



EUROPEAN COMMISSION - PRESS RELEASE

Mergers: Commission clears proposed acquisition of Samsung's hard disk drive business by Seagate Technology

Brussels, 19 October 2011 - The European Commission has approved under the EU Merger Regulation, following an in-depth investigation, the acquisition of the hard disk drive (HDD) business of Samsung Electronics of Korea by Seagate Technology of the US. HDDs are data storage devices used in computers, laptops or camcorders. Although the merger will further consolidate markets that are already highly concentrated, the Commission concluded that the transaction would not significantly impede effective competition in EEA or any substantial part of it.

The Commission's examination showed that there are separate worldwide markets for hard disk drives based on their end use application (such as desktop computers, mobile computers, servers). The Commission also identified a separate market for external hard disk drives in the European Economic Area (EEA)¹, which is downstream from hard disk drives.

The main impact of the transaction is on the markets for 3.5" desktop hard disk drives and 2.5" mobile hard disk drives where the investigation revealed that Samsung is not a particularly strong competitor. There would remain three strong suppliers on the 3.5" desktop market (the merged entity, Western Digital of the US and Japan's Hitachi Global Storage Technologies), and four strong suppliers on the 2.5" mobile market (the three plus Toshiba, also of Japan). With at least three suppliers, customers will retain sufficient possibilities to switch suppliers. The Commission also found that the removal of Samsung is not likely to lead to a risk of coordination among the remaining HDD suppliers.

The Commission found that the proposed transaction would not jeopardise the business of Japan's TDK, an independent supplier of heads for HDDs, as the merged entity will continue to buy a sufficient volume of components from TDK post-merger. Finally, the Commission found that there would be no effect on the market for external hard disk drives in the EEA as non integrated suppliers of external hard disk drives would retain sufficient alternative sources for hard disk drives.

The Seagate/Samsung deal was assessed independently of Western Digital's proposed acquisition of the HDD and Solid State Drives (SSDs) businesses of Hitachi Global Storage Technologies which was notified one day later and is still pending.

¹ The EU plus Iceland, Liechtenstein and Norway.

Companies and products

Seagate notified its proposed acquisition of the hard disk drive business of Samsung to the Commission on 19 April 2011. The Western Digital/HGST case was notified to the Commission on 20 April 2011. Pursuant to a priority rule based on the date of notification, the Commission assessed the Seagate/Samsung transaction on the basis of the market situation existing before the notification of the Western Digital/Hitachi transaction which is still pending. In May 2011, the Commission started an in-depth investigation into both transactions (see [IP/11/660](#)).

Seagate is active worldwide in the manufacture of HDDs, SSDs and branded external drives. Its operations are vertically integrated upstream in the manufacturing of key components, such as heads and media.

Samsung's HDD business produces HDDs and branded external drives. Samsung's HDD Business is not vertically integrated upstream in the manufacturing of components. Samsung's SSD business will not be transferred to Seagate. A HDD is a device used to store and allow access to digital data.

HDDs are customarily categorized by reference to their end use, in particular: (i) Enterprise or Server HDDs (used in servers and enterprise storage systems), (ii) Desktop HDDs (used in PCs), (iii) Mobile HDDs (used in notebooks) and (iv) Consumer Electronics (used in applications such as digital video recorders or camcorders).

SSDs are also data storage devices but using a different technology (flash memory). They have improved technical characteristics such as faster access and higher reliability but they come at much higher prices.

External drives allow consumers to supplement the storage space of their computers, small networks or CE devices. External drives are finished products directly sold to consumers.

Apart from the five HDD manufacturers there are also several non-integrated external drive suppliers such as LaCie, Freecom, Buffalo and Iomega, which depend on the HDD producers to supply them with HDDs.

Merger control rules and procedures

The Commission, in 1989, was given the power to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the [Merger Regulation](#)). Its duty is to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it. The vast majority of mergers do not pose competition problems and are cleared after a first phase review. From the moment a transaction is notified, the Commission generally has a total of 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

A non-confidential version of today's decision will be available at:

http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=2_M_6214

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