

PRESS RELEASE

The CNMC clears Pigments' acquisition of Ferro with remedies

- The merger affects the ceramic tile sector, which has a long tradition in Spain and is a significant international economic activity.
- Before approving the purchase, the CNMC conducted a market test and paid special attention to the effect of the operation on innovation, a key element in this industry.
- The companies will have to comply with a series of remedies that affect the decisions involving their R&D projects, which they will have to report on to the CNMC every six months.
- They will also need authorisation from the Commission to cancel projects of this type that affect the resulting company after the operation.

Madrid, 30 December 2020 - The CNMC has agreed to clear the acquisition by Pigments Spain, S.L. (Pigments) of certain assets and liabilities and of several companies owned by the Ferro Corporation (Ferro) ([C/1116/20: PIGMENTS/NEGOCIO FERRO](#))

In Spain, this transaction involves the acquisition of the shares of Ferro Spain, S.A., Endeka Holdco Spain, S.L.U, Endeka Ceramics, S.L., Zircosil S.L.U., Quimicer S.L.U. and of certain assets owned by Gardenia-Química, S.A.

The affected sector is that of ceramic tiles in Spain, which has a long tradition and is characterised by the existence of an economic cluster in the province of Castellón, where all the national producers are located. Spain has become one of the world's leading producers of ceramic tiles, which are internationally renowned.

With this merger, Pigments becomes the market leader in the ceramic tile sector in Spain, which encompasses the products used in the production of ceramic tiles. Specifically, the resulting entity will have market shares close to 50% in the frits, enamels and digital inks markets.

Innovation, a key element

The CNMC conducted a market study that revealed that innovation is a key factor in the ceramic tiles sector. In fact, companies are increasingly opting to compete through innovation rather than prices.

Currently, there is a difference in terms of innovation between companies in the sector, such that large suppliers innovate more than medium and small ones, since they allocate more resources to R&D. In this regard, the parties to the operation, and especially the acquired company, are two of the largest actors in terms of R&D.

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Risks to competition

During the merger assessment, the CNMC determined that the aforementioned acquisition could affect innovation at the resulting company as well as on a general level.

Specifically, in the documentation provided, Pigments noted the important synergy provided by the significant reduction in Ferro's current spending on innovation as a result of eliminating overlapping R&D areas between the parties.

On a general level, competition between companies in the ceramics sector would be reduced in areas such as quality or process improvements and new product development.

As a result, the parties to the merger presented a final proposal of remedies on 26 November 2020 that is compatible with the technical and economic interests of the business in order to address the CNMC's concerns in this regard.

Commitment to inform the CNMC

By virtue of this commitment, Pigments agrees to report to the CNMC every six months, from the closing of the operation until the expiration date of these remedies, on the status and progress of existing R&D projects.

The information will include the objective pursued by each project, the assigned and implemented budget, the company in charge, as well as any planned change or modification involving said projects, without prejudice to the CNMC's power to require additional information, pursuant to the provisions of articles 39 and 41 of the Anti-Trust Law.

Authorisation remedy

Pigments undertakes not to discontinue, withdraw, merge or consolidate any R&D project, nor reduce the annual budget assigned to an R&D project by more than [25-40] % of the budget assigned to that project without the prior consent of the CNMC.

Pigments will provide the Competition Directorate with technical information proving that the R&D project in question is or has become (i) a truly duplicated project with respect to one or more existing R&D projects; (ii) an R&D project whose goals cannot reasonably be expected to be achieved; or (iii) an R&D project that is no longer justified for technical reasons or because the technical means and objectives pursued by it have been improved.

The CNMC may also require additional information from Pigments, or from third parties unrelated to the operation, to evaluate its decision.

Consent of competitors

The CNMC submitted the proposed remedies to a market test that included the main clients and competitors of the parties to assess their sufficiency and suitability.

None of the competitors and clients in question expressed any reluctance to the

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remedies proposed, and several of the clients confirmed that they provide an effective mechanism to avoid reduced competition in terms of R&D in the ceramic tiles sector.

[\(C/1116/20: PIGMENTS/NEGOCIO FERRO\)](#)

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