

PRESS RELEASE

The CNMC clears, with remedies, ÇIMSA's acquisition of CEMEX's white cement business

- The merger has been cleared after intensive work during the second phase subject to a package of remedies that has been subject to a market test, both with the competitors and with the main customers of the parties, as well as to an exhaustive economic analysis based on the data of customers of bulk and bagged white cement in Spain.
- According to the final package of remedies, firstly, ÇIMSA committees itself to transfer to CEMENTOS MOLINS its right to use the Alicante silo. This transfer includes the list of customers that ÇIMSA has supplied from Alicante and the necessary assets located in the silo.
- Secondly, and in an effort to guarantee the supply of white cement in the south of Spain, ÇIMSA presented an additional remedy, which consists of ÇIMSA using the CEMEX silo located in Motril to supply white cement customers who, until now, were supplied from ÇIMSA's Seville plant, as well as CEMEX customers supplied from Motril.
- The CNMC will monitor the remedies for compliance, for which ÇIMSA must periodically report to the CNMC on the progress in the compliance and implementation thereof. Likewise, the CNMC Council assigns the Competition Directorate to proactively monitor the prices and commercial conditions in the white cement market in Spain.

Madrid, 30 September 2020.- The CNMC has agreed to approve the acquisition by Çimsa Çimento Sanayi Ve Ticaret, A.S. (ÇIMSA) of the white cement business of the companies Cemex España Operaciones, S.L.U., Cemex, S.A.B. de C.V. and Cemex España, S.A. (CEMEX), excluding certain assets. This decision was adopted after an intense investigation in the second phase and includes a package of remedies intended to address the competition problems identified during the investigation and manifested in the market test. ([C/1052/19](#)).

With this acquisition, ÇIMSA becomes the market leader in both bulk and bagged white cement, with a combined share of over 50% in the case of bulk white cement. In the absence of remedies, the operation would enhance the already high market share and leadership position that CEMEX had held in bulk white cement in the 400-km area of influence around the plant acquired from CEMEX (located in Buñol), as well as in the areas of Levante and the south of Spain, which exhibit a notable reduction in the number of alternatives for supplying white cement in bulk within a 400-km radius for the majority of customers in those areas.

The final package of remedies approved seeks to address the risks to competition

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identified by ensuring the continuation of the supply alternatives that existed prior to the operation, especially in the Levante area, through the entry of a new operator, CEMENTOS MOLINS, by way of its acquisition of ÇIMSA's silo in Alicante and its associated goodwill. Likewise, in the south of Spain, the conditions provide for the continuity of the supply of white cement to the customers of ÇIMSA and CEMEX from the Motril silo.

To this end, the CNMC conducted an initial market test in order to ascertain the opinion of the competitors and customers affected by the operation. In July 2019, it agreed to open a "second phase", in order to conduct an in-depth analysis of the potential adverse effects on competition resulting from the operation.

In February 2020, the Competition Directorate issued a statement of objections in which several competition problems were identified. Among others, it revealed that the operation gave rise to combined market shares, particularly in the market for bulk white cement, in Levante and in the south of Spain, areas with the highest volume of consumption of bulk cement in Spain. Second, the number of alternatives for many bulk white cement customers was significantly reduced, making it difficult to change suppliers, with the consequent reduction in their bargaining power, which was already limited prior to the operation. Likewise, it found that, after the operation, the resulting entity would not be subject to sufficient competitive pressure from its competitors in the market, or from potential competitors, and that the reduction in the number of supply alternatives and the stability of the white cement market could lead to risks of coordinated effects after the operation.

As a consequence of the above, in March, ÇIMSA presented a first proposal of remedies in an effort to address the problems identified, remedies that were subject to improvements and updates before the final proposal was presented on 27 July 2020.

Commitment to divest from the Alicante silo and its associated goodwill in favour of CEMENTOS MOLINS.

By virtue of this remedie, ÇIMSA undertakes to the long-term transfer of the right to use the Alicante silo, as well as all the assets associated with it, to MOLINS, subject to certain suspensive clauses related to obtaining the relevant administrative authorisations. The transfer also includes the assets of the Alicante plant that ÇIMSA currently uses in the white cement business, as well as the goodwill associated with the aforementioned plant, which includes the list of customers to which ÇIMSA has supplied white cement from this plant for the last three years. ÇIMSA also undertakes to comply with this condition prior to the main operation.

The CNMC subjected this package of remedies to a market test that included the main customers of the parties, as well as competitors, and conducted a comprehensive economic analysis based on data from white cement customers in Spain, in order to evaluate the sufficiency and suitability of said conditions.

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In light of the results of the remedies test and of the economic analysis, it was determined that, although the aforementioned conditions addressed the competition problems identified in the geographic market within 400 km of the Buñol plant, they were not sufficient to solve the competition problems identified in the south of Spain.

Commitment related to ÇIMSA's use of CEMEX's Motril silo to supply the customers of both in the south of Spain.

As a result, on 24 September 2020, ÇIMSA presented an additional remedy aimed specifically at solving competition problems in the south of Spain. On the basis of this condition, ÇIMSA will, until the end of its concession in 2022, supply from Motril all those ÇIMSA customers that it previously supplied from its Seville silo, as well as all the CEMEX customers who had been supplied from Motril prior to this operation. This allows these customers to maintain their supply alternatives unchanged by being able to be supplied from Motril for a period of two years, enough time for the new operator, CEMENTOS MOLINS, to take hold in the market, and for customers in the south of Spain to find alternative white cement suppliers as needed.

The CNMC will monitor this package of remedies for compliance, for which ÇIMSA must inform the CNMC, through biweekly reports, on the progress in the compliance and implementation thereof.

Finally, in view of the characteristics of the white cement market in Spain, as identified in the analysis of this merger, the CNMC Council urges the Competition Directorate to periodically and proactively review the prices and commercial conditions in this market.

C/1052/19