Haavind

SIMPLIFIED NOTIFICATION

TO

THE NORWEGIAN COMPETITION AUTHORITY

ACQUISITION OF JOINT CONTROL

OF

NORDICEPOD AS

BY

EATON INDUSTRIES MANUFACTURING GMBH

AND

CTS NORDICS HOLDING AS

CONTAINS BUSINESS SECRETS

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1. Contact details of the notifying parties

1.1 Eaton

Contact details:

Company	Eaton Industries Manufacturing GmbH
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Representative:

Company	Advokatfirmaet Haavind AS
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1.2 CTS

Contact details:

Company	CTS Nordics Holding AS
Company registration number	929 284 631
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Representative	Michael Lawson, Senior Compliance Officer
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2. Contact details of the joint venture

Company	NordicEPOD AS
Company registration number	928 650 839
Address	Ensjøveien 20, 0661 Oslo, Norway

3. The Transaction

3.1 Description of the Transaction and joint control

The proposed transaction concerns the acquisition of joint control by Eaton Industries Manufacturing GmbH (ultimately controlled by Eaton Corporation plc and together with all group companies, **Eaton**) and CTS Nordics Holding AS (together with all group companies, **CTS**) of NordicEPOD AS (**NordicEPOD**) (**the Transaction**). In the following, Eaton and CTS will jointly be referred to as the **Parties**.

NordicEPOD is currently a wholly owned subsidiary of CTS. Pursuant to a share purchase agreement entered into between the Parties, Eaton will purchase 49% of the shares in NordicEPOD and CTS will retain the remaining 51%.

NordicEPOD will be jointly controlled as a result of the veto rights set out in the shareholders' agreement entered into between the Parties. The board of NordicEPOD will initially be composed of six directors, three appointed by Eaton and three appointed by CTS. Subsequently, the board will be composed of four directors, two appointed by Eaton and two appointed by CTS. The unanimous vote of all directors appointed by the Parties is required in relation to several strategic business decisions, including the approval of and amendments to NordicEPOD's business plan, the appointment or termination of members of the management and certain rights in relation to investments, expenditure, company policy and material agreements.

3.2 Full-functionality

Following completion of the Transaction, NordicEPOD will constitute a full-function joint venture as it will be an economically autonomous undertaking active in the design and manufacture of large external enclosures for the housing of integrated electro-mechanical critical power systems (**EPODs**).[1] In particular, NordicEPOD will (i) have its own dedicated management and access to sufficient resources in order to conduct its business on a lasting basis and (ii) maintain its own market presence.

The parties expect [redacted] within the first 3 years of closing of the Transaction. Sales to and purchases from its parents will take place on market terms.

The proposed joint venture will last on an ongoing basis as [redacted]

3.3 Rationale of the Transaction

The Parties wish to enter into the joint venture [redacted]

[redacted]

[1] These are power modules used in the design of data centres to ensure power quality, efficiency and redundancy.

4. Companies involved in the Transaction

4.1 Eaton

Eaton, founded in the United States in 1911 and headquartered in Dublin, Ireland, is a global supplier in power management solutions, supplying electrical and industrial products and services across the electrical systems, aerospace, and mobility sectors. Eaton focuses on energy-efficient solutions that help customers effectively manage electrical, and mechanical power systems.

[redacted] Eaton sells various products in Norway across multiple business segments including, but not limited to, power distribution products, miniature circuit breakers and emergency lighting products, aircraft parts and after-market services. [redacted]

The Eaton group operates in the following operating segments:

(i) **Electrical Products and Electrical Systems and Services** consists of electrical components, industrial components, residential products, single phase power quality, emergency lighting, fire detection, wiring devices, structural support systems, circuit protection, and lighting products. The Electrical Systems and Services segment consists of power distribution and assemblies, three phase power quality, hazardous duty electrical equipment, intrinsically safe explosion-proof instrumentation, utility power distribution, power reliability equipment, and services. The principal markets for these segments are industrial, institutional, governmental, utility, commercial, residential and information technology. These products are used wherever there is a demand for electrical power in commercial buildings, data centres, residences, apartment and office buildings, hospitals, factories, utilities, and industrial and energy facilities.

(ii) **Aerospace** designs and manufactures a range of aerospace products and technologies for use in commercial and military aircraft. These include, among others, aerospace fuel, hydraulics, and pneumatics systems, as well as the supply of individual components for each of the systems, including pumps, valves and actuators (i.e., motors). In addition, Eaton Aerospace provides various customer aftermarket services and ground support for its systems.

(iii) **Mobility** offers traditional powertrain solutions in addition to supporting increasing degrees of electrification through a suite of technologies, including power distribution solutions, power electronics and transmissions that improve safety, efficiency, and performance. The principal markets for the Mobility group are original equipment manufacturers of on- and off-highway vehicles and aftermarket customers.

Further information about Eaton is available at https://www.eaton.com.

4.2 CTS

CTS Nordics Holding AS (**CTS Holding**) is the holding company for the CTS Nordics group of companies, which focuses on the design and construction of integrated data centres in the Nordic region. Established in 2019, CTS is headquartered in Oslo, Norway, and has satellite offices in Finland, Sweden, Denmark, and Portugal.

The majority of CTS' past and current projects are located in Norway, including in Enebakk, Hamar, Vennesla, Rjukan and Fetsund. In addition, CTS has recently expanded its business with new projects in Sweden, Finland, and Denmark.

CTS Holding is owned by Norbeluk AS, representing the Schelfhout family, and Ian Paul Wardell.

CTS Holding owns or controls the following CTS entities:

1. CTS Nordics AS in Norway. This is the primary design and build contractor responsible for data centre projects in Norway and providing data centre design services for the entire group.

2. CTS Nordics AB is the design and build contractor for data centre projects in Sweden.

3. CTS Nordics OY is the design and build contractor for data centre projects in Finland.

4. CTS Nordics ApS is the design and build contractor data centre projects in Denmark.

5. CTS Nordics Engineering LDA in Portugal. This company specialises in design services and its purpose is to support the other design and build companies.

CTS Holding is the sole or majority shareholder the following production companies:

1. NordicEPOD AS, which manufactures and distributes EPODs.

2. Gapit Nordics AS is an IT company which delivers products and services in the "gap" between IT and automation, as well as physical and cyber security solutions.

3. EST-GT Nordics AS is an electrical engineering company that manufactures and installs switching equipment and provides electrical contracting services.

In addition, CTS Holding is major shareholder in the following companies:

1. BIMMS Integrated Engineering, which specialises in developing computer based architectural and engineering design models known as Building Information Modelling (BIM) models. BIMMS also integrates management software and services into the BIM models and BIM work process.

2. MC Prefab Nordics, a company under development and will deliver prefabricated steel and construction components.

CTS Holding is also a minority owner in 11 companies that provide services and products to CTS.

Please see Annex 1 for CTS' structure chart and an overview of its business segments. Further information about CTS is available at https://www.cts-nordics.com.

4.3 NordicEPOD

NordicEPOD was established in 2022 and started operations in March 2023. The company designs and builds electrical power modules (**EPODs**) for data centres. The EPODs are designed to secure the operation of critical infrastructure when the input power source is interrupted, such as in the event of a power outage.

An EPOD contains multiple components, including a transformer, ring main units (**RMUs**), an uninterruptible power supply (**UPS**), circuit breakers and a bank of batteries.

Further information about NordicEPOD is available at https://www.nordicepod.com/.

5. Turnover

	Global turnover (2023)	Turnover in Norway (2023)
Eaton	USD 23.2 billion	[redacted]
CTS	[redacted][2]	[redacted][3]

6. Simplified notification

The criteria for simplified notification in FOR-2013-12-11-1466 Section 3(3) are fulfilled, as further explained in Section 7 below. Eaton and NordicEPOD are active in vertically related markets, but the market shares at each level is below 30%.

7. No affected markets

7.1 Introduction

NordicEPOD designs and builds EPODs for customers in the Nordics. As mentioned above, the EPOD contains multiple components, including a transformer, a UPS device and a bank of batteries.

Eaton is a supplier of power management solutions, including electrical and industrial products such as transformers, UPSs and UPS batteries, RMUs and circuit breakers. As these products are inputs for EPODs and are supplied by Eaton in the EEA, there are vertical relationships between Eaton and NordicEPOD. Eaton is currently supplying transformers, UPSs/UPS batteries and RMUs to NordicEPOD. None of the products that Eaton supplies to NordicEPOD are manufactured in Norway.

Please see section 7.2 below for a description of the vertical relationships between Eaton and NordicEPOD.

For the sake of completeness, it is noted that CTS uses EPODs in the construction of data centres. However, as the vertical relationship between CTS and NordicEPOD is pre-existing and does not bring about an increment in market shares, it is not relevant for the assessment of this notification.

7.2 Supply of EPODs (downstream market)

An EPOD is part of the electrical distribution infrastructure in a data centre. It connects the grid to the data centre. It is an external enclosure that integrates and may consist of the following products: transformer, uninterruptable power supply units and batteries, switchgear and the associated cooling and control systems. Its function is to condition the incoming power and provide redundancy and back up power to the data centre in the event of grid outages. This ensures the continuous operation of the data centre and its IT equipment and applications.

While the EU Commission (**Commission**) has previously considered markets for the supply of different inputs (constituent products) used in EPODs, the Parties are not aware of any decisions by the Commission or the Norwegian Competition Authority (**NCA**) where a market for the supply of EPODs has been considered.

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[2] Provisional revenue data, not audited.
[3] Provisional revenue data, not audited.

To date, Nordic EPOD has [redacted] Other important market players, such as [redacted] manufacture power modules and supply them across the EEA. The EPODs are by definition transportable as they are assembled off-site, and they are most of the time shipped to countries other than their country of assembly. On this basis, the Parties consider the market for the supply of EPODs to be at least EEA-wide.

Building EPODs in a factory and then shipping them to a construction site is an increasing trend for the construction of data centres. Traditionally, data centre operators or their appointed contractors select and procure the various electrical products, install, integrate, test and commission the EPOD on site during various phases of construction. However, the Parties are not aware that any Commission decisions involving such components have considered a market that includes both EPODs and such (input) products. As the Transaction will not raise competition concerns under any market definition, NordicEPOD has provided estimated market shares on the basis of the narrowest possible market definition, i.e., a possible market for the supply of EPODs in the EEA.

NordicEPOD estimates that more than [redacted] EPODs are sold in the EEA on a yearly basis (company-internal estimate). In 2023, NordicEPOD produced [redacted] EPODs and it is estimated that [redacted] EPODs will be produced in 2024. On this basis, NordicEPOD's market share within a possible market for the supply of EPODs in the EEA is well below 30%. As already noted, [redacted]

Eaton's predominant business is that of a component and product manufacturer and supplies same to a large variety of market segments. As it relates to data centres and power modules, Eaton does and shall continue to sell to data centre operators, construction contractors, electrical sub-contractors and parties commissioned to integrate product into data centre buildings and enclosures. Therefore, its commercial strategy is to [redacted]

7.3 Upstream markets

7.3.1 Supply of UPS/UPS batteries

UPS is a power system that provides backup and power quality to a mission critical load. A UPS will provide instantaneous protection from input power interruptions by utilising double conversion characteristics and energy stored in batteries.

Eaton supplies various types of UPSs, including single-phase devices (0-10kVA) and three-phase devices (above 10kVA). Eaton's three-phase UPS devices are manufactured in an Eaton facility in Finland for distribution across EMEA (Europe, Middle East and Africa). The Samsung Lithium-Ion batteries that are part of Eaton's UPS solutions are manufactured in Korea. As these batteries are sold as an integrated part of Eaton's UPS devices, the supply of batteries will not be described as a separate market in this notification.

The three-phase UPS devices are sold to end-customers, contractors and electrical distributors in Norway. This UPS model is the most common across EMEA and also the model purchased by NordicEPOD as an input for the production of EPODs. More specifically, NordicEPOD mainly purchases three-phase UPS devices above 800kVA (large UPSs). The UPS devices used by NordicEPOD are currently sourced from Eaton and other third-party suppliers.

In its previous decisions, the Commission has considered that UPS devices constitute a separate market from other secured power devices and that it is relevant to make a distinction between UPS devices below 10kVA and UPS devices above 10kVA.[4] With respect to the geographic market definition, the Commission has left open whether the markets for UPS devices are national or EEA-wide in scope.[5]

[redacted] Eaton considers that the markets for the supply of UPS devices are possibly EMEA-wide, but at least EEA-wide. The competitors for large three-phase UPSs in the EEA include [redacted]

Within a total market for the supply of three-phase UPSs, Eaton's market share was approx. [redacted] in Western Europe[6] in 2023 (sources: OMDIA and Dell'Oro Group). Within a narrower product market for the supply of UPSs above 800kVA, the type of UPSs supplied to NordicEPOD, Eaton's market share in Western Europe was approx. [redacted].[7] Its market share in the EEA is assumed to be at a similar level as in Western Europe.

7.3.2 Supply of transformers

A transformer is a crucial component in the electric power distribution system which steps down the voltage from the distribution lines to a suitable level. Transformers come in both oil-filled and dry-type variants, with the former using oil as an insulator and coolant, while the latter relies on non-conductive materials.

[redacted]

The transformers that Eaton sells are primarily sold directly to end-customers, but also via distribution partners and transformer kiosk manufacturers. Eaton's competitors within the supply of transformers include [redacted] among other competitors.

Typically, Eaton supplies dry-type transformers to NordicEPOD. They are 2.5MVA cast resin units with 22kV/400kV units with 6% impedance. Dry-type transformers use gas as the cooling medium voltage to step down the voltage from distribution lines to a suitable level. Dry-type transformers are environment-friendly, flame-retardant, and shock-resistant, and are often used in indoor power supply and distribution environments, such as hotels, office buildings high-rise buildings, and data centres.

In its previous decisions, the Commission has left open whether a segmentation between dry-type and oil-filled transformers was appropriate. With respect to the geographic market definition, the Commission has considered that the market for transformers is EEA-wide in scope and possibly even worldwide, but ultimately left the question open.[8]

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[4] Case M.8678 - *ABB / GENERAL ELECTRIC INDUSTRIAL SOLUTIONS*, para 55 and further decisions in footnote 71.
[5] Case M.8678, para 62/67 and further decisions in footnote 80.
[6] Western European countries include Finland, Sweden, Norway, Denmark, Netherlands, Belgium, United Kingdom, Ireland, France, Spain, Portugal, Italy, Switzerland, Austria, and Germany.
[7] Source: Dell'Oro Group. Total market: M$ 478. Eaton's sales: M$[redacted].
[8] Case M.8678, paras 70/73 and 74/78, and further decisions in footnotes 86 and 90.

As the Transaction does not raise competition concerns under any market definition, Eaton has provided estimated market shares on the basis of the narrowest possible market definition, i.e., a possible EEA market for the supply of transformers that may be used as inputs for EPODs.

Within a total market for the supply of transformers, Eaton's market share was approximately [redacted] in EEA in 2022 (sources: Power Technology Research 2022-09).

Within a narrower product market for the supply of dry-type transformers, Eaton's market share was approx. [redacted] in EEA in 2022 (sources: Power Technology Research 2022-09).

7.3.3 Supply of circuit breakers

A circuit breaker is an electrical safety device designed to protect an electrical circuit from damage caused by overcurrent. Its basic function is to interrupt current flow to protect the cable and the equipment to prevent the risk of fire or damage. Unlike a fuse, which operates once and then must be replaced, a circuit breaker can be reset (either manually or automatically) to resume normal operation.

Circuit breakers are made in varying sizes, from small devices (MCBs = Miniature Circuit Breakers) that protect low-current circuits or individual household appliances, to large switchgears designed to protect entire buildings or manufacturing machines for instance (MCCBs = Molded Case Circuit and Breakers or ACBs = Air Circuit Breakers). The function of all three (MCBs, MCCBs and ACBs) are in principle the same and vary in nominal current which is measured in Ampere/"A" (and the size/form factor of the device):

MCBs	0.16A up to 125A
MCCBs	20A up to 1600A
ACBs	~800A up to 6300A

Eaton's customer base for circuit breakers are primarily electrical installers, panel builders and machine-builders. Depending on their size of their business and the related volume they need, customers are served via electrical wholesalers ("EWS») or direct sales. Electrical installers are generally supplied via EWS, while panel builders and machine builders are served by a mix of EWS and direct sales.

In its previous decisions, the Commission has considered that different low voltage (**LV**) and medium voltage (**MV**) product categories constitute separate product markets, but has generally left the market definitions open. With respect to a possible market for the supply of circuit breakers, the Commission has considered whether a segmentation is appropriate between (i) the different types of circuit breakers (as set out in the table above), (ii) MV AC and DC circuit breakers on the basis of differences in the technologies and (iii) circuit breakers used for different types of low voltage switchboards. Ultimately, the market definitions have been left open.[9]

[9] Case M.8678, paras 12/24 and 43-45/48, and further decisions in footnotes. Case COMP/M.6642 – *EATON CORPORATION / COOPER INDUSTRIES,* paras 20/24, and further decisions in footnotes.

With respect to the geographic market, the Commission has considered that the relevant markets for LV product categories are likely national and that the relevant markets for MV product categories are likely at least EEA-wide.[10]

As the Transaction does not raise competition concerns under any market definition, Eaton has provided estimated market shares for the relevant circuit breaker models supplied to NordicEPOD. This would constitute even narrower markets than those considered by the Commission.

The total market for the supply of all types of circuit breakers in the EEA in 2023 was M$ 1,920.2 (source: OMDIA). With total sales of M$ [redacted], it follows that Eaton's market share was [redacted] in 2023. Even within narrower product markets limited to the supply of certain models of circuit breakers purchased by NordicEPOD, Eaton's market shares remain well below [redacted] in the respective markets.[11]

For the sake of completeness, it is noted that Eaton's market shares within the same product markets in Norway are also below [redacted]. Eaton's competitors within the supply of circuit breakers include [redacted] among other companies.

7.3.4 Supply of RMUs

An RMU serves as a compact switchgear unit that connects multiple power distribution lines. It facilitates the distribution of electricity to various customers, such as data centres. RMUs are the most commonly used type of secondary MV switchgear.

Eaton utilises two primary manufacturing locations for RMUs being supplied to the European market and these are located in Ankara, Turkey and Hengelo, Netherlands. RMUs are sold directly to customers as a primary sales channel, however, Eaton also sells RMUs through distribution partners and panel builders.

Competitors include [redacted]

In its previous decisions, the Commission has considered a separate product market for switchgear and possible segmentations between (i) MV AC and DC switchgear on the basis of differences in the technologies and (ii) primary/secondary distribution, but ultimately left the market definitions open.[12]

With respect to the geographic market definition for MV switchgear, the Commission has considered that the relevant market is likely at least EEA-wide.[13]

As the Transaction does not raise competition concerns under any market definition, Eaton has provided estimated market shares for RMUs, being one type of secondary MV switchgear and the specific product supplied to NordicEPOD. This would constitute an even narrower market than those considered by the Commission.

The total market for the supply of RMUs in the EEA in 2023 was M$ 2,502 (source: Power Technology Research 2022-09"). With total sales of M$ [redacted] it follows that Eaton's market share was [redacted] in 2022 and in any case well below 30%.

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[10] Case M.8678, paras 25 and 49/52, and further decisions in footnotes. Case COMP/M.6642, paras 29-30, and further decisions in footnotes.
[11] APRC900: total market M$ 582, Eaton's sales M$[redacted] APRC950: total market M$ 1,338, Eaton's sales M$[redacted]
[12] Case M.8678, paras 43-45/48, and further decisions in footnotes. Case COMP/M.6642, paras 26/28, and further decisions in footnotes.
[13] Case M.8678, paras 12/24 and 49/52, and further decisions in footnotes. Case COMP/M.6642, para 30, and further decisions in footnotes.

For the sake of completeness, it is noted that Eaton's market share in Norway was [redacted] in 2022 (total market: M$ 45 and Eaton's sales: M$ [redacted]

8. No coordinated effects

As mentioned above, Eaton is active in several markets upstream from the market of NordicEPOD and CTS is active in a downstream market. However, Eaton and CTS are not active in the same markets. While Eaton is a supplier of inputs used in EPODs, CTS integrates EPODs in its data centres.

For the sake of completeness, it is noted that Eaton offers data centre solutions to help optimise operations and make data centres more efficient, sustainable and secure. These services are provided to customers who already have one or more data centres. As Eaton does not engage in the building or construction of data centres, there is no overlap between the business activities of Eaton and CTS.

9. Annual accounts

The annual accounts of Eaton are available at https://www.eaton.com and the annual accounts of CTS are available at Brønnøysundregistrene.

10. Other notifications

The Transaction is not notifiable in any other jurisdictions.

11. Appendixes

Appendix 1: CTS structure chart and overview of business segments

Appendix 2: Non-confidential version of the notification

Appendix 3: Grounds for redactions of business secrets

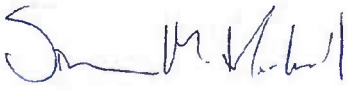
12. Business secrets

The notification contains business secrets, which have been highlighted in blue.

A non-confidential version of the filing has been included as Appendix 2. Explanations of why the redacted information constitutes trade secrets are provided in Appendix 3.

13. Signature

Oslo, 5 April 2024



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