

CC allows owner of “Apollo Kino” to buy OÜ “Forum Cinemas Latvia”

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On June 3, the Competition Council (CC) [adopted a decision](#) to allow OÜ “MM Grupp”, a company registered in Estonia, representing several companies in Latvia, incl. Ltd. “Apollo Kino”, to acquire another company registered in Estonia, OÜ “Forum Cinemas Latvia”, which also operates in the film distribution and screening markets in Latvia. The CC concluded that the merger would significantly restrict competition in these specific markets. Therefore, to guarantee continued competition on the market, the merger was cleared subject to accepted remedies, with OÜ “MM Grupp” committing to divest the assets of its owned cinema “Citadele”, i.e., employees and property, etc., to the control of unrelated third party.

Considering that OÜ “Forum Cinemas Latvia” and OÜ “MM Grupp”, representing Ltd “Apollo Kino”, were the closest competitors in the film screening market in Riga before the merger, KP anticipates that the merger would create significant barriers to effective competition in that specific market. However, with the announced desire of OÜ “MM Grupp” to open a cinema in the shopping centre “Rīga Plaza”, where the cinema “Multikino” was previously located, as well as with the planned opening of a new cinema in the shopping centre “Domina Shopping”, it is expected that the only independent cinema in Riga would be “Cinamon”, which would not be able to exert effective competitive pressure on the merging parties. As a result, consumers could be significantly adversely affected.

OÜ “MM Grupp” also has a great influence in the film distribution market in the territory of Latvia. It is also influenced by the significant market share of OÜ “MM Grupp” (around 80%) in the cinema screening market in Riga. Following the merger, there is a risk that cinemas that are not part of the “Apollo Kino” group will not be able to exert sufficient competitive pressure to achieve equal treatment in the application of the film's distribution rules. It is the decision of Ltd. “Apollo Kino” regarding the screening of a particular film that can be decisive for the film to be distributed in Latvia and appear on independent cinemas' screens. This can have a significant impact on the range of films shown in cinemas. Given the considerable influence of OÜ “MM Grupp” in the film distribution and screening markets, they will be highly concentrated within the same group of companies, which will significantly impede, restrict, and distort competition in both markets. The CC established that a dominant position might arise or strengthen because of a merger or competition could be significantly restricted in a particular market.

Because the CC had concerns that the merger may significantly affect competition, the merging companies offered remedies that would guarantee continued competition on the market. When evaluating the information provided by the companies and information available to the CC, the CC considers it reasonable to support and establish remedies. The remedies stipulate that, first, as a result of the merger, OÜ “MM Grupp” may become the owner of all Ltd. “Forum Cinemas Latvia” shares owned by Ltd. “Stockmann Centrs”, reg. No. 40003398708, which are not directly related to the cinema distribution or cinema screening business and is separated from the assets of OÜ “Forum Cinemas Latvia” assets through reorganization. Secondly, the remaining part of OÜ “Forum Cinemas Latvia” business (cinema “Citadele” with its assets, employees, and property, as well as the right to use the premises) OÜ “MM Grupp” undertakes to transfer control to a third party within one calendar year, which itself or its owners are not related to OÜ “MM Grupp”. This will ensure that there is no increase in concentration in the cinema screening market and that the merger does not have negative effects on this market. If within one calendar year OÜ “MM Grupp” fails to find a person to whom to transfer the assets of OÜ “Forum Cinemas Latvia” related to the operation of the cinema “Citadele” after the approval of the CC, a professional third party specializing in organizing such transactions must be involved in this process, to complete the asset transfer process within six months.

The transfer of the company cinema “Citadele” to a third party, as proposed in the remedies, are viable, and sufficient to eliminate competition concerns, and the CC, therefore, concludes that the merger is permissible.

To prevent a significant reduction of competition as a result of a merger, merger transactions that comply with the criteria specified in the Competition Law require the permission of the CC. Thus, CC ensures state control over the concentration of markets so that no structural changes occur which results in consumers suffering in the long run, as they have limited options or have to purchase goods and services at an uncompetitive price.

<https://www.kp.gov.lv/en/article/cc-allows-owner-apollo-kino-buy-ou-forum-cinemas-latvia-0>