

Konkurransetilsynet  
P.O.Box 439 Sentrum  
NO-5805 BERGEN  
NORWAY

May 8, 2009

NON-CONFIDENTIAL

## STANDARDIZED NOTIFICATION OF A CONCENTRATION

### 1. NOTIFYING PARTY

#### 1.1 Notifying party

Autronica Fire and Security AS (“Autronica”), registration number 979975503, an affiliated company of UTC Fire & Security Corporation (“UTCFS”).

#### 1.2 Contact/representative

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### 2. ADDITIONAL UNDERTAKINGS CONCERNED

Simtronics ASA (“Simtronics”), registration number 990212686.

### 3. NATURE OF THE CONCENTRATION

The proposed transaction concerns UTCFS’ voluntary cash tender offer to the shareholders of Simtronics ASA (“Simtronics”), a company listed on the Oslo Stock Exchange (OSE: SIMTRO), to acquire all outstanding shares in Simtronics. UTCFS published its intention to launch a voluntary

cash tender offer on April 29, 2009, and offered to pay Simtronics' shareholders a price of NOK 3,15 per share. On May 4, 2009, UTCFS increased its offer price to NOK 3,50 per share.

UTCFS' offer is subject to customary conditions, such as minimum acceptance of the offer from Simtronics shareholders, regulatory approval and due diligence. Copies of UTCFS' April 29, 2009, and May 4, 2009, announcements are attached at Annex I.

As of April 29, 2009, UTCFS, through Autronica, held a total of 14,313,000 shares in Simtronics, comprising 20.6% of the total issued share capital. [CONFIDENTIAL].

## **4. STRUCTURE AND ACTIVITIES OF THE UNDERTAKINGS**

### **4.1 Autronica Fire and Security AS and UTCFS**

Autronica is a Trondheim-based company active in developing, manufacturing and marketing of fire safety equipment. Specifically, Autronica is active in fire detection and alarm systems and specializes in fire suppression systems for the marine business segment.

Autronica is part of United Technologies Corporation's ("UTC") Fire & Security business unit. UTC is a multinational corporation that provides high technology products and services for the building systems and aerospace industries worldwide. The UTC group comprises the following major business units:

- Carrier Corporation ("Carrier"): Carrier manufactures residential, commercial and industrial heating, ventilating, air conditioning ("HVAC") and refrigeration systems and equipment, food service equipment, building automation and controls, HVAC and refrigeration components and provides installation, retrofit and aftermarket services.
- Hamilton Sundstrand Corporation ("Hamilton Sundstrand"): Hamilton Sundstrand designs and manufactures aerospace products, including power generation, management and distribution systems, flight systems, engine control systems, environmental control systems, fire protection and detection systems, auxiliary power units and propeller systems, and industrial products, including air compressors, metering pumps and fluid handling equipment, as well provides aftermarket services.
- Sikorsky Aircraft Corporation ("Sikorsky"): Sikorsky designs and manufactures helicopters for military and commercial use, and provides a range of aftermarket helicopter and aircraft parts and services.
- Otis Elevator Company ("Otis"): Otis manufactures, installs and services elevators, escalators and moving walkways and provides aftermarket services.
- Pratt & Whitney ("PW"): PW designs, manufactures and services commercial, general aviation and military aircraft engines, parts, industrial gas turbines and space propulsion systems.
- UTC Power ("UTCPWR"): UTCPWR provides distributed generation power systems and fuel cell power plants for stationary, transport, space and defence applications.
- UTCFS: UTCFS provides products and services for fire and special hazard detection and suppression systems and fire fighting equipment, electronic security, monitoring and rapid response systems and service and security personnel services.

## 4.2 Simtronics ASA

At the outset, Autronica/UTCFS notes that all information contained in this Notification relating to or about Simtronics and its business activities is based on publicly available information or Autronica's or UTCFS' best estimates as Simtronics has not been approached concerning this Notification.

Simtronics ASA is an international supplier of fire and gas safety systems, active fire fighting solutions and fire prevention systems and that its products and systems are primarily used by the oil and gas industry. Simtronics ASA has three wholly-owned subsidiaries, ETech Process AS, Water Mist Engineering AS, and Technor Safe ES. In addition, Simtronics ASA holds 51% of the shares in Fire Eater A/S.

Simtronics has three areas of activity, fire detection products and systems, fire suppression systems, and fire prevention systems. Simtronics' fire detection activities focus on gas and flame detection equipment. Simtronics also designs active fire suppression systems, such as low pressure water mist, deluge, sprinkler systems or gaseous suppressions. Finally, within fire prevention systems, Simtronics manufactures on-site nitrogen generation systems used for inerting, blanketing, and purging of chemicals and other cargos.

## 5. TURNOVER AND OPERATING PROFIT

UTC's turnover in Norway in 2008 amounted to approximately € [CONFIDENTIAL] million (NOK [CONFIDENTIAL] million).<sup>1</sup> Autronica's turnover in 2008 amounted to approximately NOK [CONFIDENTIAL] million. [CONFIDENTIAL].

According to Simtronics' 2008 annual report, Simtronics had operating income of NOK 359.7 million in 2008 and posted a NOK 25.52 million profit for the same year.<sup>2</sup>

## 6. COMPETITORS

### 6.1 Product and geographic markets affected by the concentration

Autronica/UTCFS submits that, based on its understanding of Simtronics' business activities, four separate areas are concerned by the concentration: fire prevention systems, fire suppression systems, specialty detection systems, and detectors used in specialty detection systems.

In any event, Autronica/UTCFS submits that it is not necessary to finally determine the market definition for the products concerned by the Transaction, since on any reasonable definition the Transaction does not raise any competitive concerns.

#### 6.1.1 Fire prevention systems

As Autronica/UTCFS is not active in fire prevention systems, Simtronics' and Autronica/UTCFS' activities do not compete in this area. Therefore, these products are not further discussed in this Notification.

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<sup>1</sup> Based on the ECB's average exchange rate of 1 € = NOK 8,2237 in 2008.

<sup>2</sup> Simtronics Annual Report 2008 p. 5, 31.

### 6.1.2 Fire suppression systems

Fire suppression systems are used to contain and/or extinguish a fire. There are two broad categories of fire suppression systems, gaseous fire suppression systems (including high-pressure water-mist that performs like a gas) and water-based fire suppression systems. Autronica/UTCFS is active in gaseous and water-based fire suppression systems and understand that Simtronics offers both systems as well.

The relevant geographic market for the supply of fire suppression systems is most appropriately considered as being at least EEA-wide. Most major competitors sell their systems throughout the entire EEA and the equipment used in the systems is broadly similar across Europe. Customers source their systems typically at the European level. In *UTC/Kidde*,<sup>3</sup> the European Commission considered that the relevant geographic market for gaseous fire suppression systems may be EEA-wide in scope, but did not reach a final view on geographic market definition.

Autronica/UTCFS notes that fire suppression systems are used in both land-based applications (*i.e.*, in buildings) and marine applications (*i.e.*, on inland and deep-sea vessels) but the hardware used for land-based and marine applications is very similar, and the design principles for both marine and land-based fire suppression systems are the same. Accordingly, manufacturers of land-based fire suppression systems can, and frequently do, also supply fire suppression systems for marine applications.

Autronica/UTCFS believes that Simtronics may achieve minor sales derived from (i) reselling miscellaneous spare parts sourced from third parties for water-based suppression systems, and (ii) selling miscellaneous components for gaseous suppression systems.<sup>4</sup> Autronica/UTCFS also sells miscellaneous parts and spare parts. However, Autronica/UTCFS does not consider these sales to belong to separate markets and, in any event, any potential overlap would be very small.

### 6.1.3 Specialty detection systems

Specialty detection systems are used to alert to the existence of heat, smoke, gas, or flames and may also in some cases initiate a fire suppression system. Once the system detects a certain gas concentration or the existence of flames, it triggers an alarm. Autronica/UTCFS understands that Simtronics focuses on detection systems for the oil and gas industry where customers typically require integrated systems to prevent both hazards and fire to high-risk oil and gas industrial installations, such as oil production and exploration platforms, or oil refineries. Autronica/UTCFS also sells specialty detection systems to the oil and gas industry.

The relevant geographic market for specialty detection systems is global. This is because (i) prices are very similar across the world, (ii) all major manufacturers of fixed specialty detection systems are present across the world, including in countries where they have no production facilities, (iii) transport costs do not have a significant impact on sales prices, and (iv) customers generally request bids from suppliers all over the world.

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<sup>3</sup> Case COMP/M.3688, Commission decision of March 18, 2005.

<sup>4</sup> Autronica/UTCFS estimates the relevant Simtronics EEA-sales at approximately US\$ [CONFIDENTIAL] million (water-based suppression systems) and approximately US\$ [CONFIDENTIAL] million (gaseous fire suppression).

#### **6.1.4 Detectors for specialty detection systems**

Detectors used in speciality detection systems are designed to detect the existence of heat, smoke, gas, or flames. Like Autronica/UTCFS, Simtronics, in addition to offering complete specialty detection systems, also sells detectors to major installation and systems integration companies (Autronica/UTCFS does not sell other system components to third parties and understands that Simtronics does not either). These companies procure the individual components of systems from different suppliers and integrate and install them to a system. Given Simtronics' focus on the oil and gas industry, Autronica/UTCFS understands that these customers typically source both gas and flame detectors for inclusion in one system.

Autronica/UTCFS submits that the relevant geographic market is global. This is because (i) prices are very similar across the world, (ii) all major manufacturers are present across the world, including in countries where they have no production facilities, (iii) transport costs do not have a significant impact on sales prices, and (iv) customers generally requests bid from suppliers all over the world.

#### **6.1.5 Summary**

In conclusion, Autronica/UTCFS submits that the relevant product markets concerned by the proposed transaction are (i) the EEA-markets for gas and water-based fire suppression systems, (ii) the global market for specialty detection systems, and (iii) the global market for detectors.

### **6.2 Market share data, Competitors, Customers, and Suppliers<sup>5</sup>**

#### **6.2.1 Fire suppression systems**

As the market for fire suppression systems is at least EEA-wide, the proposed transaction does not give rise to any competitive concerns.

Autronica/UTCFS estimates that its and Simtronics' combined share of sales in the EEA of gaseous suppression systems would amount to [CONFIDENTIAL]% (Autronica/UTCFS: [CONFIDENTIAL]%; Simtronics: [CONFIDENTIAL]%) and of water-based suppression systems would amount to [CONFIDENTIAL]% (Autronica/UTCFS: [CONFIDENTIAL]%; Simtronics: [CONFIDENTIAL]%).

Autronica/UTCFS' five most important competitors in gaseous suppression systems are Tyco, Fike, Siemens, Norway-based Unitor, and Wagner, in water-based suppression systems Tyco, Minimax, Viking, Fogtec, and Siemens. In gaseous suppression systems, its five most important customers are [CONFIDENTIAL] and its five most important suppliers are [CONFIDENTIAL]. In water-based suppression systems, its five most important customers are [CONFIDENTIAL] and its five most important suppliers are [CONFIDENTIAL].<sup>6</sup>

In fire suppression systems, Tyco will by far remain the largest supplier post-transaction, with an estimated EEA-share of 30-35%. Additional other significant competitors exist, including international players such as Viking Corporation (USA) and Siemens, as well as many additional players with strong national or regional presence. Autronica/UTCFS and Simtronics' combined

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<sup>5</sup> All market data are based on Autronica/UTCFS' actual sales and best estimates.

<sup>6</sup> Based on 2007 customer and supplier data (2008 data not yet available).

share would stay well below any threshold where competitive concerns could arise, regardless of how the relevant market is defined.

### 6.2.2 Specialty detection systems

Based on a global market for specialty detection systems, the proposed transaction does not give rise to any competitive concerns.

Autronica/UTCFS estimates that its and Simtronics' combined share of global sales of specialty detection systems would amount to [CONFIDENTIAL]% (Autronica/UTCFS: [CONFIDENTIAL]%; Simtronics: [CONFIDENTIAL]%). There are thus no concentration issues arising from the proposed transaction as Simtronics' share of the relevant market is very small.

Autronica/UTCFS' five most important competitors in specialty detection systems are Honeywell, Dräger, General Monitors, MSA, and Riken Keiki, its five most important customers are [CONFIDENTIAL] and its five most important suppliers are [CONFIDENTIAL].<sup>7</sup>

Post-transaction, Autronica/UTCFS and Simtronics will remain subject to significant competitive constraints from a range of other rival firms producing specialty detection systems. These are in particular multinational companies, such as Honeywell, Dräger, Riken Keiki, MSA, and General Monitors. All of these companies are active at a global level and are easily capable of increasing their production and sales should there be a price increase post-transaction. Customers for specialty detection systems are large and sophisticated international companies active at the global level. They have considerable expertise and exert a significant constraint on the suppliers' behaviour in the market.

### 6.2.3 Detectors for specialty detection systems

Based on a global market for detectors used in specialty detection systems, the proposed transaction does not give rise to any competitive concerns.<sup>8</sup>

Autronica/UTCFS estimates that its and Simtronics' combined share of global sales of detectors for specialty detection systems would amount to [CONFIDENTIAL]% (Autronica/UTCFS: [CONFIDENTIAL]%; Simtronics: [CONFIDENTIAL]%).

Autronica/UTCFS' most important competitors in detectors for specialty detection systems are Honeywell, Dräger, General Monitors, and Riken Keiki, its five most important customers are [CONFIDENTIAL] and its five most important suppliers are [CONFIDENTIAL].<sup>9</sup>

The combined shares are well below any threshold where competitive concerns could arise at the global and EEA-level. But also on a hypothetical Norwegian market, with a slightly higher combined share, no competitive concerns would arise. This is because all of Autronica/UTCFS' major competitors are large international players and are either already active in Norway (for example, Dräger or Tyco) or could easily expand to sell to customers in Norway (for example, Honeywell or Riken Keiki). Because products are normally standardized such that the same

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<sup>7</sup> Customers and suppliers based on combined volume for specialty detection systems and detectors.

<sup>8</sup> Owing to the global nature of the detectors market, Autronica/UTCFS' share estimates for narrower geographies, such as the EEA or Norway, may not be as reliable.

<sup>9</sup> Customers and suppliers based on combined volume for specialty detection systems and detectors.

detectors are sold in most countries, even smaller suppliers are able to supply detectors at a worldwide level, including Norway.

Autronica/UTCFS notes that it has purchased in 2008 less than US\$ [CONFIDENTIAL] million worth of specialty detection systems and detectors for specialty detection systems from Simtronics. However, the transaction will not give rise to any vertical concerns because the post-transaction share of a combined Autronica/UTCFS and Simtronics would be substantially the same as pre-transaction. The Transaction thus does not change the incentives or provide the ability to foreclose current Simtronics' detector customers at the wholesale level who are also competitors at the systems level. In any event, customers at the wholesale level have various alternatives to procure product from other suppliers, such as Honeywell, Dräger, Riken Keiki, MSA, Tyco, General Monitors, and Siemens. Similarly, at systems level, Simtronics' sales are too small to raise foreclosure concerns. In any event, customers have various alternatives to procure systems from other suppliers, such as Honeywell, Dräger, Riken Keiki, MSA, Tyco, General Monitors, and Siemens.

## **7. ANNUAL REPORT AND ANNUAL ACCOUNTS**

Both annual reports and accounts for the undertakings concerned, Autronica and Simtronics are publicly available through the Register of Company Accounts in the Brønnøysund Register Centre.

UTC's annual reports are available at [www.utc.com](http://www.utc.com).

## **8. PUBLIC ACCESS**

As this Notification contains confidential information and Autronica business secrets, we enclose a public version of the notification.

Yours sincerely,

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