

## Europe

# Cement companies propose billion-dollar divestment

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In a bid to appease competition regulators, the world's largest cement companies have drawn up a list of assets they are prepared to surrender to win approval for an upcoming merger.



Lafarge will sell off its assets in Germany and Romania (Credit: StaraBlazkova)

Announcing the divestments today in a joint press release, Switzerland's Holcim and France's Lafarge agreed to give up assets worth US\$4 billion and which provide the companies with approximately 10 per cent of their global revenue.

As part of the proposal, Lafarge proposes to sell all of its assets in Germany and Romania while

Holcim proposes to sell all of its properties in Canada, Mauritius, and Serbia.

Holcim has also offered to surrender a majority of its assets in France.

The companies also agreed to sell assets in Austria, Hungary, the UK, the Philippines, and Brazil.

The proposed sales come as an attempt to convince competition watchdogs in 15 countries and the European Commission to approve the US\$50 billion merger.

EU Competition Commissioner Joaquín Almunia has said that the merger will be subject to a Phase II investigation.

"It's unlikely that a merger of the number one and the number two in the European cement industry can be analysed in only four weeks. Even the parties were fully aware from the start that a merger of this type would normally require an in-depth investigation," he told *GCR* in a [recent interview](#).

The divestment process will close subject to the approval of the merger.

Announced in [April](#), the union will create a company with combined sales of US\$44 billion and with operations in 90 countries. According to *The New York Times*, the new company, LafargeHolcim, would have more than double the annual sales of the world's third-largest cement company, Germany's Heidelberg Cement.

"This list represents most of the assets that both companies consider divesting as part of the planned merger," says Holcim's chief executive Bernard Fontana.

"Other divestments will be unveiled in due time".

Lafarge chief executive Bruno Lafont says the two companies have received interest from companies within the cement industry and private-equity groups and this will likely lead to the merger's close in the first half of next year.

Richard Annan, co-head of the competition, antitrust and foreign investment group at Goodmans in Toronto, says that the companies have done the smart thing by selling off "key assets" in problematic markets.

"It's hard to predict individual markets but the companies are being very proactive in their approach and in some markets they appear to be doing a clean sweep," he says. "You would think that this would solve some of the problems but whoever buys the assets will also have to get approval from the regulators."

Lionel Lesur, partner at McDermott Will & Emery in Paris, says that both Lafarge and Holcim have clearly acknowledged competition authorities' concerns but more may need to be done.

"While I think the commitments address many issues it is difficult to say if they address all of the concerns," he says.

"It is in the interests of the parties to negotiate but it is impossible to anticipate all the concerns the commission may have," Lesur says. "Lafarge and Holcim have made commitments in obvious markets and I would not be surprised if, at the end of the day, the commission managed to obtain additional commitments from them either in these markets or in other jurisdictions."

DG Comp is also currently investigating another merger involving Holcim, this time with Mexican rival Cemex. In [April](#) the commission announced that it will take the investigation to Phase II after rejecting proposed commitments by Cemex.

#### Counsel to Lafarge

##### **Europe and the US**

Cleary Gottlieb Steen & Hamilton

Partners Antoine Winckler, Nicholas Levy and François-Charles Laprèvote assisted by Niklas Maydell, Sven Frisch, Henry Mostyn and Charlotte Emin in Brussels, Esther Bitton, Victor Levy and Philippe Prigent in Paris, and Paul Gilbert in London. Partner Mark Nelson and counsel Kathleen Bradish assisted by Zuzanna Knypinski in Washington, DC. Partner Murat Akuyev assisted by Maxim Izvekov in Moscow.

##### **Brazil**

Levy & Salomão

Partner [Ana Paula Martinez](#) in São Paulo

**India**

AZB Partners

Partner [Samir Gandhi](#) in New Delhi

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Homburger

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