



R O M A N I A
CONSILIUL CONCURENTEI

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DECISION No. 304

Of 12.11.2004

Concerning the state aid notified by the Authority for State Asset Valuation
to be granted to SC LETEA SA BACAU

THE COMPETITION COUNCIL,

Having regard to the provisions of the Decree no. 57/2004 on the appointment of the members of the Competition Council;

Having regard to the provisions of the Competition Law no. 21/1996, published in the Romanian Official Gazette no. 88, Part I, of 30.04.1996, amended and completed by Government Emergency Decree no. 121/2003, approved by Law no. 184/2004;

Having regard to the provisions of the Law no. 143/1999 on State aid, published in the Romanian Official Gazette no. 370, Part I, of 03.08.1999, amended and completed by Law no. 603/2003;

Having regard to the provisions of the Europe Agreement establishing an association between the European Communities and their Member States, on the one part, and Romania, on the other part, ratified by Law no. 20/1993, published in the Romanian Official Gazette, Part I, no. 73 of 12.04.1993;

Having regard to the provisions of the Regulation on state aid for rescuing and restructuring firms in difficulty, published in the Romanian Official Gazette, Part I, no. 470 of 02.07.2004, with the subsequent modifications and completions,

Having regard to the provisions of the Regulation to modify and complete the Regulation on state aid for rescue and restructuring of firms in difficulty, published in the Romanian Official Gazette, Part I, no. 521 of June 9, 2004,

On the following grounds:

I. PROCEDURE

(1) By note no. P/2965/18.06.2004, the Authority for State Asset Valuation (hereinafter called AVAS) notified to the Competition Council, based on art. 6 of Law no. 143/1999 on state aid amended and completed by Law no. 603/2003, the intention of granting individual state aid for the restructuring to SC LETEA SA BACAU.

(2) By DAAS notices no. 514/07.07.2004, and no. 684/08.09.2004, additional information to complete the notification form were requested. The Authority for State Asset Valuation transmitted the reply to the additional information requested by notices P/8268/31.08.2004 and no. P/9167/14.09.2004, registered at the Competition Council under no. 6108/01.09.2004, and RG 6549/16.09.2004. By DAAS notice no. 7339/18.10.2004, there were requested information on the compensatory measures that will be taken by the society in order to diminish the negative effects of the granted aid on the other competitors, as well as a market study on the newspaper paper. The Authority for State Asset Valuation transmitted in reply the information requested by notices no.

DCS/3291/28.10.2004 and DCS/3350/29.10.2004, registered at the Competition Council under no. RG 7611/28.10.2004 and RG 7776/03.11.2004.

(3) The notice became effective on the date the information was correct and complete, mainly 03.11.2004.

II. DESCRIPTION OF THE MEASURE

2.1. Legal base

- Law no. 137/2002, on measures to accelerate privatization;
- GD no. 577/2002, approving the Methodological Standards for the implementation of the Emergency Ordinance no. 88/1997 on the privatization of trading companies, as subsequently amended and completed;
- Art. 14 of GEO no. 8/2003 on incentives for the program of restructuring, reorganization and privatization certain national societies, national companies, and majority state-owned trading companies;
- GO no. 241/2003 on the List of trading companies from the APAPS portfolio, benefiting from provisions Art. 14 din GEO no. 8/2003;
- GO no. 1233/2003 on approving the List of trading companies from the APAPS portfolio benefiting from the extension of payment facilities as provided under Art. 18 of Law no. 137/2002 on measures to accelerate privatization;
- GO no. 1249/2003 on approving the List of trading companies from the APAPS portfolio benefiting from the provisions of GEO no. 8/2003 on incentives for the program of restructuring, reorganization and privatization certain national societies, national companies, and majority state-owned trading companies;
- GO no. 245/2004 on completing the Annex to GO no. 1284/2003 regarding measures to regulate the effects of conversion into shares on of the debts of certain trading companies toward utility suppliers;
- GEO no. 26/2004 on measures to finalize privatization of trading companies from the APAPS portfolio and the consolidations of certain privatizations;

- GO no. 621/2004 on sinking through conversion into shares of APAPS debts, held to certain trading companies from loan contracts signed under the provisions Art. 10 of GEO no. 8/2003.

2.2. Modality of granting the aid

(4) [...] ¹

2.3. Description of the beneficiary, SC LETEA SA BACAU

(5) The aid beneficiary is a private company, SC LETEA SA BACAU, set up in 1881, and it was the first paper plant in Romania with whole Romanian capital. The controlling interest is held by SC SELENA SRL as of 2003, the year of privatization. On 31.12.2003, the company had 813 employees.

(6) Under the contract of buying shares, the block of shares no 8/10.03.2000 standing for 79.842% of SC LETEA SA BACAU's registered capital, SC LETEA SA BACAU was sold by FPS (AVAS) to SABA INVESTMENT (OVERSEAS) Ltd Cyprus. On 20.02.2001, this contract was terminated, and the decision was made as a consequence of exceeding the due time for the whole payment in advance of the sum and of the related penalties for late payment (10 calendar days from issuing the Competition Council decision to authorize the economic concentration but no later than 30.11.2000). The Competition Council issued a decision of denial of the economic concentration achieved through the acquisition of the block of shares from APAS by SABA INVESTMENT (OVERSEAS) Ltd. Cyprus on 22.03.2001. The privatization process took place for the second time, and the privatization was achieved under Law 137/2002 on measures to accelerate privatization; within the privatization process, facilities on payment of historical debts were going to be included, under Art. 18 par. (1) of the above-mentioned Law and of the Methodological Standards issued to apply this law. The sale offer was as such:

¹ Confidential data

- the offer was published on 31.03.2003 in the daily 'Bursa' , on the internet and on a posting at APAPS headquarters;
 - on the date set, one single, mutual, takeover offer was submitted by S.C. SELENA S.R.L. Bacau and S.C. SPEDITION UMB S.R.L. Podu Turcului;
- (7) The Competition Council decided by decision 486/2003 to approve the economic concentration performed by taking over of the control by SC SELENA SA BACAU and SC SPEDITION UMB SRL Podu Turcului over SC LETEA SA BACAU.
- (8) Upon the signing of the share buying-selling contract, SC LETEA SA had a ROL478,583,400 thousand registered capital at the Trade Registrar divided in 19,143,336 shares with face value of ROL25,000. As a consequence of the transfer of ownership right over the shares, on 05.09.2003, SC LETEA SA Bacau's ownership structure was:

Table no. 1

SHAREHOLDERS	CAPITAL HOLDINGS	
	Number of shares	Share in registered capital (%)
S.C. Selena S.R.L.	21,366,920	97.40459
Others	569,336	2.59541
Total	21,936,256	100.000

Source: AVAS

- (9) The company is active in the industry field. SC LETEA SA's principal business is manufacturing of newspaper paper. The company also produces sanitary paper and special papers (watermark paper for lottery tickets and stamps, filter paper for qualitative analysis, paper for air biological filtering, blotting paper, map drawing paper, diagram material, etc).
- (10) SC LETEA SA produces especially for the domestic market; its turnover on the exporting is drastically reducing, annually, as shown in table 2.

Table no. 2

-thousand ROL-

	2000	2001	2002	2003
Total Turnover	564,721,384	757,898,379	706,411,576	690,046,321
Turnover on the Romanian market	476,869,030	658,243,606	690,672,266	689,797,853
Turnover on the Romanian market / total turnover	84.4%	86.9%	97.8%	99.9%

Source: AVAS

(11) SC LETEA SA produces and trades the following products:

- newspaper paper
- sanitary paper.

SC LETEA SA also produces special papers, but the importing of special papers at lower prices than the ones charged by the company led manufacturing of defective types and non-competitive production costs.

(12) [...]²

(13) The economic and financial results, based on the last four years' accounting sheet are:

Table no. 4

- thousand ROL-

Indexes	2000	2001	2002	2003
Turnover	564,721,384	757,898,379	706,411,576	690,046,321
Result of financial exercise	-99,964,547	-71,732,984	-145,896,924	-47,179,525

Source: AVAS

2.4. Description of the markets on which S.C. LETEA S.A. Bacau acts

(14) The relevant markets the company is activating on are the newspaper paper and the sanitary paper.

² confidential data

(15) S.C. LETEA S.A. Bacau annexed to the restructuring program a market study for the paper for newspapers, elaborated by the Research and Design Institute for Cellulose and Paper CEPROHART S.A. Braila. Within the market study were mainly analyzed the following aspects :

- the world market analysis;
- the domestic market's size during 1999-2003 as well as the compared analysis with other states closed from a geographic point of view with Romania ;
- characterizing the external market ;
- estimation of the domestic market for the period 2004-2007.

(16) [...] ³

(17) The newspaper paper consumption had a increased evolution, excepting from the year 2001, and the coverage degree for the consumption from the domestic production, respectively the production of S.C. LETEA S.A. Bacau, decreased starting with 2002 due to the reduction of the production and the increase of the import quota in covering the consumption. The newspaper paper export registered an increase until 2001, then dramatically decreased by reaching the value of 120 tons in 2003.

(18) In the same period, the internal newspaper paper production, respectively the production of S.C. LETEA S.A. Bacau, had a different evolution. This way, from 1999 until 2001, the production increased from 40.7 thousand tons in 1999 until 58.6 thousand tons in 2001, and the production continued to drop with 28% in 2003 compared with the year 2001, reaching the value of 43.3 thousand tons.

(19) Although the structure of the paper consumption was significantly changed after 1990, due to the new conditions on the market economy, the liberalization of the market and the increase of the quality demands of the consumers, the annual consumption of

³ confidential data

newspaper paper per inhabitants in Romania remains at a low level compared to the majority of the European States.

(20) At a world level, according to the long term prognosis made by the consultancy company Jaakk0 Poyry, the average increasing rate for the world consumption of paper and cardboard until in 2015 shall be of 1.5% in North America and of 2.2 % in West Europe.

(21) According to the RISI short term prognosis for West Europe, published in the PPI This Week nr. 15, 2004, during . 2004-2006 the demand of newspaper paper will have an estimated increase of 2.5% in 2004 and of 4% in 2004. In 2006 it is prognosed a reduction with 1.6% of the demand as a result of the cyclical recovery of stocks. After 2006 it is estimated an increase of the newspaper paper consumption, moderated at a level of approx. 2.5% per year.

(22) [...] ⁴

(23) [...] ⁵

(24) The quality of the standard newsapper paper made by S.C. LETEA S.A. Bacau allows the export on the company's traditional markets such as : Republic of Moldova, Serbia, India, Turkey, Nigeria, Moroco, Egipt andTunis.

(25) [...] ⁶

(26) [...] ⁷

(27) A significant reduction in SC LETEA SA's market share for newspaper paper is ascertained, as well as a strong increase of importing for this product; the main

⁴ confidential data

⁵ confidential data

⁶ confidential data

⁷ confidential data

competitors are importers of newspaper paper such as: FED PRINT SA Bucuresti, EXPRES SRL Bucuresti, AGENDA SRL Timisoara, RINGIER ROMANIA SRL Bucuresti, COMATCHIM SA Bucuresti, CHRYTIS SRL Brasov, SC Barleta SRL Bacau, MUSATINII SA Suceava, LIBERTATEA SRL Bucuresti, MAD OFFSET SRL Buzau, DIALOG SA Oradea, ESSER INVEST SRL Prahova, J.W. CAPPELEN ROMANIA IMPORT EXPORT Bucuresti, ROM-EST SRL Vaslui. The competitors for sanitary paper are, on the one hand, producers from cellulose and paper, and on the other hand processors of the acquired by-product into ready-made products, either from the importing, or the domestic producers.

(28) [...] ⁸

3. DESCRIPTION OF THE RESTRUCTURING PROGRAM

(29) SC LETEA SA Bacau together with SC SELENA BACAU and AVAS drafted a large restructuring program for 2004-2008 including restructuring measures on technological restructuring, environment investments and financial restructuring, amounting at a total of 1,059,766 million.

3.1. Technological restructuring

(30) [...] ⁹

⁸ confidential data

⁹ confidential data

3.2. Environment restructuring

(31) [...] ¹⁰

3.3. Financial restructuring

(32) Upon privatization, the company will need a financial restructuring for the operation under normal production parameters, besides the investments the buyer committed to under contract.

(33) [...] ¹¹

(34) By the elaborated restructuring program, the company realistically planned its financing sources for restructuring in the next period, based on the obligations assumed by the buyer when signing the share sale- purchase contract (consisting in technological investments absolutely necessary for the development of its activity) on one hand, as well as of the environmental ones.

(35) The restructuring program, through the financial restructuring component, allows cash flow increase, ensures a stable cash flow, which will consequently smoothen the financial business of the company. Thus, the company will be able to pay its current debts to the state and allocate necessary liquidities to perform planned investments, and develop and sustain future production programs.

4. THE STATE AID CHARACTER OF THE FINANCIAL MEASURE TO THE COMPANY

(36) Financial measures are granted in view of restructuring of SC LETEA SA Bacau, upon privatization, since the company needed financial restructuring to function under normal

¹⁰ confidential data

¹¹ confidential data

production parameters. Granting of aid, in conjunction with actions in the restructuring program will increase economic efficiency of the company.

(37) These facilities are granted in view of rendering company viability and consist in : relief from payments of budget arrears upon 31.12.2002, own debts and debts managed by AVAS, and interest rates and any penalties related to arrear obligations ; rescheduling of arrear obligations to social contributions ; conversion into shares of the company's obligations toward utility suppliers, of loans received by the company for electricity and natural gas payments for the month of December 20002, and of debts taken over by AVAB.

(38) The analysis made by the Competition Council regarding financial measures proves that, undoubtedly, these are measures financed from state resources which grant an advantage to SC LETEA SA Bacau. Those financial measures do not unjustifiably affect the trade between EU Member States, given that products manufactured by SC LETEA SA Bacau are traded almost entirely on the domestic market.

(39) To conclude, the financial measures granted are deemed state aids and are covered by Law 143/1999 on state aid, modified and completed Law 603/2003.

5. ASSESSMENT OF THE AID MEASURES INTENDED TO BE GRANTED TO SC LETEA SA Bacau

(40) The objective of the aid is restructuring of SC LETEA SA Bacau in view of restoring its viability until the end of the restructuring period. The aid must be analyzed under the criteria of the Regulation on aid for rescue and restructuring firms in difficulty (hereinafter called Regulation).

(41) Between 2000-2003, SC LETEA SA Bacau recorded regressive business, and important losses which led to a strong financial disequilibrium. In 2000 and 2001, the

operation activity recorded profit, but the overall business recorded losses generated by the penalties for late payments related to external credits and domestic credit to cover arrears toward the National Electricity Company ; the company was not able to return these credits. Between 2002-2003, the company recorded losses from operation due to the its functioning below the minimum cut-off rate of production capacities. This is due, on the one hand, to the market evolution, and, on the other, to additional costs from technology modifications and maintenance works imposed by wear and tear of the installations.

(42) From the analysis of the business performed in order to rehabilitate the company, the following objectives were set :

- performing investment works in new installation technology in view of reducing specific consumption and enhancing product quality ;
- performing investment works to achieve the conformity program agreed upon with the environment agency ;
- operation of the company above the minimum cut-off rate by applying a commercial policy which would ensure a rhythmical supply, and sale increase on the domestic market and promotion of product for exporting.

(43) Through its strategy, SC LETEA SA Bacau seeks to maintain its strong points, mainly the fact that it is the sole domestic producer of newspaper and that it has a group of specialists and a production tradition of over 100 years.

(44) SC LETEA SA Bacau did not benefit from other aids of rescue and/or restructuring.

(45) The analysis of the measure was made in accordance with the criteria of aid granting under the Regulation on aid to rescue and restructuring firms in difficulty.

5.1. Eligibility of SC LETEA SA – firm in difficulty

(46) The reasons why we established that SC LETEA SA Bacau is eligible to receive aid for restructuring, as a firm in difficulty, are:

a) *Decrease of turnover*

Table no. 9

- thousand ROL-

	2000	2001	2002	2003
turnover	564,721,384	757,898,379	706,411,576	690,046,321
turnover in comparable prices 2000	564,721,384	582,123,776	460,241,959	393,538,599

Source: AVAS

Analyzing the turnover evolution in comparable prices in 2000, we find out that it had a downward trend as of 2001, and the 2003 turnover was around 70% from the one in 2000.

b) *Increase of inventory stock*

Table no. 10

- thousand ROL-

	2000	2001	2002	2003
Stocks	63,913,183	92,185,634	116,678,867	192,029,199

Source: AVAS

Table 10 shows that stock recorded an upward trend, increasing three times in 2003 compared to 2000. under these circumstances, the company situation is critical due to the restraint of the domestic market and to the increase of importing volume, and to the un rhythmical activity, shown by the stock speed of rotation of 100 days in 2003.

c) *Results from operation*

Table no. 11

- thousand ROL-

	2000	2001	2002	2003
Incomes from operation	580,614,523	775,128,829	712,313,259	826,326,100
Expenses for operation	504,000,996	835,434,859	848,872,855	861,663,501
Result from operation	+76,613,527	-60,306,030	-136,559,595	-35,337,401

Source: AVAS

The analysis of the company production and sale activities show that, although production volume increased, except for 2002, the increase rhythm of expenses is higher, so that the results from operation is loss.

d) *Evolution of net result*

Table no. 12 - thousand ROL-

	2000	2001	2002	2003
net result	-99,964,547	-71,732,984	-145,896,924	-47,179,525

Source: AVAS

We ascertain that on the whole period of analysis, the trading company recorded losses. The year 2003 ended with a loss three times lower than in 2002, as the company made efforts to re-gain supply markets.

e) *Evolution of the volume of debts*

Table no. 13 - thousand ROL-

	2000	2001	2002	2003
Total debts	597,594,720	675,728,086	825,041,025	449,227,845
Own capitals	-67,088,340	-217,825,369	-363,595,039	96,940,737

Source: AVAS

The debts of the company had in 2000-2002 an upward trend which had a negative influence on the company's own capital. This evolution show a worsening of the company situation since its capitals were unable to generate profit, but the situation changes as of 2003 when the volume of total debts substantially reduces compared to 2002, which makes it that the company registers positive own capitals in the accounting.

f) *Gross operation margin*

Table no. 14 - thousand ROL-

	2000	2001	2002	2003
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Result from operation	+76,613,527	-60,306,030	-136,559,595	-35,337,401
Turnover	564,721,384	757,898,379	706,411,576	690,046,321
Gross operation margin	13.56	-7.96	19.33	-5.12

Source: AVAS

The analysis of this index show that as of 2001 it had negative values, which proves that the company was not even able to recover its own expenses.

g) Excess production capacity

On the newspaper paper market there is a production overcapacity as the existing production capacity arrives at 100,000 tons/year, and the demand expressed by the paper consumption in 2003 was of 73,469 tons. We mention that the only producer of newspaper paper in Romania is S.C. LETEA S.A. Bacau.

(47) At the end of 2003, the company reached a difficult financial situation. The high level of indebteding to the state budget and the financing banks would not have allowed an amortization of the economic situation in the following period, given the risk that SC LETEA SA Bacau may break down and even go bankrupt.

5.2. Group membership

(48) Under Article 2 (5) of the Regulation, a company belonging to a group is not, under normal circumstances, eligible to receive rescue and restructuring aid, except for the case it can be shows that the company's difficulties are its own and are not the result of an arbitrary cost allocation within the group, and that the difficulties are not too serious to be solved by the group.

(49) The majority shareholder and the group it is part of don't have the financial capacity to cover from their own resources the losses of SC LETEA SA Bacau, as , according to the facts declared in the state aid's notification form, and in the information submitted in its completion, all the available resources of the main shareholder are allocated for funding the investment program of re-technology and environment, program assumed by the privatization contract.

(50) [...] ¹²

(51) The company's difficulties do not arise from arbitrary cost allocation within the group, but are the effect of the economical results from the years prior to the sale of the controlling interest.

5.3. Restoring company viability

(52) The restructuring program of S.C. LETEA S.A. Bacau describes the circumstances leading to the appearance of the difficulties the company is confronted with and, taking into consideration the present situation on the newspaper paper market, as well as the expected situation for the newspaper paper demand, it proposes a number of measures to reinvigorate the company on long term, in a reasonably time period, namely 5 years.

(53) The SC. LETEA S.A. Bacau's strategy follows to preserve the strengths, respectively the quality of sole domestic producer of newspaper paper and the existence of a specialists' team and of a tradition in production of over 100 years, and, in the same time, follows the limitation of the weaknesses, respectively the raw materials' deficit (wood, scrap paper) and the competition of the paper importers.

(54) Immediately after the company's taking over, the new majority shareholder made efforts to conduct all the company's financial resources towards the raw materials and utilities' suppliers, in order to insure the continuity of the production process. In the post privatization period, payments in amount of ROL 1,038 bill. were made towards the utility suppliers,

¹² confidential data

from which towards SC ELECTRICA SA - ROL 222 bill. and towards SC DISTRIGAZ SA – ROL 127 bill.

(55) Implementing the restructuring program had as main objective first the drastically reduction of the losses and an operational equilibrium, in the perspective of obtaining profit especially from the exploiting activity, and subsequent, for all the activity. The first signs regarding the company adapting to the new demands started to show at the end of the year 2003, ended by the company with a loss three times smaller than the previous year.

(56) As a result of the implementation of the restructuring program, it is aimed to ensure the company viability through:

- improving the economical and financial indexes, product quality and reducing specific consumption;
- decreasing the consumption of raw material, materials, natural gas and electric energy;
- reducing technological losses;
- applying commercial policy which would ensure a rhythmical supply, and sale increase on the domestic market and promotion of product for exporting;
- including the requested environmental measures and reducing the pollution in the area.

(57) [...] ¹³

(58) [...] ¹⁴

5.4. Avoid significant distortion of competition

(59) By granting of the aid and the application of the restructuring program of SC LETEA SA Bacau, the relevant market structure does not have anticompetitive effects, since this operation has as an aim the increase of company economic

¹³ confidential data

¹⁴ confidential data

efficiency by reducing production costs, and does not lead to a surplus of liquidities which may be used in aggressive actions distorting of competition on the market, with no connection to the restructuring process.

(60) On the newspaper market, SC LETEA SA holds a market share of 58.7% in 2003, it is the only domestic producer; competition comes from imports with an upward trend. On the sanitary paper market, the market share held is small, mainly 1.4/% in 2003.

(61) The state aid will be used only for return to viability, not allowing the beneficiary, while applying the restructuring plan, to extend its production capacity.

(62) [...] ¹⁵

5.5. Aid limited to the minimum

(63) The assessment of the difficult economical – financial situation the company was confronted with in 2002 showed that, in order to remain in the economical cycle and for returning to viability, it is necessary its privatization as well as the granting of a restructuring state aid by the granting of facilities. By granting the state aid, the company shall be released by the payment of historical debts which will allow it to become eligible at crediting.

(64) The restructuring program is financed from the buyer's own resources, company resources and state aid, which proves the fact that the aid value is reduced to the minimum necessary because the planned progress must be finalized under the operation circumstances proposed by the company as aid beneficiary.

¹⁵ confidential data

(65) Previous to the granting of the state aid the beneficiary assessed all funding possibilities for the restructuring program. Therefore, it was tried the contracting of credits, but it wasn't possible, as the company was indebted. In the same time, for contributing to the restructuring program, the beneficiary shall go to sales and loans of assets not relating to the main activity object, measures which are part from the organizational restructuring of the company.

(66) SC LETEA SA Bacau's contribution to implementing the measures in the restructuring program stand for 26.7% of the total financial effort. The aid requested amounting at ROL776,766 million relieves the company from payment of debts allowing it to become eligible for credit, thus being limited to the minimum necessary.

5.6. Aid intensity and restructuring cost

(67) The amount and intensity of aid must be strictly limited to the level of performance of the restructuring program objectives (reaching viability).

(68) [...] ¹⁶

(69) The aid intensity, calculated as a ratio between the aid value and the restructuring cost amounts at 73.3%.

(70) The Competition Council registers that the beneficiary company is situated in the development region North –East in which it is registered one of the higher unemployment rate in Romania. Maintaining SC LETEA SA's activity insures the jobs for approx. 800 employees and subsisting means for their families. In the same time, indirectly, it insures the jobs for over 120 commercial partners in the supplying and sale activity.

¹⁶ confidential data

5.7. First time last time principle

(71) SC LETEA SA Bacau did not receive any other restructuring aid, and thus provisions of Art. 18 of the Regulation are observed, which reads that restructuring aid must be granted only one time.

5.8. Monitoring and annual reporting

(72) Under Art. 17 of the Regulation, the Competition Council monitors on a constant basis the implementation of the restructuring program, seeking that it does observe the objectives that were set.

(73) The Competition Council shall monitor the implementation of the restructuring program until the end of the restructuring period in order to make sure that there will be no increases of the production capacity, major deviations from achieving the restructuring measures and that the aid shall not lead to additional liquidities which may be used for activities other than the ones in the restructuring program.

6. CONCLUSION

(74) Given the above arguments, the Competition Council ascertains that the individual aid intended to be granted to SC LETEA SA Bacau is compatible with a normal competitive environment and does not significantly affect trade with European Union member states.

DECIDES

Art. 1. The measure notified by the Authority for State Asset Valuation for SC LETEA SA Bacau constitutes state aid for the purposes of Article 2 of Law 143/1999, amended and completed by Law 603/2003 and by Go 94/2004 on regulation of financial measures.

Art. 2. Under Article 12 par. 2 section (c), read in conjunction with Article 14 par. 1 section (f) of Law 143/1999, with subsequent amendments and completions, we authorize the state aid for restructuring which is about to be granted to SC LETEA SA Bacau, provided that the conditions under Articles 3 and 4 of this decision are met.

Art. 3. The company is bound to implement in whole the restructuring program to which it committed.

Art. 4. The company shall reduce its production capacity for newspaper paper with 30% respectively with 30,000 tons/year.

Art. 5. In the case of unfulfilment of the conditions imposed by the present decision are not met, will be applied the provisions of art. 13 in the Law nr. 143/1999 on the state aid, with the subsequent modifications and completions.

Art.6. The value of the state aid which is to be granted is 776,765,926,622 ROL.

Art. 7. This Decision is applicable as of the date it is communicated.

Art. 8. Under Article 24 of Law 143/1999, with subsequent modifications and completions, the Authority for State Asset Valuation shall convey to the Competition Council information on the state aid granted, in order to inventory and to monitor it. Also, the Authority for State Asset Valuation shall convey to the Competition Council annual reports regarding the implementation of the restructuring program. The first report shall be conveyed within 6 months as of the

enacting of the decision. The following reports will have to show that the undertaking fulfilled the compensatory measures regarding the production capacity reduction imposed by the present decision.

Art. 9. According to the provisions of art. 29 of the Law no. 143/1999 on state aid, with subsequent amendments and completions, the present Decision may be appealed by concerned persons before the Bucharest Court of Appeal, the Administrative Section.

Art. 10. The present Decision shall be communicated by the Secretariat-General of the Competition Council to:

- the Authority for State Asset Valuation, st. Cpt. Av. Alexandru Serbanescu, no. 50, sector 1, Bucuresti;
- S.C. LETEA S.A. Bacau, str. Letea no. 17, Bacau, judetul Bacau, cod postal 5500.

Art. 11. The Secretariat-General and the Directorate for State Aid Authorization of the Competition Council shall pursue the fulfillment of the present Decision.

PRESIDENT
MIHAI BERINDE