

**DECISION OF THE COMPETITION COUNCIL
NO. 308 OF 15.11.2004
ON THE STATE AID AUTHORIZATION FOR
S.C. U.S.G. S.A. RAMNICU VALCEA**

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 and by Government Ordinance no. 94/2004 on the regulation of some financial measures;

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 rescue and restructuring firms in difficulty, published in the Romanian Official Gazette, Part I, no. 470 of 2.07.2002, with subsequent amendments and completions,

On the following grounds:

1. DESCRIPTION OF THE LEGAL FRAMEWORK

1.1. LEGAL BASIS FOR THE GRANT OF THE STATE AID

(1) The individual State aid to be granted to S.C. UZINELE SODICE GOVORA S.A. Ramnicu Valcea under the Law no. 137/2002 on certain measures for speeding up the privatization, with subsequent amendments and completions, GD no. 577/2002 regarding the approval of Methodological Norms for the application of G.E.O. no. 88/1997, regarding private companies privatization, with subsequent amendments and completions, GD no.1105/09.11.2000, regarding the Privatization Strategy of SC "Uzinele Sodice Govora" S.A. Rm. Valcea, GD no.1249/2003 regarding the approval of the list of companies under APAPS portfolio, companies benefiting of the provisions of GEO no. 8/2003 regarding the stimulation of the restructuring process, reorganization and privatization of certain national companies and trading companies where the state is a major shareholder and GD no. 1284/2003 regarding certain measures for regulating the effects of debts conversion of certain trading companies into shares to utility suppliers.

1.2. NOTIFICATION PROCEDURE

(2) By note no. VP₃/457/29,04,2004, registered at the Competition Council as no. RS-AS 52/30,04,2004, the Authority for Privatization and Management of State Ownership (subsequently become the Authority to Value State Assets - AVAS) notified, under art. 6 and art. 14 let. (e) of the Law no. 143/1999 on State aid, amended and completed by Law no. 603/2003, hereinafer the Law, the intention to grant individual State aid for restructuring S.C. UZINELE SODICE GOVORA S.A. Ramnicu Valcea.

(3) By note no. DCS/738/08,06,2004 submitted by AVAS and registered at the Competition Council as no. RG/3059/08,06,2004, the information contained in notification was supplemented with data regarding the Restructuring Plan of the company and effects to be achieved after its implementation.

(4) It was decided to open an investigation since, after the analysis of the file submitted by AVAS it was noticed that there are doubts regarding the compatibility with the legislation in force, being therefore doubts regarding the observance of the provisions of the Regulation on State aid for rescue and restructuring firms in difficulty.

(5) The investigation, having as subject the analysis of the State aid measures to be granted to SC UZINELE SODICE GOVORA SA Ramnicu Valcea, has been open by Order of the Competition Council's President no.180/08,07,2004, its results being presented below.

1.3. PRIVATIZATION PROCESS

(6) In compliance with the provisions of GD no. 1105/2000, regarding the privatization strategy for SC "Uzinele Sodice Govora" - S.A. Râmnicu Vâlcea, included in the "Privatization of 50 trading companies where the state is a major shareholder, grouped in packages", of PSAL (Private Sector Adjustment Loan), the State Ownership Fund (further

became APAPS respectively AVAS) has been entrusted to sell the majority share package, representing 70.5483% of the registered capital, to a strategic investor/ consortia of investors.

(7) APAPS established as prerequisite to participate at the auction, the probation by concerned offerors of the fulfilment of the pre-qualification criteria provided for in the Newspaper Advertisement and Presentation Dossier, namely „experience in producing and trading chemical products such those made by SC Uzinele Sodice Govora SA Ramnicu Valcea, or complementary products”.

(8) From the companies participating at the auction organised by APAPS, BEGA COM acquired the control share package of USG.

(9) The transfer of the ownership right over shares was made on 09,05,2003.

(10) The USG selling-buying contract stipulates the suspensive clause regarding the submission of all the necessary diligence to the Ministry of Public Finances and Ministry of Industry and Resources in order to grant to USG the facilities stipulated under art.19 of Law no. 137/2002, with subsequent amendments and completions. For this purpose, the selling-buying contract closed between BEGACOM and APAPS was completed with the Additional Act, with mentions regarding the conversion into shares of debts had by USG at the privatization moment and their being bought by the acquirer.

(11) It is to be mention that, at the date the auction was organized, besides the companies of the BEGA Group, there was no other company, Romanian or foreign, interested in its privatization.

(12) The economic concentration made by acquiring control by S.C. BEGA COM S.A over S.C. UZINELE SODICE GOVORA S.A. was notified to the Competition Council and authorised by Decision no. 36/2004.

2. THE BENEFICIARY OF THE STATE AID MEASURES

(13) The beneficiary of the financial measures granted by the State is S.C. U.S.G. S.A. Ramnicu Valcea.

(14) S.C. U.S.G. S.A. Râmnicu Vâlcea is the former Plant of Soda Products Govora, established in 1959. In 1991, the company became, according to the Romanian laws, a joint-stock company, with headquarters in Ramnicu Valcea, registered at the Trade Register under no. J38/250/1991, with Registration Code no. 1467188, fiscal attribute R.

(15) At the date the selling-buying contract was signed, S.C. UZINELE SODICE GOVORA S.A. Ramnicu Valcea had a registered capital of ROL 365,108,525 thousands, breakdown in 14,604,341 shares with nominal value of ROL 25,000.

(16) Before signing the selling-buying contract, the structure of S.C. Uzinele Sodice Govora S.A. shareholding, at 16,10,2002, was the following:

Table no. 1

SHAREHOLDERS	CAPITAL	
	Number of shares	Weight in registered capital (%)
APAPS	5,627,879	38.531
AVAB	6,627,262	45.383
SIF Oltenia	988,338	6.767
Legal persons	498,035	3.410
Natural persons	862,827	5.908
Total	14,604,341	100.000

Source: AVAS

From the table below, it results that, at that date, 45.383% of shares was hold by AVAB, showing a disastrous financial situation – closed to bankruptcy – of S.C. U.S.G. S.A. Ramnicu Valcea.

(17) After the transfer of the share ownership right, made on 09,05,2003, the structure of S.C. Uzinele Sodice Govora S.A. shareholding was the following:

Table no. 2

SHAREHOLDERS	CAPITAL	
	Number of shares	Weight in registered capital (%)
BegaCom SA	12,255,141	83.9144
APAPS	988,338	6.7674
Legal persons	493,043	3.3760
Natural persons	867,819	5.9422
Total	14,604,341	100.0000

Source: AVAS

(18) In compliance with G.D. no. 1284/2003 regarding some measures for regulating the effects of debts conversion into shares from certain companies to suppliers of utilities, in March 2004, this conversion was carried out in June 2004, therefore, on 14,07,2004 the registered capital of S.C. U.S.G. S.A., in amount of ROL 825,668,200,000 was structured as follows:

Table no. 3

shareholder	Number of shares	Percent
CET Govora SA	17,059,281	51.653
Begacom SA	12,644,364	38.285
AVAS	988,338	2.993
Distrigaz Sud SA	760,418	2.302
FDFEE Electrica Oltenia SA	213,465	0.646
Others	1,360,862	4.121
TOTAL	33,026,728	100

Source: AVAS

(19) The main activity object of the company consists in producing and trading soda products and their derivates (soft soda ash, dens soda, silicate of sodium, molecular sieve, and sulphuric sodium). Besides these, the company produces other products, such as: sulphuric natrium, colour granules, detergents etc.

(20) Besides the main activity object, the company sporadically undertakes the following activities: research-development, urbanism plans, enginery, tests and technical analysis, depending on the necessities.

(21) S.C. U.S.G. S.A. undertakes the main production activity in two plants (Plant no. 2 put into function in 1959 and Plant no. 3 put into function in 1970), with the same profile in production departments for soda derivates (silicates, molecular sieve, sulphuric sodium, detergents etc.).

(22) The economic and financial results based on the balance sheets for the last 4 years are the following:

Table no. 4

Turnover (ROL thousands)			
2000	2001	2002	2003
633,800,916	983,530,482	1,095,271,956	992,415,341
Turnover on Romanian market (ROL thousands)			
2000	2001	2002	2003
452,419,623	647,865,396	620,629,388	373,388,724

Source: AVAS

(23) From the analysis of the total turnover achieved by the company, it is noticed its almost constant level during 2001 - 2003. Between 2000 and 2002, the company produced especially for the internal market, the turnover on the Romanian market representing 71.4% of the total turnover in 2000, 65.8% in 2001 and 56.7% in 2002.

(24) The evolution of losses recorded by S.C. UZINELE SODICE GOVORA S.A. is presented below:

Table no. 5

Profit (+)/losses (-) (ROL thousands)				
1999	2000	2001	2002	2003
-255,492,555	-344,958,089	-267,720,749	-414,746,754	-223,076,690

Source: AVAS

(25) The company could not recover during the economic and financial exercise of 2003, due to the high volume of commercial and budgetary debts that must have been paid, and that the new owner requested, before implementing the assumed measures, a diagnostic analysis of the company based on which to undertake the appropriate measures.

(26) It is noticed that at the moment of privatization, the company had to recover a loss afferent to 1999-2002 in total quantum of ROL 1,282,918,147 thousands. However,

following the efforts made by the company for re-gaining the markets and re-establishing the portfolio of clients, the loss afferent to 2003 (privatisation year S.C. UZINELE SODICE GOVORA S.A.) represent 53% of that afferent to the previos year.

(27) S.C. Uzinele Sodice Govora S.A. produces and commercialises calcinate soda (monohydrated soft and heavy), silicate of sodium (liquid and solide), sulphuric sodium (liquid and solide), detergents, industrial lime (bolus), and molecular sieves. All these products, excepting calcinate soda and silicate of sodium are commercialised on the internal market.

(28) Analysing the internal market trends, it is noticed, beginning with 2002, a decrease tendency of the volume of calcinate soda seals on the internal market, due to an accelerate increase of prices for raw materials. It is estimated that this decrease will continue until 2005.

3. RELEVANT MARKETS ON WHICH THE STATE AID BENEFICIARY ACTIVATES

a. calcinate soda market

(29) The sales of soda products (soft and dense calcinate soda) represents about 80% of the total turnover of S.C. U.S.G. S.A. this is, therefore the main commercialised product, with several use in industries such as: glass industry, detergents and soaps industry, cellulose ans paper industry, chemical industry, metalurgic industry etc. the development degree of industries consumers of calcinate soda depends on the development degree of the entire economy and is reflectes in the people's living standards.

- internal market

(30) After 1990, due to the negative evolution of the entire economy, the demand for calcinate soda on the internal market had a decrease from 340,000 tones in 1990 to 105,000 tones in 2000, registering then an increase up to 125,000 tones, being around the same value of the next year, respectively 126,000 tones in 2002 and decreasing againg to 115,000 tones in 2003, due to the intention of Solvay Group, to enter on the internal market, through the Bulgarian Plant, which was the main supplier of Stirom Bucuresti si UNILEVER Ploiesti. This situation lead to the necessity to re-target the seals to export markets.

Table no. 6 [...]¹

(31) On the internal market, the most important criteria took into consideration by consumers is the price, most undertakings could use in production flows calcinate soda of low quality (calcinate soda 1st quality or superior quality) but at lower price.

(32) The price evolution on internal market had an increase trend, due to the spectacular raise registered at raw materials and utilities price, but trying to maintain acceptable level for consumers. This evolution was not the only one, because, at international level, during the

¹ Confidential data

last months there were registered the same increases for calcinate soda. For the analysed period, there was the influence of EURO, that had a lower rate in comparison with USD, then registering an increase trend, even accelerated in the last year.

(33) – (36) [...] ²

(37) As regards product quality, the calcinate soda produced by USG is superior than that of UPSOM, the percentage of Na₂CO₃ in soda produced by USG being of 99.2 % in comparison with 99% at UPSOM, the maximum percentage of Cl being of 0.3% in comparison with 0.6% at UPSOM, and the percentage of substances insoluble in water is of 0.08% in comparison with 0.12 % at UPSOM.

(38) – (39) [...] ³

- European market

(40) USG has a strong competition on the external market, from UPSOM and other big producers such as SOLVAY (which have plants in Italy, France, Germany, Spain, Portugal, Bulgaria), the association of Polish producers CIECH, turkey producers, Harris Group (with plants in France and Germany) and producers from Ukraine and Russia which are trying to gain an external market. Another strong competitor is ANSAC (American exporter), which has prices lower than that charged by European producers.

(41) At present, SC USG SA exports in the following European States:

- ITALY - with a market share of 5% ;
- TURKEY – the market share cannot be estimated since the exact dimension off the market is not known – every year certain consumers are eliminated from the market and new consumers enter on the market. 23,799 tones have been sold in 2003;
- SPAIN - with a market share of 5%;
- CEHIA - with a market share of 2%;
- HUNGARY - with a market share of 5% (for 2004, it is estimated a market share of 2%);
- GREECE – information regarding its market share are not available but the quantities are very small (in 2003 – 980 tones) ;

As regards exports to Yugoslavia, in 2003 USG exported 16,580 tones, representing a market share of 15%, because the internal capacity of Lucavak will be put into function, for 2004, the sales will not exceed 170 tones.

(42) Consequently, the market share of S.C. UZINELE SODICE GOVORA S.A. on European market is small, between 2% and 5%.

(43) S.C. Uzinele Sodice Govora is an insignificant producer on international market of calcinate soda, with a market share of about 0.72%. The main foreign customers are Govcrest

² Confidential data

³ Confidential data

Int SRL Bucuresti, Novadim Romania SRL, Sepulchare Luxemburg, Bige Holding Ungaria, and Noyexim Turcia.

b. Silicate of sodium market

(44) On internal market, this product is sold under liquid form. The market evolution is strongly influenced by the increase of detergents production, because the liquid silicate represents an essential raw material for obtaining detergents. The sales of silicate of sodium afferent to 2003 were in amount of 9,871.25 tones.

(45) On external market, USG is not well present at the moment, since only one production capacity operates, which supplies only the internal market, and the orders from exterior could not be covered by the second production capacity.

(46) On European market, S.C. U.S.G. S.A. sold silicate of sodium in Bulgaria (1,214.5 tones in 2003) with a market share of 4.8%.

c. sodium sulphurate market

(47) Sodium sulphurate, liquid and solid (as flocks) is relative new, being produced by S.C. U.S.G. S.A. since 1995.

(48) These products are used as depilation agent when processing skins in toweries, obtaining heavy water for nuclear industry, as floating agent when extracting nonferrous metals, and in galvanic baths where metals such nickel, cadmium and chrome are deposited, obtaining calcinate soda, as passivator for machines and technological flows, USG being thus the only consumer of liquid sulphurate.

(49) The sales in 2003 were in amount of 93.61 tones, achieved entirely on Romanian market. The market share of the company cannot be estimated because the competition is very strong, part of it being represented by small firms producing skins.

d. detergents market

(50) USG produces detergents since 1991, when entered on the market with products achieved by own research: Sonogo brand (pre-washing and cleaning products) and detergents paste.

(51) In 1997 it was purchased and put into operation an installation for producing detergents with high volumetric weight, imported from Italy, used at producing Aris detergents. In the beginning, the market share had an ascendant trend, U.S.G. being already known as detergents producer, reaching in 2000 a market share of 5%, a satisfactory position taking into account the strong competition from multinational companies that already purchased production capacities in Romania (Unilever at Ploiesti and P&G at Timisoara) and which benefited from financing for advertisement.

(52) The advantage of USG within this competition, was that two of its major components used in producing detergents: calcinate soda and silicate of sodium were produced within the company. By a serious management error, in 2000, it was decided to stop the national distribution, without an alternative for staying on the market, and the consequence was a serious decrease of sales, leading to the closure of detergent plant in 2003, situation still existing in present.

(53) On the Romanian market, the main producers are Unilever and P&G which are leaders on the market, being followed by Henkel, which produces detergents in Hungary. These 3 companies have a market share of about 85-90%. Besides these, there are small producers covering about 0.4% of the market, the rest being imports from Bulgaria, Greece, Hungary, Poland, Yugoslavia and especially Turkey. The sales afferent to the first semester of 2004 registered 5.6 tones.

e. industrial lime (particles)

(54) The industrial lime is produced by USG in order to be used when producing calcinate soda through Solvay chemical procedure. Most of it is being used for internal purpose, and within the existing production capacity, for about 60,000 tonnes/year is sold to OLTCHIM Rm.Valcea.

f. molecular sieves

(55) The molecular sieves used especially in petro-chemical industry to split and refine n-parafines, to dry the pyrolysis gases and drill gas, to split the carbone dioxide from the air, to dry the air.

(56) Until 1990, U.S.G. was the only producer on Romanian market, the imports not being allowed. The market dimension was of 1200-1500 tones/year. After this year, a serious fall down of the production capacities was registered, the market being practically non-existent, the only users remaining the plants which produced oxygene. Starting with 1995, imports started to be made, the former customers of USG making use of them, as they were more attractive from their point of view.

4. FINANCIAL SUPPORT MEASURES GRANTED BY STATE FOR RESTRUCTURING S.C. U.S.G. S.A. RAMNICU VALCEA

(57) At the privatization moment, the company needed a financial restructuring for a normal functioning, this in addition to the obligations assumed by buyer in the contract.

(58) – (59) [...]⁴

(60) Consequently, the total amount of financial support by which benefits SC UZINELE SODICE GOVORA SA is of 1,161,405,441,829 ROL.

⁴ Confidential data

5. RESTRUCTURING PROGRAM

(61) The State aid is granted for restructuring S.C. U.S.G. S.A. Ramnicu Valcea and for making it viable.

(62) S.C. U.S.G. S.A. grounded a substantial restructuring program for the period 2003-2008, that comprises measures on technical and technological, organizational restructuring, environment investments and financial restructuring, measures that need a financial effort estimated at 1,728.36 billion ROL

(63) – (65) [...] ⁵

(66) By the restructuring program worked out for the period 2003-2008, the company has realistically calculated the financing sources of restructuring for the next period, based on own sources and commitments assumed by buyer by signing shares selling-buying contract in technologic investments necessary for company and environment investments.

(67) The restructuring program comprises measures on technical and technological, organizational restructuring, environment investments and financial restructuring, measures that need a financial effort estimated at 1,728.36 billion ROL.

(68) The measures comprised in the restructuring and financial recovering program and the effects obtained after their implementation will be presented in the next lines.

A. organisational measures, consisting of:

- closure and laying up of Caustica I and Caustica II Sections
 - the operation is dictated by the technological factors (high specific consumptions) and competitive market, being used another procedure to obtain caustic soda (electrolysis) at lower prices;
 - the measure will generate financial sources by recovering metallic waste (ROL 36.7 billion of which ROL 8.3 billion in anul 2004) that may be used to reimburse the credits and eliminate the preserving costs;
 - the cost for implementing the measure is of ROL 6.7 billion being financed through the contribution of the State aid beneficiary;

B. measures for technique and technological restructuring, financing source being the contribution of the State aid beneficiary, consisting of:

- modernisation of 3 ovens by using superior thermal bricks produced by Real Pleasa
 - REAL PLEASA S.A. produces high-aluminous refractory bricks RD 82 (care poate inlocui caramida 45 A – CV 6) at price of 16,724,000 ROL/t ; the life time of the oven built up with this type of brick is about 7.5 years (in present, the life time of an oven is about 2.5 years) ;
 - in order to function at total capacity, 3 ovens are necessary; it is proposed to modernise 3 ovens, 1 pieces/year;

⁵ Confidential data

- the measure is generated by the need to prolong the life time of ovens and reduce the repair costs, resulting thus savings of 4 billion ROL/year;
- the cost for implementing the measure is of ROL 14.1 billion;
- replacement of cast-iron pipes with inox-titan pipes at heat switchers from technological installations
 - the actual system for filter leach pre-heating in RHCD is inefficient because of the high costs for repair and maintainance and the deficient transfer made. The role of this machines is to recover the heat from RHSB gases in order to reduce the steam consumption;
 - this operation is generated by the increase of termal transfer efficiency and reduction of steam consumption, resulting thus a loss diminuation of ROL 13.8 billion/year;
 - the cost for implementing the measure is of ROL 25 billion;
- modernisation of hydrotransport by replacing the wear pumps with modern pumps with high productivity
 - the measure aims at a better cooling of recycled water and diminuation of purchased water flow, obtaining a reduced electric power consumption, in direct relation with the functioning regime of the pump;
 - this operation aims at reducing the cost for gross water and cost with electric ower, resulting a loss diminuation of ROL 4.6 billion;
 - the cost for implementing the measure is of ROL 18 billion;
- installing a tape filter for filtrating sodium bicarbonate
 - by installing a high capacity filter (900 to/day) in order to improve the quality of sodium bicarbonate, high performances in the filtering and distilating process will be obtained, with positive influences in calcinating process. The installation of this filter needs large space and imposes the total modification of the actual distribution system BSB ;
 - the measure is imposed due to the low consumption of combustibile at calcination, increase of calnicater equipments fiability and increase of product quality;
 - it will result a loss diminuation in amount of ROL 12 billion /year;
 - the cost for implementing the measure is of ROL 18 billion;
- installing the second steam calcinator of 600 to/day calcinate soda
 - the investment aims at re-technology the calcinate of sodium bicarbonate process by using high capacity calcinator, with steam as thermal agent;
 - by implementing the measure it aims at the reduction of electic power consumption of the calcinator, reduction of Section cost (maintainance and repairs), increase the calcinator gas concentration with reduction of electric power consumption when comprising gas, reduction of specific consumption for raw materials, improving the quality of sodium bicarbonate crystals obtained in carbonating column, increase labour productivity by complete automatisation of the installation; thus, an extra profit of ROL 12.07 billion/year will be recorded;
 - the cost for implementing the measure is of ROL 131 billion;

- introducing process computers for surveying and conducting the technological process for calcinate soda
 - by measure implementation it is have in view the surveillance and efficient function of technological processes, optimization of production flows, reduction of personnel;
 - the cost for implementing the measure is of ROL 3 billion;
 - the effect of this measure consists in loss reduction in value of ROL 3 billion/year;
- PS equipment for surveying – command of technological process at Monohydrate installation
 - the surveyance – command of technological process at the installation of heavy soda production by Monohydrate procedure is achieved with process computers. The new generation of computers is no longer compatible with the older one and their repair when needed is imposible due to the lack of spare parts;
- - it is have in view the reduction of repair costs, reduction of production losses (with about ROL 1 billion/year) as well as keeping into operation the Monohydrate installation;
 - the cost for implementing the measure is of ROL 1.4 billion;
- replacement of technological pipes with PVC coated pipes
 - the actual pipes afferent to technological track are made from cast-iron, frequent accidental stops take place due to their wear and their breaking. Their replacement with PVC coated pipes will eliminate all these problems;
 - reduction of raw material losses, increase of finite product quality, reduction of repair costs will be achieved, resulting a loss reduction of ROL 1 billion/year;
 - the cost for implementing the measure is of ROL 0.4 billion;
- purchasing portable arc-welding set
 - the arc-welding sets used in present are older, with high electric power consumption and are wear out. Due to the ageing of the winding and electronic components, during the last period, a number of 6 arc-welding sets have been damaged and their repair involves high costs;
 - by implementing the measure a reduction with 30% of the energy consumption will be achieved, giving the possibility to use these at height working areas, and a reduction of repair costs (in total ROL 0.5 billion/year) ;
 - the cost for implementing the measure is of ROL 0.3 billion;
- purchasing the BT CARGO motor-piler
 - the motor-pilers used to load soda in wagons are of older type with advanced wear;
 - by purchasing these two BT CARGO motor-pilers, the soda will be properly load in wagons, accidental stops will be eliminated, the cost for raw materials necessary to older motor-pilers will be reduced and cost for wagon standing (loss reduction of ROL 0.5billion/year will be achieved);
 - the cost for implementing the measure is of ROL 2 billion;
- replacement of NC 200-500 pumps with efficient pumps
 - NC 200-500 pumps used in present are older and are wear out;

- the measure will generate the increase of pump functioning efficiency and reduction of costs for raw materials necessary to older pumps, resulting a loss reduction of ROL 1 billion/year;
- the cost for implementing the measure is of ROL 4 billion;
- purchasing new machines (bulldozers, tractors)
 - the necessity to implement the measure is due to the fact that the actual bulldozers and tractors used in production process by SC USG SA have high wear, high consumption of fuels and lubricants and reduced efficiency;
 - by purchasing these machines, the efficiency in function, reduction of costs for raw materials, elimination of interruption within the production process will be reached, resulting a loss reduction of ROL 2 billion/year;
 - the cost for implementing the measure is of ROL 12 billion;
- purchasing a new working station
 - the existing computers have not enough resources (memory, processors) as regards both the speed and the soft program installation;
 - the cost for implementing the measure is of ROL 3.4 billion, resulting a loss reduction of ROL 0.1 billion/year;
- Replacement of the existing ETHERNET network by optic fibre
 - the existing network of ETHERNET type, with external cables on thick coaxial cable and coaxial RG 58 cable, will be replaced by optic fibre ;
 - the necessity to implement the measure is imposed by the fact that the working speed on coaxial cable is smaller and by the fact that producers of « conectica » for the ETHERNET network do not produce any more the class of active elements for this type of network ;
 - the cost of implementing the measure is ROL 3.6 billion, so a reduction of the losses with ROL 0.1 billion/year will come out ;
- Modernisation of the installation of instrumental air
 - The present installation of instrumental air is old and operates with reduced efficiency, so the necessity of its replacement with the new generation of steam rollers with high efficiency is obvious ;
 - The effect of implementation consists of the reduction of the consumption of electricity, reduction of the expenses with reparations and the reduction of the production losses (ROL 0.5 billion/year) ;
 - The cost of implementing the measure is ROL 2 billion.
- Purchase of Monica steam rollers
 - The present Monica steam rollers are worn out, so the risk for the production process to be stopped is always present ;
 - The measure will have the effect that the steam roller will be more efficient and the specific consumption will be reduced with ROL 3 billion/year ;
 - The cost of implementing the measure is ROL 21.06 billion ;
- Purchase of a system of tele-administration of electricity

- The measurement of electricity is now only made in the 6 KV SRA plant. The measurement of electricity needs to be made by technological processes and big consumers and the transmission of this information needs to be made to a centralised following system.
 - The measure will have the effect that losses shall be reduced with approximately ROL 0.2 billion/year by ensuring the follow up of the electricity consumption by technological processes and big consumers and the reduction of the energy consumption by eliminating losses ;
 - The cost of implementing the measure is ROL 1 billion.
- Modernisation of the water supply network
 - The industrial waters and drinking water networks which supply the installations of S.C. U.S.G. S.A. are underground and due to their age frequently collapse and require costly repairing.
 - The measure will have the effect to reduce the losses of approximately ROL 1.3 billion/year by reducing the costs with reparings which only temporarily solve the technical incidents and by reducing the water consumption by eliminating losses ;
 - The cost of implementing the measure is ROL 10 billion.

C. Measures concerning environmental protection financed from the contribution of State aid beneficiary consist in:

- laying off the Storage pit no. 8 and the ecologizing the settlements
 - The appearance of negative phenomenon in the exploitation of the Storage pit no. 8 made this storage place unfeasible because of strong exfiltrations on the South-West side of storage;
 - this measure has been imposed by the National Administration “Romanian Water” by the “Phasing Program for carrying out the works for water protection in order to obtain the authorization for administer the water for SC USG SA” of 24,03,2004 and supposes the final closure of the Storage pit no.8 having 15.9 ha and covering the last earth stratum with corresponding slope for draining the rain water outside the basin.
 - the measure has as goal the natural draining of storage and will progressively push away the soluble salts;
 - the implementation cost of measure is of ROL 8.1 billion;
- repairing and slabbing the gutters on the entire area of 4 km afferent to slime Storage pit
 - in present this gutter is clogged up especially with slime drained from the billows of Storage pits, not having a slope necessary to drain the waters into retention basin; as a consequence, in order to avoid this phenomena as well as to avoid the waste deposit directly on the ground, it is necessary to slabbe the gutter with concrete slabs;

- this measure has been imposed by the National Administration “Romanian Water” by the “Phasing Program for carrying out the works for water protection in order to obtain the authorization for administer the water for SC USG SA” of 24,03,2004 and assumes the production of slab gutter with trapezoidal section on the entire area of slime storage pit, at the intersection of billows and dimensioned with the slope continuous to the retention basins;
- the purpose of the measure is represented by taking over the cleaned water, the water brought by the additional pipes from the draining systems, the one from eventual non-controlled exfiltration through billows, rain water or water from snow melting on billows as well as the avoidance from rain water to infiltrate in storage pits;
- The cost of implementing the measure is ROL 12.5 billion;
- modernisation of installation for supplying the silicate ovens
 - the supplying of silicate ovens is made with bands and transport means, without a correct dosage of the main components, the modernisation consists in producing a blender allowing also to eliminate particles from the environment;
 - by implementing the measure the supply with soda and sands of silicate ovens, reduction of material consumption and increase the product quality will be properly made;
 - The cost of implementing the measure is ROL 0.3 billion;
- maintaining into operation the slime storage pits
 - the slime storage pits of S.C. U.S.G. S.A. are framed, under STAS 4273/83, within class III of importance, having in view the consequences of their defection;
 - in order to ensure a safe function of slime storage pits it is necessary to carry out monitoring activities and to find alternatives for waste deposit in the future;
 - this measure needs several works and monitoring activities of slime storage pits, for their safe function and preventing ecologic disasters;
 - The cost of implementing the measure is ROL 55 billion;

*D [...]*⁶

E. Measures for financial restructuring:

- payment exemptions and staggering and the conversion into shares of debts due to utilities suppliers, as mentioned at (58),(59) and (60), measures that represent financial support granted by the State in order to make viable the company in amount of 1,161.4 billion ROL;
- payment of debts existing before privatization due to raw materials and utilities suppliers amounting 204.4 billion ROL, having as financing sources the own contribution of State aid beneficiary.

(69) [...]

⁶ Confidential data

⁷ Confidential data

(70) The restructuring program through financial restructuring component gives the possibility to the company to increase its cash- flows and to ensure a stable cash-flow, thus facilitating the financial activity. In this way the company could pay the current debts due to the State and allocate the necessary liquidities for scheduled investments and for development and sustaining the production program.

6. THE STATE AID CHARACTER OF FINANCIAL SUPPORT MEASURES GRANTED TO THE COMPANY

(71) The financial support measures are granted in view of restructuring SC USG SA Ramnicu Valcea, at its privatization, since the company has needed a financial restructuring for a normal functioning.

(72) These facilities consisting in giving up of some budgetary creditors (Ministry of Public Finance, Ministry of Economy and Commerce, Ministry of Labour, Social Solidarity and Family, National House of Health Insurance, Local Council of Ramnicu valcea) SC CET Govora Sa Ramnicu Valcea and APAPS to some revenues by granting facilities to payment of debts to them (write –offs and conversions of debts). The facilities are granted for making viable the company.

(73) By analyzing the financial support measures, the Competition Council noted that there are no doubts concerning the fact that the measures are financed by State resources and it offers an advantage to SC USG SA Ramnicu Valcea. Also, there are no doubts that the financial measures affect the commerce with the Member States as long as the obtained products of SC USG SA are sold also on external market.

(74) In conclusion, the financial support measures granted are considered State aids and fall under the provisions of the Law no. 143/1999 on State Aid, amended and completed by Law no. 603/2003 and by G. O. no. 94/2004 on regulating financial measures.

(75) The objective of state aid is the restructuring of SC USG SA Ramnicu Valcea in view of making the company viable at the end of restructuring period. In conclusion, the State aid must be analyzed according to the criteria of Regulation on State aid for rescuing and restructuring firm in difficulty.

(76) SC USG SA Ramnicu Valcea did not benefit anymore of State aid for Rescuing and/or Restructuring.

7. EVALUATION OF THE STATE AID MEASURES INTENDED TO BE GRANTED TO S.C. U.S.G. S.A. RAMNICU VALCEA

(77) The activity of S.C. UZINELE SODICE GOVORA S.A. was influenced by many factors that may be grouped in two categories:

- a) Internal causes:
 - Failure to adapt the functioning capacities to the sale possibilities;
 - Outrunning of the normed specific consumption;

- Lack of floating capital, which led to contracting credits with high banking interests.
- b) External causes, due to different concourses of events:
 - Severe diminution of the demand on the internal market;
 - Recession caused by the crisis in the Far East, which led to the diminution of the demand and of the prices on the external market;
 - Financial blockage of the Romanian economy.

(78) Among the most important causes which led to the difficult financial situation of the enterprise is the serious decrease of consumption on the internal market.

(79) Also, the lack of floating capital most necessary for the optimal functioning of the company lead to contracting credits with banks for which the interests, calculated since 1995 up to 2003, were ROL 159.6 billion for short-term credits, and ROL 109.1 billion for long-term credits.

(80) Following the high degree of deterioration and obsolescence of machinery and installations of the technological flow, a high consumption of electricity and raw materials is registered, which also results from the yearly outrunning of the normed consumption ; this asks for a big amount of environment investments and modernising, change of technology and optimisation of equipments and production installations.

(81) Considering all of the above, in 2003, the company had a share capital of ROL 365,108,525 thousand and an own negative capital of ROL 898,903,198 thousand, so that the company is sentenced on short or medium term to be out of the economic circuit, bearing all social consequences that would come therefrom (Valcea County has an unemployment rate of 10.9%, which is higher than the national unemployment rate, which is 7.6%).

(82) In the following years, after the company is taken over by Bega Com S.A. Group, by introducing new technologies and production equipments, the characteristics of the calcined soda will be improved and will meet the European standards, so that the company continue to use the export projects for developing the company and specialization of the staff.

(83) Thus, the grant of the aid will allow S.C. UZINELE SODICE GOVORA S.A. to achieve the restructuring program scheduled for 2003 – 2008, so that the maintenance of the activity and the recovery of business should be achieved by the company.

(84) The analysis of the notified measure was realized according to the criteria of granting the state aids provided under the Regulation on aid for rescue and restructuring firms in difficulty.

7.1. THE ELIGIBILITY OF S.C. U.S.G. S.A. RAMNICU VALCEA – COMPANY IN DIFFICULTY

(85) S.C. UZINELE SODICE GOVORA S.A. is a company in difficulty because it was confronted with a series of problems that negatively influenced the production and economic-financial activity.

(86) Thus, the company is in the situation that the loss of ROL 414,746,754 thousand registered in 2002 (the year before privatisation) be higher than the share capital (ROL 365,108,525 thousand).

(87) Taking into account the evolution of the main economic-financial indicators registered until 2003, the privatisation year, the following may be found out:

a) Diminution of the turnover

Table no. 9

- thousand ROL-

Indicator	2000	2001	2002	2003
Turnover	633,800,916	983,530,482	1,095,271,956	992,415,341
Turnover in comparable prices 2000	633,800,916	755,426,445	713,592,653	565,979,340

Source: AVAS

(88) By making an analysis in comparable prices, starting with 2001, a descending trend is registered, so that in 2003 74% of the volume of the turnover corresponding to 2001 was achieved and 79.3% of the turnover achieved in 2002.

b) Evolution of stocks

Table no. 10

- thousand ROL -

Indicator	2000	2001	2002	2003
Stocks	97,959,999	119,428,039	135,615,302	127,463,020

Source: AVAS

(89) From the analysis of balance sheets it is found out each year a progressive growth of the stocks, except for 2003, the year when the company was privatized, when these were reduced, still not significantly. The analysis of this indicator shows that the stocks of raw materials and finite products have an increasing weight, so that in 2002 they represent 96.7% of the total stocks.

c) Operating result

Table no. 11

- thousand ROL -

Indicator	2000	2001	2002	2003
Operating incomes	658,395,242	994,863,819	1,133,102,943	1,027,618,153
Operating expenses	772,041,432	1,204,911,765	1,472,011,184	1,212,498,843
Operating result	-113,646,190	-210,047,946	-338,908,241	-184,880,690

Source : AVAS

(90) From the analysis of the activity of production and sales of the company it can be found out that, even if between 2000 and 2002 the volume of incomes from operation increased, the rhythm of growth for the expenses is much bigger (even if, due to the efforts made by the company, a slight diminution is registered for 2003), so that, for the period under analysis,

the operation result is negative. Still, for 2003, a diminution by 45% of the operation loss, compared with 2002, is registered.

d) Evolution of the net result

Table no. 12

- thousand ROL -

Indicator	2000	2001	2002	2003
Net result of the exercise	-344,958,089	-267,720,749	-414,746,754	-223,076,690

Source : AVAS

(91) It is found out that during the whole period under analysis, the company registered losses whose maximum reached in 2002 over ROL 414 billion and minimum in 2003 of ROL 233 billion. Under these conditions, 2003 ended with a loss diminished by 50% compared with 2002, as the company made efforts to regain the lost sale markets.

e) Evolution of the volume of debts

Table no. 13

- thousand ROL-

	2000	2001	2002	2003
Total debts	977,365,144	1,276,493,050	1,560,537,458	1,685,393,511
Own capitals	-144,015,377	-411,736,126	-777,943,542	-898,903,198

Source : AVAS

(92) It is found out that the debts of the company registered an ascending trend, which negatively influenced the capitals of the company. This evolution indicates a worsening situation for S.C. UZINELE SODICE GOVORA S.A. due to the incapacity of the capitals to generate profit. It may be noticed that the company has own negative capitals whose value continuously diminished from ROL –144 billion in 2000 to approximately ROL –899 billion in 2003. As a result, the company cannot stand its own payment obligations (financial, commercial and fiscal).

f) Gross operation margin

Table nr. 14

- thousand ROL -

Indicator	2000	2001	2002	2003
Operating result	-113,646,190	-210,047,946	-338,908,241	-184,880,690
Turnover	633,800,916	983,530,482	1,095,271,956	992,415,341
Gross operating margin %	-17.93	-21.35	-30.94	-18.63

Source: AVAS

(93) From the analysis of the indicator « gross operating margin » it turns out that this one have negative results for the whole analyzed period, due to the negative operating results, which shows that the company did not succeed in recovering at least the expenses it made. In period 2000-2002 an ascending trend of the indicator is found out, followed by its diminution in 2003, the year when the company was privatized, following the efforts made by the company.

(94) The main economic-financial indicators of the company : the rate of the economic profitableness, profit rate, solvency of the patrimony, financial security, etc., comprising the following indicators: operating profit, net result of the exercise, own capitals, which registered negative values, that will have in turn negative values, proving the extremely poor economic-financial situation of the company.

g) Production overcapacity

(95) In the case of S.C. U.S.G. S.A., the company does not work at the capacity originally projected, as it will turn out also in paragraph (111).

(96) The calcined soda produced by calcination is a highly energy-consuming procedure ; the production price is not totally covered by the sale price. Starting with the 1990s, the market was invaded by sodium hydroxide obtained by electrolysis whose production price was much lower. As a result, in June 1993 the production of sodium hydroxide from the Soda plant no. 2 was stopped and in September 1997 the production of soda in Plant no. 3 was stopped, too.

(97) Due to the limitation of the sale market for the calcined soda and of the high stocks of finite product in September 1999, the production of Calcined soda in Plant no. 2 was stopped.

7.2. RESTORATION OF THE VIABILITY OF THE COMPANY

(98) The grant of state aid, corroborated with the actions envisaged by the restructuring program, that is the investments, reduction and severe monitoring of the costs, improving the efficiency of the operating activity, reorganisation of the compartments and improving the marketing activities, investments foreseen for the projects corresponding to the production and environment protection, will determine the growth of the economic efficiency of the activity of S.C. U.S.G. S.A.

(99) For the future, S.C. UZINELE SODICE GOVORA S.A. has the following targets:

- Implementation of modern management methods which will lead to raising economic-financial performances of the company;
- Achievement of investments for modernisation and purchase of new technologies (equipments, production installations);
- Improvement of the environment conditions and implementation of the Conformity Program negotiated with the Local Environment Agency;
- Improvement of the level of use of the production capacity.

(100) - Following the implementation of the restructuring program, the viability is intended to be ensured by:

- continuation of the production activities for the profitable products considering the demand on the market ;
- improvement of the economic-financial indicators and of the quality of the manufactured products ;
- diminution of the production costs and by this reaching competitive sale prices, leading to a surer and more diversified sale market ;
- taking the necessary measures for environment protection.

(101) – (103) [...] ⁸

7.3. COMPANY BELONGING TO A LARGER BUSINESS GROUP

(104) According to the provisions of Art. 2 paragraph (5) of the Regulation on state aid for rescue and restructuring firms in difficulty, a company belonging to a larger business group is normally not eligible for rescue and restructuring aid, except for the case when it can be proved that the difficulties of the company are its own and do not result from an arbitrary allocation of costs inside the group and that the difficulties are too serious to be dealt with within the group.

(105) Now, S.C. U.S.G. S.A. Ramnicu Valcea is part of the group of firms BEGA. The economic concentration was notified to the Competition Council and authorized from the point of view of effects on competition by Decision no. 36/2004.

(106) As we mentioned at paragraph (10), the selling-buying contract for the shares of USG stipulates the suspensive clause regarding the submission of all the necessary diligence to the Ministry of Public Finances and Ministry of Industry and Resources (in the present, Ministry of Economy and Commerce), in order to grant to USG the facilities stipulated under art.19 of Law no. 137/2002, with subsequent amendments and completions. This clause was afterwards transformed into a resolutive clause.

(107) In case of S.C. U.S.G. S.A., the difficulties of the firm do not come from arbitrary allocations of costs inside the group, but are its own, owed to the economic results obtained in the years previous to the sale of the majority block of shares. As it was demonstrated from the analysis that was done at point 7.1., at the moment when the company was privatized and even in present, the company is in a very difficult economic and financial situation, the shareholders not being able to cover on their own the big amount of historical debts of the company, in the absence of an intervention of public authorities.

(108) Also, it is important to note that the beneficiary commit itself to the payment, from its own resources, of a great amount of commercial debts to the raw materials and utilities suppliers (ROL 204.4 billion), debts existing before the time of the company's privatization, too.

7.4. AVOIDANCE OF SIGNIFICANT DISTORTION OF THE NORMAL COMPETITIVE ENVIRONMENT

(109) The grant of state aid to S.C. UZINELE SODICE GOVORA S.A. cannot distort significantly the competitive environment on the relevant markets considering that, during the implementation of the restructuring plan, the company plans to recover some arrears towards the actual competitor.

⁸ Confidential data

(110) At the present time, in S.C. Uzinele Sodice Govora S.A., the following production capacities are operating:

- Installation no.3 to produce calcined soda, with a usage degree of 61.25% ;
- Installation of sodium silicate, with a usage degree of 32.1% ;
- Installation of sodium sulphide, with a usage degree of 50%;
- Installation for detergent production, with a usage degree of 0%, the detergent plant being closed since 2003.

(111) The application of the restructuring program will allow the restoration of the profitability of the activity of S.C. U.S.G. S.A. at production levels accepted by the market, by reducing the costs, raising the efficiency and eliminating the burden of historical debts (financial restructuring).

(112) Through the grant of the aid and application of the restructuring program of S.C. U.S.G. S.A. the structure of the relevant market is not modified by anti-competitive effects; this operation has the purpose of raising economic efficiency of the company by reducing the production costs and does not lead to a liquidity surplus which might be used in aggressive activities that distort competition on the market without any connection with the restructuring process.

(113) State aid will be used only for restoring the viability of the company, not allowing the beneficiary, during the application of the restructuring plan, to extend its production capacities.

(114) [...] ⁹

7.5. AID LIMITED TO THE MINIMUM

(115) Until 2002, when the privatisation of S.C. U.S.G. S.A. Ramnicu Valcea was achieved, the analysis of the difficult economic-financial situation the company is confronted with proves that, in order to stay in the economic circuit and to become viable, it was necessary that the company be privatized and the state aid for restructuring be granted by writing-off debts to the state budget, and by the conversion into shares of debts to utility providers, respectively. By the granting of the state aid, the company will be exempted from the payment of historical debts, that will allow the company to become eligible for crediting.

(116) The restructuring program is financed by own resources of the company, capital injection by the majority shareholder and the requested state aid, in amount of ROL 1,161.4 billion, which proves that the value of the state aid is reduced to the minimum necessary for the program to be finalized in the operating conditions proposed by the company as state aid beneficiary.

(117) The contribution of S.C. U.S.G. S.A. to the implementation of the measures in the restructuring program is 32.8% of the financial effort allowing the restructuring of the

⁹ Confidential data

company conditional on the existing financial resources of S.C. U.S.G. S.A. and of the majority shareholder.

7.6. STATE AID INTENSITY AND RESTRUCTURING COST

(118) According to the provisions of the regulation on state aid for rescue and restructuring firms in difficulty, the amount and intensity of the state aid must be limited to the minimum necessary up to the level of achieving the objectives of the restructuring program (reaching viability).

(119) [...] ¹⁰

(120) The state aid intensity, calculated as ratio between the state aid value and the restructuring cost, is 67.2%.

7.7. OBSERVANCE OF THE PRINCIPLE „ONE TIME, LAST TIME”

(121) S.C. U.S.G. S.A. Ramnicu Valcea has never received restructuring aid, so that Art. 18 of the Regulation on state aid for rescue and restructuring firms in difficulty which stipulates the fact that restructuring aid must only be granted once.

7.8. MONITORING AND ANNUAL REPORTING

(122) In accordance to the provisions of Art. 17 of the Regulation on state aid for rescue and restructuring firms in difficulty, the Competition Council is permanently monitoring the way of implementation of the restructuring plan, so that this does not fail to accomplish the objectives of the restructuring plan.

(123) The Competition Council will continue to monitor the implementation of the restructuring plan until the end of the period, so that it will ensure that there will be no increases in production capacities, major deviations from the achievement of the restructuring measures and that the aid will not lead to supplementary liquidities to be used for other activities than the ones comprised in the restructuring programs.

(124) The date for closure and for dismantling of capacities will be the end of 2006. The envisaged equipment projected for for calcinated soda which will be dismantled are:

- pressing aggregat – 2 pieces;
- vibrating bolter – 5 pieces;
- trafo station - 1 piece;
- power transformer - 1 piece.

8. CONCLUSIONS

¹⁰ Confidential data

(125) After carrying the investigation, the Competition Council concludes that the individual aid intended to be granted to S.C. U.S.G. S.A. Ramnicu Valcea is not in the position to significantly distort the normal competitive environment and does not infringe the proper application of the international treaties to which Romania is a party.

(126) Following the analysis made, it was found out that the state aid in total amount of ROL 1,161,405,441,829 consisting of payment facilities granted on the basis of the Law no. 137/2002 on measures to accelerate privatisation, the G.D. No. 577/2002 for the approval of the Enforcement Norms for GED no. 88/1997, of G.D. no. 1105/09.11.2000, on the privatisation strategy of “Uzinele Sodice Govora” S.A. (« share company ») Rm. Valcea, of G.D. no. 1249/2003 for the approval of the List of companies in the APAPS portfolio, of G.D. no. 1284/2003 on some measures to regulate the effects of conversion into shares of the debts of some companies to utilities providers, fulfills the granting criteria in accordance with the Regulation on state aid for rescue and restructuring firms in difficulty issued by Order of the President of the Competition Council no. 92/10,05,2002, which came into force on 02,01,2003, modified and completed by Order of the President of the Competition Council no. 128/26,05,2004.

DECIDES

Art. 1. The measure notified by the Authority to Value State Assets, whose beneficiary is S.C. U.S.G. S.A. Ramnicu Valcea represents State aid in the meaning of Art. 2 paragraph (1) of the Law no. 143/1999, modified si completed by Law no. 603/2003 and by Government Decree no. 94/2004 concerning the regulation of some financial measures.

Art. 2. On the basis of Art.12 paragraph(2) c) corroborated with Art.14 paragraph(1) e) of the Law no. 143/1999, with subsequent modifications and completions, the state aid in the view of restructuring that is intended to be granted to S.C. U.S.G. S.A. Ramnicu Valcea is authorized, conditional on the observance of Art. 3 of this Decision.

Art. 3. The company is obliged to implement in whole the assumed restructuring plan and to meet the accomplishment of the assumed economical- financial indexes. If it is found that there are significant differences compared with the values assumed at paragraph (102), it shall proceed to the recovery of the state aid in accordance with the provisions of art. 13 in the Law no.143/1999, with the subsequent modifications and completions.

Art. 4. The value of the state aid that will be granted is ROL 1,161,405,441,829.

Art. 5. This Decision becomes applicable on the communication date.

Art. 6. According to the Art. 24 of the Law no.143/1999, with the subsequent modifications and completions, the granting authorities will transmit to the Competition Council

information on the state aids granted, with the view to their inventoring and monitoring. The Authority to Value State Assets will transmit to the Competition Council annual reports on the implementation of the restructuring plan. The first report will be transmitted to the Competition Council in 6 months since the decision is issued. The next reports must show that the Company complied with the compensatory measures regarding the imposed reduction of the production capacities.

Art. 7. According to the provisions of Art. 29 of the Law no. 143/1999 on state aid, with subsequent modifications and completions, this decision may be challenged by the interested persons by administrative proceedings before the Bucharest Court of Appeals, within 30 days following the communication date.

Art. 8. This Decision will be communicated by the General Secretariat of the Competition Council to:

- the Authority to Value State Assets, Str. Cpt. Av. Alexandru Serbanescu, nr. 50, sector 1, Bucuresti;
- S.C. U.S.G. S.A., Str. Uzinei nr.2, postal code 1000, Ramnicu Valcea, Valcea County.

Art. 9. The General Secretariat and the State Aid Authorisation Department of the Competition Council will ensure the enforcement of this Decision.

PRESIDENT

MIHAI BERINDE