



DETERMINATION OF MERGER NOTIFICATION M/10/039 -

Kingspan / CRH Insulation Europe

Section 21 of the Competition Act 2002

Proposed acquisition by Kingspan Group PLC of CRH Insulation Europe from CRH Plc.

Dated 2 December 2010

Introduction

1. On 19 November 2010, in accordance with section 18 of the Competition Act 2002 (the "Act"), the Competition Authority (the "Authority") received a notification of a proposed transaction whereby Kingspan Group Plc ("Kingspan") would acquire control of CRH Insulation Europe (CRHIE), a business division of CRH plc ("CRH").¹
2. The proposed transaction involves Kingspan acquiring from CRH all issued and outstanding shares of a number of companies across Europe, which together form CRHIE. However, Kingspan would not acquire CRH's extruded polystyrene ("XPS") business. This business would be retained by CRH.

The Undertakings Involved

The Acquirer

3. Kingspan is a public limited company incorporated in the State.² Kingspan is active, in Europe, the Far East and the United States of America. Kingspan's activities include the manufacture of raised access floors, steel frame and timber frame for off-site usage, environmental and renewable fuel and water storage, insulated panels, rigid insulation boards and hot water systems.
4. In the State, Kingspan is active in the insulation sector mainly through the production and sale of polyisocyanurate ("PIR"). PIR is a rigid plastic foam insulation product used in cavity wall, under floor and roof applications in the construction of buildings.
5. For the year ended 31 December 2009 Kingspan's worldwide turnover was €1,125.5 million of which €78.0 million was generated in the State.

The Target

6. CRHIE, a business division of CRH, is active in Europe including the State. In the rest of Europe, CRHIE is active in the development, manufacturing and sale of a range of foam based insulation products

¹ CRH is a public limited company incorporated in the State. CRH is a diversified building materials group which manufactures and distributes building materials globally.

² Kingspan shares are listed on the Irish Stock Exchange.

such as PIR, expanded polystyrene ("EPS"), and to a negligible extent XPS. For insulation purposes EPS is, amongst other things, blown into cavity walls. Alternatively, for packaging purposes, ESP polystyrene beads are expanded with steam and then moulded into blocks, cooled and cut into shape.

7. In the State, CRHIE is active in the insulation sector only in the production and sale of EPS through its wholly owned subsidiaries Aerobord Limited and Aircell Limited (collectively "Aerobord").
8. For the year ended 31 December 2009 CRHIE's worldwide turnover was €[...] million of which approximately €[...] million was generated within the State.

Rationale for the Proposed Transaction

9. CRH made a strategic decision, announced earlier this year, to exit the insulation sector in both the State and Europe.³ As indicated by the parties, CRHIE's PIR businesses in the United Kingdom and Netherlands represent an opportunity for Kingspan to expand its PIR business into Europe.

Third Party Submissions

10. No submissions were received.

Analysis

11. Both parties are involved in the State in the production and supply of insulation products. Within the State, Kingspan is active mainly in PIR⁴. It does not produce or sell EPS. Within the State, CRHIE is active only in EPS⁵. It does not produce or sell PIR. For the year ended 31 December 2009, the parties estimate that approximately half of CRHIE's sale of EPS in the State was attributable to its packaging business.
12. In its previous decision in *M/06/039 Kingspan/Xtratherm*, the Authority defined PIR and EPS as separate product markets.⁶ The Authority found that while both EPS and PIR are insulation materials, there are differences in product quality, energy efficiency and physical dimension. PIR insulation has very low levels of thermal conductivity ("lambda"). It can therefore meet a given insulation standard (or "u-value") at a lower level of thickness than other materials with higher lambda, such as EPS. That is, EPS has a higher level of lambda than PIR and needs greater thickness to achieve the same u-value. The parties submit that this distinction remains notwithstanding the recent

³ in its 2009 review CRH commented in relation to insulation that: "[f]ollowing rigorous strategic analysis we have decided to exit the Insulation sector as we no longer see a route to becoming a pan-European leader in this sector". Refer <<http://www.crh.com/our-divisions/europe-products-and-distribution/2009-review.aspx>>

⁴ The parties estimate that Kingspan accounts for circa [...]% of the sale of PIR in the State. Xtratherm/Hytherm accounts for circa [...]%, Quinn accounts for circa [...]%, and Ballytherm and others account for the remaining circa [...]%.

⁵ The parties estimate that CRHIE accounts for [...]% of the sale of EPS in the State. Each of Xtratherm/Hytherm and Quinn accounts for circa [...]%, and others account for the remaining circa [...]%.

⁶ Refer to < <http://www.tca.ie/EN/Mergers--Acquisitions/Merger-Notifications/M06039--Kingspan-Xtratherm.aspx?page=6&completed=True&year=2006>> in which the Competition Authority defined EPS and PIR as separate product markets and blocked the proposed transaction.

development of a more energy efficient EPS material product known as "Grey" or "Platinum" EPS. While grey or platinum EPS has a lower lambda than the traditional EPS product, it is still less energy efficient than PIR.

13. The Authority sees no reason to deviate from its previous decision on the relevant product markets in *M/06/039 Kingspan/Xtratherm*. The Authority therefore considers that there is no competitive overlap in the activities of Kingspan and CRHIE in the State.⁷
14. The proposed transaction does not raise any vertical issues within the State.
15. In the light of the above, the Authority considers that the proposed transaction will not raise competition concerns in the State.

Ancillary Restraints

16. The proposed transaction imposes on CRH non-compete obligations for a period of two years, from the completion date of the proposed transaction.
17. The Authority considers these restrictions to be directly related and necessary to the implementation of the proposed transaction.

⁷ Even a broader market combining PIR and EPS would not likely raise competition concerns. As submitted by the parties, within the State CRHIE's share of all insulation products, i.e., including EPS and PIR in the same market, for the year 2009, was approximately [...]%, and that of Kingspan was approximately [...]%. This represents a minimal increase in market share.

DETERMINATION

18. The Competition Authority, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed acquisition by Kingspan Group Plc of sole control of CRH Insulation Europe will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, the acquisition may be put into effect.

For the Competition Authority

Dr Stanley Wong
Member of the Competition Authority