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***Case No COMP/M.6196 -  
LENOVO / MEDION***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004  
MERCER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 26/07/2011

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## EUROPEAN COMMISSION

Brussels, 26.7.2011  
C(2011) 5493 final

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

Dear Sir/Madam,

**Subject: Case No COMP/M.6196 - LENOVO / MEDION  
Commission decision pursuant to Article 6(1)(b) of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 20.06.2011, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertaking Lenovo Group Limited ("Lenovo", China) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the undertaking Medion AG ("Medion", Germany) by way of purchase of shares<sup>2</sup>. Lenovo is designated hereinafter as the "notifying party".

#### **I. THE PARTIES**

2. **Lenovo** manufactures and sells desktop and notebook PCs, workstations, servers, storage drives and IT management software, and offers IT services. Lenovo is controlled by LGL which is a public company listed on the Hong Kong Stock Exchange ("HKSE"). [...]
3. **Medion** manufactures and sells a wide range of electronic equipment, including desktop and notebook PCs; peripherals to desktop PCs such as displays, memory and storage devices and printers. In addition, Medion offers mobile communication and internet services [...], as well as software and music downloads. Medion distributes its products

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<sup>1</sup> OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). With effect from 1 December 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.

<sup>2</sup> Publication in the Official Journal of the European Union No C187, 28.06.2011, p.29.

predominantly via and in close cooperation with selected retail partners, such as [...]. Currently, the CEO of Medion, Mr. Gerd Brachmann owns approximately [...] % of the share capital in Medion. The remaining shares in Medion are owned by three financial investors (together approximately [...] %) and other shareholders widely dispersed.

## **II. THE OPERATION**

4. On 01.06.2011, Lenovo and Mr. Gerd Brachmann signed a Share Purchase Agreement according to which Lenovo would acquire 36.66% of his shares in Medion. Mr. Gerd Brachmann and Lenovo agreed that this share purchase is subject to several conditions including Lenovo acquiring a total of at least 51% of the shares in Medion from Mr. Gerd Brachmann and other shareholders.
5. On 01.06.2011, Lenovo announced simultaneously that it will make a public offer to Medion shareholders subject to several conditions including Lenovo acquiring a total of at least 51% of the shares in Medion from Mr. Gerd Brachmann and other shareholders.
6. According to the notifying party, the proposed operation furthers its key strategic objective of competing more effectively with the big suppliers of desktop PCs and portable PCs in the EEA by adding highly complementary products to Lenovo's portfolio.

## **III. CONCENTRATION**

7. By acquiring at least 51% of the outstanding share capital in Medion and the related voting rights through both a private agreement and a public offer, LGL will acquire sole control over Medion.
8. The proposed operation qualifies as an acquisition of sole control over Medion by Lenovo pursuant to Article 3 of the Merger Regulation.

## **IV. EU DIMENSION**

9. The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million<sup>3</sup>. Each of them has an EU-wide turnover in excess of EUR 250 million, but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension.

## **V. COMPETITIVE ASSESSMENT**

10. There are a few limited horizontal overlaps between Lenovo and Medion in the manufacture and sale of (i) desktop and portable PCs, (ii) PC monitors, and (iii) certain computer accessories and peripherals.
11. There is no horizontal or vertical overlap in the other areas where Medion is active.

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<sup>3</sup> Turnover calculated in accordance with Article 5 of the Merger Regulation.

## **A. MARKET DEFINITION**

### **1. Desktop and portable PCs**

#### **(i) Product market definition**

12. The notifying party considers that there may be an overall market comprising both desktop PCs and portable PCs given that performance and price is similar and customers as well as suppliers view desktop PCs and portable PCs as interchangeable to a great extent.
13. However the Commission has segmented the PC market between (i) desktop PCs and (ii) laptops (or portable PCs)<sup>4</sup>. The existence of a distinct market for tablets, a new type of device within the portable PCs market, is also considered.
14. Moreover, the Commission has segmented each of these markets according to the type of end-customer category (professional use v. private use)<sup>5</sup>.
15. For the purpose of the present decision, the exact product market definition can be left open since the proposed operation does not raise any competition concerns under any alternative product market definition.

#### **(ii) Geographic market definition**

16. The notifying party submits that the markets for desktop and portable PCs are at least EEA-wide.
17. The Commission has however considered that the geographic markets for desktop and portable PCs could be either national or EEA<sup>6</sup>.
18. For the purpose of the present decision, the exact geographic scope of the markets for desktop and portable PCs can be left open since the proposed operation does not raise any competition concerns under any alternative geographic market definition.

### **2. PC monitors**

#### **(i) Product market definition**

19. The Commission has segmented the PC monitor market according to the type of technology<sup>7</sup>. PC monitors can be based on Cathode Ray Tube (CRT) technology or Liquid Crystal Display (LCD) technology. Neither of the parties sells CRT monitors. Hence, the assessment will focus on the sale of LCD displays only.

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<sup>4</sup> See Commission decision of 27 February 2008 in Case COMP/M.4979 – Acer/Packard Bell.

<sup>5</sup> See Commission decision of 27 February 2008 in Case COMP/M.4979 – Acer/Packard Bell.

<sup>6</sup> See Commission decision of 27 February 2008 in Case COMP/M.4979 – Acer/Packard Bell.

<sup>7</sup> See Commission decision of 27 February 2008 in Case COMP/M.4979 – Acer/Packard Bell.

20. Moreover, the Commission has distinguished between the sale of PC monitors by monitor manufacturers with their own brand label and the sale of monitors on an OEM basis<sup>8</sup>. The parties sell PC monitors only with their own brand label and not to OEMs, so the assessment will focus on the sale of PC monitors by monitor manufacturers with their own brand label.
21. For the purpose of the present decision, the exact product market definition can be left open since the proposed operation does not raise any competition concerns under any alternative product market definition.

**(ii) Geographic market definition**

22. The notifying party submits that the markets for PC monitors are at least EEA-wide.
23. The Commission has however considered that the geographic markets for PC monitors could be either national or EEA<sup>9</sup>.
24. For the purpose of the present decision, the exact geographic scope of the markets for desktop and portable PCs can be left open since the proposed operation does not raise any competition concerns under any alternative geographic market definition.

**3. Computer accessories and peripherals**

**(i) Product market definition**

25. The notifying party proposes to subdivide the overall segment of computer accessories and peripherals into the following sub segments: (i) laptop accessories<sup>10</sup>, (ii) memory and storage devices and (iii) computer peripherals other than monitors, memory and storage devices and printers<sup>11</sup>.
26. The Commission considers however that memory and storage devices should be further segmented between (i) external hard disc drives (XHDD), (ii) solid state drives (SSD), (iii) external CD/DVD writers, and (iv) USB sticks.
27. For the purpose of the present decision, the exact product market definition can be left open since the proposed operation does not raise any competition concerns under any alternative product market definition.

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<sup>8</sup> See Commission decision of 26 March 2009 in Case COMP/M.5455 – TPV/Philips Branded Monitors.

<sup>9</sup> See Commission decision of 27 February 2008 in Case COMP/M.4979 – Acer/Packard Bell.

<sup>10</sup> Laptops accessories comprise docking stations, port replicators, power adapters, and carry bags.

<sup>11</sup> Other computer peripherals comprise computer mice and keyboards, joysticks, speakers, webcams, and scanners.

**(ii) Geographic market definition**

- 28. The notifying party submits that the markets for computer accessories and peripherals are at least EEA-wide.
- 29. The Commission however considers that the geographic markets for computer accessories and peripherals could be either national or EEA.
- 30. For the purpose of the present decision, the exact geographic scope of the markets for computer accessories and peripherals can be left open since the proposed operation does not raise any competition concerns under any alternative geographic market definition.

**B. COMPETITIVE ASSESSMENT**

- 31. There are horizontal overlaps between Lenovo and Medion in the manufacture and sale of (i) desktop and portable PCs, (ii) PC monitors, and (iii) certain computer accessories and peripherals. Each of these markets and possible sub-markets is assessed at both the EEA level<sup>12</sup> and the national level.
- 32. The proposed operation does not give rise to any affected markets at the EEA level. The proposed operation only gives rise to a few affected PC markets mainly in Denmark and Germany.

**1. Desktop and portable PCs**

- 33. At the EEA level, as shown in the table below, the combined market shares of the parties (in volume) in the markets for PCs are limited at the EEA level. The combined market share would be below 11% in any possible sub segment and the increment would always be less than 2.5%.

<b>PC Markets</b>	<b>Lenovo market share</b>	<b>Medion market share</b>	<b>Combined market share</b>
<b><i>PCs</i></b>	<b>[5-10]%</b>	<b>[0-5]%</b>	<b>[5-10]%</b>
PCs for consumers	[0-5]%	[0-5]%	[5-10]%
PCs for professionals	[5-10]%	[0-5]%	[5-10]%
<b><i>Desktop PCs</i></b>	<b>[5-10]%</b>	<b>[0-5]%</b>	<b>[5-10]%</b>
Desktop PCs for consumers	[0-5]%	[5-10]%	[5-10]%
Desktop PCs for professionals	[5-10]%	[0-5]%	[5-10]%
<b><i>Portable PCs</i></b>	<b>[0-5]%</b>	<b>[0-5]%</b>	<b>[5-10]%</b>
Portable PCs for consumers	[0-5]%	[0-5]%	[0-5]%
Portable PCs for professionals	[10-20]%	[0-5]%	[10-20]%
Tablet PCs <sup>13</sup>	[0-5]%	[0-5]%	[0-5]%

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<sup>12</sup> The market shares provided by the notifying party are based on IDC data that include all EU Member States apart from the Baltic countries, Cyprus, Luxembourg and Malta. However the notifying party indicates that these market shares reflect their position at the EEA level.

<sup>13</sup> The estimated size of the tablet PC segment is based on the ratio between the German and the Dutch portable PC market in relation to the EEA-wide portable PC market which has been applied to the estimated tablet PC sales of the parties in Germany and in the Netherlands.

34. At a national level, the proposed operation would lead to affected national markets mainly in Denmark and in Germany<sup>14</sup>.

*Denmark*

35. The combined market shares of the parties (in volume) in the affected markets for PCs in Denmark are shown in the table below.

<b>PC Markets</b>	<b>Lenovo market share</b>	<b>Medion market share</b>	<b>Combined market share</b>
<b><i>PCs</i></b>	<b>[10-20]%</b>	<b>[0-5]%</b>	<b>[10-20]%</b>
PCs for professionals	[20-30]%	[0-5]%	[20-30]%
<b><i>Desktop PCs</i></b>	<b>[10-20]%</b>	<b>[0-5]%</b>	<b>[10-20]%</b>
Desktop PCs for professionals	[20-30]%	[0-5]%	[20-30]%
<b><i>Portable PCs</i></b>	<b>[10-20]%</b>	<b>[0-5]%</b>	<b>[10-20]%</b>
Portable PCs for professionals	[30-40]%	[0-5]%	[30-40]%

36. The combined market shares of the parties are therefore limited (except for desktop PCs and portable PCs for professionals, but in these markets the increments are very small) and there are important other competitors in each of these markets, such as HP ([20-30]% for PCs) and Acer ([20-30]% for PCs).

*Germany*

37. The combined market shares of the parties (in volume) in the affected markets for PCs in Germany are shown in the table below.

<b>PC Markets</b>	<b>Lenovo market share</b>	<b>Medion market share</b>	<b>Combined market share</b>
<b><i>PCs</i></b>	<b>[5-10]%</b>	<b>[5-10]%</b>	<b>[10-20]%</b>
PCs to consumers	[5-10]%	[10-20]%	[10-20]%
<b><i>Desktop PCs</i></b>	<b>[10-20]%</b>	<b>[10-20]%</b>	<b>[10-20]%</b>
Desktop PCs to consumers	[5-10]%	[10-20]%	[20-30]%
<b><i>Portable PCs</i></b>	<b>[5-10]%</b>	<b>[5-10]%</b>	<b>[10-20]%</b>
Portable PCs to professionals	[10-20]%	[0-5]%	[10-20]%

38. The combined market shares of the parties are therefore limited and there are important other competitors in each of these markets, such as Acer ([20-30]% for PCs), HP ([10-20]% for PCs), and ASUS ([10-20]% for PCs).

39. Considering the above, the proposed operation does not raise serious doubts as to its compatibility within the internal market in respect of the markets of desktop and portable PCs, neither at the EEA level nor at the level of individual Member States.

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<sup>14</sup> In the market for the sale of desktop PCs to consumers, the proposed operation would also lead to two other affected national markets in Austria and in Belgium when considering value market shares. However, the parties' combined market shares in volume are below [10-20]% in these Member States and below [10-20]% in value.

## 2. LCD Displays

40. On the overall market of PC monitors sold in the EEA, Lenovo's market share is around [0-5]% and Medion's market share is around [0-5]%, far behind Samsung ([10-20]%), LGE ([10-20]%), HP ([10-20]%), Acer ([5-10]%) or Dell ([5-10%])<sup>15</sup>.
41. According to the notifying party, the combined market share of Lenovo and Medion would be significantly less than [10-20]% on the narrower market of PC monitors (i.e. LCD displays sold on the basis of an own brand label) at the EEA level and in all Member States.
42. Considering the above, the proposed operation does not raise serious doubts as its compatibility within the internal market in respect of the markets of PC monitors, neither at the EEA level nor at the level of individual Member States.

## 3. Computer accessories and peripherals

43. According to the market data provided by the notifying party, the combined market share of Lenovo and Medion would be significantly less than [10-20]% on each possible sub markets of the computer accessories and peripherals at the EEA level and in all Member States.
44. Considering the above, the proposed operation does not raise serious doubts as its compatibility within the internal market in respect of the markets of computer accessories and peripherals, neither at the EEA level nor at the level of individual Member States.

## VI. CONCLUSION

45. For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

*For the Commission*

*(signed)*

*Maria DAMANAKI  
Member of the Commission*

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<sup>15</sup> The market shares provided by the notifying party are issued from the study 'Display Search Quarterly Advanced Desktop Monitor Shipment and Forecast Report' and are calculated from the sales of PC monitors in EMEA (Europe, Middle East and Africa). However, these market shares are representatives of the parties' and their competitors' positions in the EEA.