerns**

The Commission's initial market investigation identified the following main preliminary concerns:

- For **rolled copper products, and notably for pure copper and some specific copper alloys**, the elimination of competition between the companies could lead to higher prices.
- MKM is also active in the supply of **pre-rolled strip**, an intermediate product for manufacturing rolled copper products. Following the transaction, MKM could make access to this important input more costly or difficult for KME's competitors.
- For **sanitary copper tubes**, MKM is a serious challenger to KME, the EU market leader. The transaction would eliminate competition between the companies in many EU countries where the supply of sanitary copper tubes is already particularly concentrated.

The transaction was notified to the Commission on 4 June 2018. On 2 July 2018, KME submitted commitments to address some of the Commission's

preliminary concerns. However, the Commission considered these commitments insufficient to clearly dismiss its serious doubts. The Commission therefore did not test them with market participants.

The Commission now has 90 working days, until **29 November 2018**, to carry out an in-depth investigation into the effects of this transaction and determine whether its initial competition concerns are confirmed. The opening of an in-depth investigation does not prejudice the outcome of the investigation.

## **Companies and products**

**KME**, a European industrial group based in Germany, is active in the manufacturing and marketing of copper and copper alloy products, including rolled copper and copper alloy products, and copper tubes. KME operates several production sites in Germany, Italy, France, Spain, the US and China. KME is a wholly-owned subsidiary of Intek Group, a listed joint stock corporation, with headquarters in Milan, Italy.

**MKM**, also based in Germany with one plant there, is a manufacturer of intermediate and semi-finished products made from copper and copper alloys. MKM manufactures copper wire, pre-rolled strip, rolled products and tubes.

## **Merger control rules and procedures**

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

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

In addition to the current transaction, there are six ongoing Phase II merger investigations: the [proposed acquisition of Gemalto by Thales](#), the [proposed acquisition of Alstom by Siemens](#), the [proposed acquisition of Solvay's nylon business by BASF](#), the [proposed acquisition of Tele2 NL by T-Mobile NL](#), the [proposed acquisition of Shazam by Apple](#), and the [proposed merger of Praxair and Linde](#).

More information will be available on the Commission's [competition](#) website, in the [public case register](#) under the case number [M.8909](#).