

PRESS RELEASE

CNMC clears Armas acquisition of Trasmediterranea subject to remedies

- Remedies offered by ARMAS will allow a third company (FRS) to operate maritime routes that posed competition concerns

Madrid, 28 May 2018.- CNMC has cleared the acquisition by the maritime transport company, Armas, of the sole control of its competitor Trasmediterranea, subject to remedies on 22 May 2018

Armas will take up Trasmediterranea's market share in regular "Roll on-roll off"¹ cargo shipping services and to passenger shipping services in the following geographic markets: Spanish Mainland-Balearic Island and interisland transport within the Balearic Islands. Since ARMAS was not previously active, the Transaction would not lead to a substantial change of the market's competitive structure.

Nevertheless, the Transaction threatened to hinder the maintenance of effective competition in the regular shipping transport through three routes: South Spain-Melilla, Spanish Mainland-Canary Island and interisland transport in the Canary Islands. Hence, the presentation of commitments by Armas has been determining.

Regarding the maritime route South Spain-Melilla, the Transaction raised potential competition risks in both cargo and passengers transport markets because of the disappearance of the main competitor.

Furthermore, Armas and Trasmediterranea were, prior to the transaction, the only active operators in the passenger transport market in the route Spanish Mainland-Canary Island (also active in wheeled cargo). The conclusion of the Transaction as formerly notified would have led to the constitution of a monopoly that would also have affected the Canary Islands' interisland traffic, due to the fact Trasmediterranea's activity in this area is originated by stopovers in the islands within the Spanish Mainland-Canary Islands circular line.

Remedies

In order to overcome the competition obstacles raised by the operation, Armas offered certain remedies, consisting on the entrance to the shipping line FRS to the problematic routes.

Armas agreed to divest certain routes currently operated by Armas, in particular the transportation of passengers and cargo in the geographical areas of Peninsula-Canary Islands and South Peninsula- Melilla.

¹ "Roll on-roll off" (RORO) shipping corresponds to the transport of wheeled cargo (lorries, cars, etc.) on ships.

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FRS will operate the line Motril-Melilla and the circular line Huelva-Canary Islands² in both cargo and passengers transport.

To fulfil the above-named remedies in each line assigned to FRS, the parties agreed to enter into a time charter agreement for the vessels needed for a period of 3 years (that may be extended for an additional year)

Additionally, FRS is granted certain rights necessary to the implementation of the Transaction in order to protect the transferred value related to the use of port infrastructures, ticket expedition system, refrain from the trademark use, and communication to ARMAS clients of the assignment of both lines, among others.

Besides, in order to reinforce the efficacy of the above-mentioned Agreements, the parties have committed themselves to notify any modification of its terms to the CNMC, who may accept the modifications prior to its effectiveness.

Relating to Inter Canary Island Ferry service, the proposed remedies assure FRS's independency and freedom to operate the routes between islands that it considers more appropriate (within the operation of the Huelva-Canary Islands route).

FRS is a German shipping group active in the passenger, vehicle and cargo transport market in Europe, and other areas, where it operates 64 vessels carrying a total of 7.9 million passengers and 2.1 million vehicles. In Spain, FRS has been present since 2000, when it started operations in the Strait of Gibraltar. It meets the requirements of independence, economic capacity, experience and incentives to operate the said routes

On this basis, the CNMC concluded that the proposed transaction, as modified by the commitments, would no longer raise competition concerns and would ensure that competition is preserved on national maritime transport markets, in the interest of industries and consumers. The decision is conditional on full compliance with the remedies

² Within this circular route the shipping line will have to do at least two stops in different islands of Canary Islands.

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