

**DECISION OF THE COMPETITION COUNCIL,
no 192 of 12.10.2005**

regarding the state aid for S.C. GRANTMETAL S.A. Bucuresti

THE COMPETITION COUNCIL,

Having before us the provisions of Decree no. 57/2004 for the appointment of the Competition Council members;

Having before us the Competition Law no. 21/1996, republished in the Romanian Official Gazette Part I, no. 742 of 16 August 2005;

Having before us the provisions of Law no. 143/1999 on State aid, re-published in the Romanian Official Gazette Part I, no. 744 of 16 August 2005;

Having before us the provisions of the Europe Agreement regarding the creation of the association with Romania, on the one hand, and the European Communities and its member states, on the other, ratified by Law no.20/1993, published in the Romanian Official Gazette no. 73/12/04.1993, Part I;

Having before us the provisions of the Regulation on state aid for rescue and restructuring of firms in difficulty, published in the Romanian Official Gazette Part I, no. 470 of 2 July 2002;

Having before us 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 9 June 2004;

The Report drafted by the reporting person and the investigation team subsequent to findings during the investigation open by the Order of the President of the Competition Council no. 173/29.07.2005,

Having before us,

I. PROCEDURE

(1) By the note VP4/1253/27.05.2005, registered at the Competition Council under no. RS-AS 18/27.05.2005, the Authority for State Asset Valuation (AVAS) notified under

Art. 15 of Law 143/1999 on state aid, republished, the individual aid for restructuring of S.C. GRANTMETAL S.A. Bucharest in the context of privatization.

(2) The Competition Council requested to AVAS additional information, by letters DAAS nr. 496/31.05.2005, and 556/10.06.2005, mainly referring to qualifying products produced by the company under steel category. AVAS answered to the Competition Council through letters RG 3954/08.07.2005, and nr. DAAS 563/13.06.2005. At the same time, consultancy meetings took place between the Competition Council experts and representatives of AVAS.

(3) After consultations, since one part of GRANTMETAL products is deemed steel products, the beneficiary declared that, during 2006, they will dismantle those production capacities producing these products. However, the Competition Council expressed doubts that the restructuring aid to GRANTMETAL will not, in fact, lead to prohibited restructuring aid for the production of steel products, given the period envisaged to sell the assets, namely 2006. Consequently, by the note of the State Aid Authorization Department, registered under DAAS/855/28.07.2005, we proposed to start an investigation for the aid measures intended to be granted to S.C. GRANTMETAL S.A. Bucuresti.

(4) Pursuant to Art.17 par.(4) of Law 143/1999 on state aid, republished, by Order of the President of the Competition Council no. 173/29.07.2005, we started an investigation on the analysis of the compatibility of the financial aid measure intended to be granted to S.C. GRANTMETAL S.A. Bucuresti in the context of privatization.

(5) The order that triggered the investigation and the note to start the investigation were published on the Competition Council's website, in accordance with the provisions of Law 143/1999 regarding state aid, republished, in order to allow the interested parties to convey their opinion on the measures subject to investigation.

(6) By letter no. VP4/2465/10.08.2005, registered by the Competition Council under RG no. 6404/17.08.2005, A.V.A.S. conveyed to the Competition Council information regarding the amendment of the restructuring plan by the introduction of three new organization measures and by the commitments that S.C. GRANTMETAL S.A. incurred which relate to the cessation of the steel production.

II. DESCRIPTION OF THE FACTS

1. The Beneficiary

(7) S.C. GRANTMETAL S.A. is a joint-stock company with the headquarters in Bucharest which, on the date the stock buying-selling contract was signed, had a registered capital of ROL 42.411.700 thousand at the Trade Registrar, divided into

1.696.468 shares, with a face value of ROL 25.000, pursuant to the request of registration no. 228681/04.08.2005.

(8) Initially, S.C. GRANTMETAL S.A. was set up as a microproduction enterprise, and organized to manufacture and supply products such as pipes, bars, wires, made of a material which was hard to achieve both of high-quality and on industrial scale. In 1976, this enterprise was taken over by the Metal Research Institute in Bucharest (ICEM). The current trading company GRANTMETAL was set up in 1991, by the divestiture of the industrial production and the Production Section for titanium, zircon and corresponding alloys within ICEM.

(9) [...] ¹

(10) The buyer of the controlling interest is a Consortium made up of 4 legal persons – S.C. Metal Inox Industrial Group, S.C. Metal Inox Import-Export S.A., S.C. Prod Rusiana S.R.L. and S.C. Del Com Exim S.R.L., and 2 individuals. Only the first two companies exert control over GRANTMETAL, since they have over 99% of the block of shares. GRANTMETAL has 164 de employees, and it is the most important company within the group in terms of the number employees.

(11) [...] ²

(12) The economic and financial results of S.C. GRANTMETAL S.A. Bucharest, based on the annual financial data from the past 3 years are:

Table no. 2 Evolution of the turnover and financial results of S.C. GRANTMETAL S.A. Bucharest during 2002-2004

Total turnover (thousand ROL)		
2002	2003	2004
27,062,359	22,061,258	30,835,963
Net result (thousand ROL)		
- 17,468,596	- 19,267,960	-65,180,544

Source: A.V.A.S.

As shown by the date above, the company recorded ever increasing losses before privatization.

(13) The products of S.C. GRANTMETAL S.A.'s main line of business are: cold laminated pipes, cold drawn bars and profiles, cold drawn wires, warm extruded pipes and profiles, warm forged bars and blocks.

¹ confidential data

² confidential data

(14) The company may also perform, the following secondary activities: metal constructions, mechanically processed parts, car transport, etc.

(15) In terms of manufacturing technology, S.C. GRANTMETAL S.A.'s products are made up of:

1. Cold processed products:
 - stainless and refractory steel wires;
 - resistive alloy wires;
 - stainless and refractory steel bars and complex profiles;
 - coal steel and alloy pipes;
 - complex formed products: hexagonal holes, rectangular, triangle, semi-oval.
2. Hot processed products:
 - steel extruded pipes and bars;
 - tool steel extruded pipes and rapidly extruded pipes;
 - tool steel extruded bars and rapidly extruded bars.

(16) The percentage of the company's products and services within the turnover is as follows: [...]³

(17) The tools and installations of the company allow the production of metal products made of stainless and refractory steel, nickel and nickel alloys, cobalt and cobalt alloys, titanium and titanium alloys. The technologies in use are classical and are applied on tools with high consumption of metal and energy, manufactured in the '80s. The company also owns high technology equipment, for the usage of which existing tools must be updated.

(18) GRANTMETAL manufactures its production in 3 production sectors:

- the workshop of execution – forge produces raw material for the manufacturing of the company's products;
- cold processing section which produces: pipes, bars, wires, tracks;
- the workshop for extrusion where by-products for the cold processing section are produced; also, upon clients' request, the company may deliver extruded products as well.

2. The privatization process

(19) AVAS sold out for negotiations, based on final and enhanced bids, the majority stock of shares held by S.C. GRANTMETAL S.A. Bucharest, standing for around 70%

³ confidential data

of the registered capital. The announcement to sell the stock of shares held by AVAS in S.C. GRANTMETAL S.A. was published on 08.10.2004 in the domestic press ('Ziarul financiar' and 'Bursa'), on the internet, and by posting at the company's headquarters and AVAS headquarters. The presentation dossier enclosed information regarding S.C. GRANTMETAL S.A.'s debts to be exempted or rescheduled. The facilities were not granted at the moment of the privatization. Their granting is conditioned by the Competition Council's authorization

(20) [...] ⁴

(21) Given that the highest score was obtained by the groups of legal and natural persons made up of S.C. Metal Inox Importexport S.R.L. Bucharest, S.C. METAL INOX INDUSTRIAL GRUP S.R.L. Bucharest, S.C. PROD RUSIANA S.R.L. Bucharest, S.C. DEL COM EXIM S.R.L. Bucharest, Mr. Patrice Ion and Ms Patch Radical Carmen, negotiations continued with this bidder.

(22) [...] ⁵

3. Relevant market

(23) S.C. GRANTMETAL S.A. does business in the metal sector, on the market for the main groups of products: cold processed products (bars, pipes, wires, complex profiles) and hot processed products (bars, pipes, complex profiles). The company's business in 2004, focused on those products for which raw material was already in stock, and on services for those clients who provided raw material. The justification is that the company lacked cash flows, which prevented the raw material and material supply. Consequently, the share of the basic production in the turnover dropped in favour of ancillary activities.

(24) The beneficiaries of S.C. GRANTMETAL S.A.'s products are from different industrial branches, such as: [...] ⁶

(25) From the information presented in the notification, S.C. GRANTMETAL S.A.'s market shares are the following:

Table no. 4 S.C. GRANTMETAL S.A.'s market shares in 2004

No.	RELEVANT MARKET SEGMENT	MARKET SHARE (%)
1.	Hot formed products	0.03
2.	Cold formed pipes from stainless and	1.43

⁴ confidential data

⁵ confidential data

⁶ confidential data

	intractably steel	
3.	Cold formed wires	3.6
4.	Cold finished bars	0.04

Source: AVAS

(26) S.C. GRANTMETAL S.A.'s market shares on the relevant market are small compared to those owned by the main competitors, the last ones being large undertakings owning significant market shares, such as: COST SA Targoviste, ISCT Campia Turzii, Ductil Steel S.A. Buzau, etc.

4. Financial difficulties of S.C. GRANTMETAL S.A. Bucharest

(27) Between 2002-2004, S.C. GRANTMETAL S.A. recorded increasing losses which were triggered exclusively by the operation activity, and it was not able to ensure the necessary cash flow to pay current debts.

(28) The lack of cash flows led to the failure to acquire raw materials necessary for firm orders. This, on the one hand, generated loss of clients whose orders was failed, and, on the other hand, the failure to use the equipment at full capacity generated supplementary consumption of electricity and natural gas, and therefore higher costs. Failure to fully use the equipment was also caused by the drop of the market demand, due, in turn to the restraint of business of several traditional beneficiaries.

(29) The data from the balance sheets relates to the period 2002-2004 confirming the continuous decrease in the company's own capitals, reaching in 2004 at a negative value of ROL 56,984,699 thousands.

Table no. 5 Evolution of S.C. GRANTMETAL S.A. Bucuresti's own capitals during 2002-2004

Own capitals (thousands ROL)		
2002	2003	2004
44,810,806	8,195,845	-56,984,699

Source: AVAS

(30) The main causes which led to the company's difficult situation are: lack of speedy adaptation of the manufactured products to market demands, the strong decrease in the metal consumption after 1989 in the national economy, the lack of financial resources for: investment in updating equipment, acquisition of raw material, payment of budget debts and of utility suppliers; utility suppliers reduced the quota allocated to S.C. GRANTMETAL S.A., that led to a decrease in production and, especially drawn wire. Also, the wire production, which had a significant share in GRANTMETAL's total business, was an inefficient activity. Wire production technology is a heavy energy consumer, and the tools with which the product is executing are under heavy wear-and-tear.

(31) Given this difficult situation, A.V.A.S. decided to grant aid measures upon the privatization of the company, on condition that restructuring measures should be implemented. Pursuant to the information in AVAS's notification, the presentation file drafted upon privatization brought to the attention of the potential investors that aid measures for the payment of budget debts will be granted.

5. The restructuring plan

(32) Initially, AVAS notified a restructuring plan of GRANTMETAL for the period 2005-2010. This provisioned the continuation of the steel activity and especially of the pipe production.

(33) After discussions with representatives from the Competition Council, AVAS submitted a modified restructuring plan, based on a market study elaborated by the Institute of Metalurgical Research S.A. Bucuresti, covering the period 2005-2008. The reduction of the restructuring period is justified by the limitation of the applicability of the financial restructuring measures which consists of rescheduling of budget debts. The restructuring aims to give up steel activities, which make losses, maintain the manufacturing of forged bars, drawn wires, as well as the cold finished bars and the diversification of the production by manufacturing metallic products and mechanically processed parts.

(34) In order to insure the conditions for manufacturing the company's products at a quality level imposed by the European standards and the company's return to viability, a large part of the investments are designated to replace the run-out installations.

(35) The modified restructuring plan encloses [...] ⁷

(36) The modified restructuring plan includes both the causes that led to the difficult financial status of S.C. GRANTMETAL S.A., and the measures to ensure the company's long-term viability. By the implementation of the measures in the restructuring plan, AVAS estimates that the company will record profitable business and will ensure its own financial resources to develop its activity without debts to the consolidated state budget or the local budget.

(37) The restructuring plan requires financial costs of ROL 218.639 mill. They are incurred as follows: ROL 101.216 mill. - investor's contribution, ROL 3.810 mill. - company own sources, and ROL 113.613 mill. - state aid. S.C. GRANTMETAL S.A.'s own sources derive from rentals of spaces, developing the value of metal scrap from won production, and development of tools and subassembly resulting from dismantling of production capacities. If they will not be valued as assets, the restructuring plan provides for their sale as metal scarp.

Organizational and management restructuring

⁷ confidential data

(38) The organizational and management restructuring includes the following measures:

- modernization of the organizational and management structure by: setting up production sectors – divided in groups of products and activities – organized as cost centres, with own budgets of income and expenses; setting up a post-calculation management division; implementing the system of management through projects and replacing the company management with experienced persons who worked in similar business companies;
- modernization of the activity of promotion and trading the company's products;
- endowment with computer network, acquiring soft necessary to implement an integrated informational system with internet access and designing an adequate area for the calculation office and the company's archive;
- redecoration and re-development of locations freed after dismantling of the equipment used in the manufacturing of steel products, in view of rental.

Table no. 7 Organizational and management restructuring measures of S.C. GRANTMETAL S.A.

- ROL mill.-

Measure	Finalization time limit	Implement ation costs	Financing		
			Own sources	Buyer's sources	State aid
Modernization of the organizational and management structure	31.12.2005	100	100	-	-
Modernization of the activity of promotion and trading the company's products	31.12.2008	600	600		
Endowment with computer network, acquiring soft necessary to implement an integrated informational system with internet access and designing an adequate area for the calculation office and the company's archive	31.12.2008	9,267	-	9,267	-
Redecoration and re-development of locations freed by dismantled equipment after restructuring	31.12.2008	1.410	1.410		
TOTAL		11.377	2.110	9.267	

Source: S.C. GRANTMETAL S.A. restructuring program

(39) The sources financing the organizational and management restructuring measures derive both from S.C. GRANTMETAL S.A.'s own sources, obtained from rentals of available locations and valuation of metal scrap resulted from own production and dismantling of the equipment used in manufacturing of steel product, as well as from investor's sources. For 2005, S.C. GRANTMETAL S.A has signed rental contracts with

several trading companies, which will continue in the years to come; several other contracts are under ongoing negotiation.

Technological restructuring

(40) The implementation of the technological restructuring of the company implies costs of [...] ⁸

(41) Technological investments mainly consist in the modernisation of equipments, installations and machines for the production of non-steel products and in the purchase of equipments like: wrapper with variable speed for the furnaces for thermal treatment in hydrogen for stainless and resistive wire, machine to wrap reels of stainless and resistive wires in plastic thermal constrictive foil, portable equipment for quick estimation of the chemical structure of steels in the production flow, machines for drawing stainless wires. These endowments will lead to the increase of the quality of the company's products by improving the technological operations.

Restructuring measures for environment protection

(42) Environment investments were assumed by the buyer of the majority share package within the privatisation program. These amount to ROL 1.539 million and must be achieved within one year since the date of transfer of ownership right over the shares (2006).

(43) Environment investments shall have the effect of reaching the standards corresponding to the legislation in force on the environment pollution (water, soil, air) and consist of:

- bringing back into function of the installation for neutralizing the waist waters resulted from the pickling;
- endowment of the production workshops with ventilation systems and systems for capturing the polluting emissions resulted from the technological process;
- designing some temporarily warehouses to selectively collect the recycling waists in order to capitalize them.

Financial restructuring

(44) At the moment of privatisation, S.C. GRANTMETAL S.A. needed a financial restructuring to function in normal parameters of the production activity, besides the other restructuring measures assumed by the restructuring plan.

(45) In the case of S.C. GRANTMETAL S.A., financial restructuring comprises financial support from the state in amount of ROL 113.613 million, meaning facilities from the payment of budgetary obligations and own claims of A.V.A.S. Also, in the view of financial restructuring, the buyer purchases, of own sources, the outstanding debts of the company towards its suppliers, in amount of ROL 11.400 million.

⁸ confidential data

Table no. 9 Measures of financial restructuring

- ROL mill.–

Measure	Deadline	Implementati on Effort	Financing		State Aid
			Own Sources	Buyer's Sources	
Rescheduling to the payment of certain budgetary debts for a future exemption	31.12.2005	88,423	-	-	88,423
Rescheduling some budgetary debts	31.12.2008	25,190	-	-	25,190
Paying the unpaid debts at electricity	31.12.2005	9,715	-	9,715	-
Paying the unpaid suppliers	31.12.2005	1,685	-	1,685	-
TOTAL		125,013	-	11,400	11,,613

Source: Restructuring Program of S.C. GRANTMETAL S.A.

(46) By the financial restructuring component, the restructuring plan gives the possibility of increasing the cash flow, ensuring a stable cash flow, which will facilitate the financial activity of the company.

(47) Through the restructuring plan drafted, the company measured the financing sources of the restructuring for the immediately following period, on one hand on the basis of own sources, and on the other hand on the basis of the funds of the buyer who ensures technological and environment investments absolutely necessary for carrying out its activity, in terms of productivity.

6. Measures of financial support and legal basis

(48) *Measures of financial support notified by A.V.A.S. shall be granted to S.C. GRANTMETAL S.A. Bucuresti after the issuance of the Common Orders by the budgetary creditors together with AVAS.* The legal basis for the issuance of the Common Order is provided under GEO no. 26/2004 on measures to finalize the privatisation of companies in the portfolio of the Authority for Privatisation and Administration of State Participations and the consolidation of some privatisations, approved with modifications and completions by Law no. 442/2004.

(49) The financial support is in total estimated amount of ROL 113,613 million, as follows:

- ROL 26,250 million – partial exemption from payment of due debts to the State budget, local budget and AVAS at 31.12.2003

- ROL 25,190 million – rescheduled debts of the budgetary debts due at 31.12.2003, as well as of the budgetary debts due starting with 01.01.2004 and unpaid till the date of the Common Order's issuance;
- ROL 62,173 million – annulment of debts and penalties of any type related to the budgetary debts.

Reasons which led to opening the investigation

(50) In the note on the opening of the investigation, the Competition Council expressed the following doubts:

- a) if the activities carried out by GRANTMETAL are eligible for state aid for rescue and restructuring, because some of the products made by GRANTMETAL are considered steel products, listed in Annex 1 of the Regulation on regional state aid for large investment projects, with subsequent modifications and completions;
- b) if the company is capable to promote and sell its products and if the new management will succeed to re-organize the structure of S.C. GRANTMETAL S.A., in order to ensure the long-term viability of the company;
- c) if the measures consisting of reduction of production capacities, others than those necessary for steel products, are proportionate to the distortive effects caused by the aid and, especially, with the size and relative importance of the company on the market (markets);
- d) if the disposal of production capacities for the steel products is irreversible;
- e) if through the valuation of the production capacities which shall be disposed of no supplementary liquidities are created which may be used for aggressive activities, of distorting the market, without any connection to the restructuring process.

Comments received from the interested persons

(51) During the investigation, A.V.A.S. and S.C. GRANTMETAL S.A. transmitted new information on the aspects on which the Competition Council expressed doubts.

(52) Concerning the eligibility of GRANTMETAL to benefit from state aid for restructuring, the company expressed its firm commitment to give up the steel production activities. To this purpose, the company undertakes the following measures:

- The total arrest of the production of steel products and the preservation of the equipments for steel products (the conservation of the equipments practically means their decompression from the energy providers and their signing up with plates indicating the conservation status) within 10 days since the Competition Council issued the state aid authorisation decision, but no later than the date when AVAS and MFP issued the common order on the grant of facilities. This means that the company will not have entrances of steel products (cold laminated pipes and hot extruded profiles) in the administration of finished products. It will possible for this to be checked in the records of the company (delivery notes, warehouse notes, stocks lists, finished products balance, production reports sent to the National Statistics Institute). Besides, the company assumes

that it will transmit regularly to AVAS and/or to the Competition Council „Records of the production achieved by product types” certified by the Auditing Commission.

- Subsequent sale of equipments to produce steel products, according to the assumed restructuring plan;
- The start of the valuation procedures, approved by AVAS, through sale of the equipments to produce steel products;
 - starting time: date of communication of the approval of the Common Order on the grant of payment facilities for the budgetary obligations;
 - deadline: 30.06.2006 – considering the complexity of the operations of taking out of use the steel equipments.
- Disassembling the equipments which could not be valued by the sale as a whole equipment, in the view of sale of components and, as the last possibility, the valuation as metallic waste
 - starting time: 01.07.2006
 - deadline: 31.12.2006

(53) Following the opening of the investigation, AVAS transmitted to the Competition Council the modifications brought to the restructuring plan concerning the organisational restructuring measures. Thus, for the increase of the capacity to promote and sell its products, the company envisages the following measures:

- Setting up a marketing compartment within the Commercial Department;
- Setting up locations for the promotion and sale of the company’s products, by geographical products;
- Participation in fairs and exhibitions;
- Registration of the company (Yellow Pages, Kompas, National Pages) with spaces suitable for quick and efficient visualisation;
- Editing catalogues for the presentation of the company and its products;
- Publicity, by publishing articles in newspapers and specialty magazines;
- Publicity, by banners;
- Creation of a webpage and offering company’s products through the Internet.

(54) For the organisational restructuring and improving the company’s management, the following measures will be taken:

1. setting up production sectors– by groups of products and activities– organized as costs centres, with own budgets of incomes and expenses;
2. setting up a compartment to draw up the post-calculation of administration;
3. improvement of the management of the company by implementing the project based leadership system;
4. change of the company’s management with experienced personnel, which activated in companies with a similar profile – *this measure was already implemented*;
5. contracting with a consultancy for specific management matters.

(55) The dismantling of several of the company equipment, consequent to implementing the measures in the restructuring program, leads to freeing locations, for which re-design expenses are necessary in view of their rental. In this regard, a new organizational restructuring measure is introduced, which will be financed from the sale of dismantled equipment.

III. ASSESSMENT OF THE STATE AID CHARACTER OF THE MEASURES OF FINANCIAL SUPPORT FOR S.C. GRANTMETAL S.A. BUCURESTI

Observance of the obligation of prior notification. The standstill clause

(56) AVAS observed the provisions of Art. 14 and 15 of the Law no. 143/1999 on state aid, with subsequent amendments and completions by notifying the measures of financial support in favour of S.C. GRANTMETAL S.A. Bucuresti before putting them into effect.

The State aid character of the measures of financial support to be granted to the company

(57) The criteria which allow establishing if a measure represents state aid are provided for under Art. 2 paragraphs (1) of the Law no. 143/1999 on state aid, republished. According to the Law, state aid is any measure of support adopted by the state or the local administration, or by state resources or resources of the local administration, which distort or threaten to distort competition, by favouring certain undertakings, the production of certain goods or the provision of some services or which affect the trade between Romania and EU Member States, being thus considered incompatible with a normal competition environment.

(58) By assessing the measures of financial support, the Competition Council found out that there is no doubt that they are financed by state resources. The granting of financial support allows GRANTMETAL to maintain its market position, creating the premises for a distortion of the competitive environment. Furthermore, there is no doubt that the taken financial measures have the potential to affect the trade with the Member States of the European Union.

(59) Taking into account that the facilities are granted within the privatization legislation, in order to determine whether or not they give an economic advantage to S.C. GRANTMETAL S.A., it must be compared the state's behaviour with that of a private investor in the same situation (the private prudent investor's test). The state's behaviour can be assimilated with a private prudent investor, if it proves that it obtains the best price from the sale of its shares.

(60) As shown at paragraphs (19) in the present decision, S.C. GRANTMETAL S.A.'s privatization was made by negotiation based on final and enhanced bids. The Competition Council notes that the privatization procedure was conditioned by the

implementing of certain retechnologizing measures, by making certain investments to fulfil the environment standards, etc.

(61) The price paid by the buyer to acquire the main shares package is [...] ⁹

(62) A private investor could have accepted a negative price only if the liquidation costs exceed the costs related to the privatization. AVAS informed the Competition Council that prior to the privatization was not made a comparative analysis between the company's liquidation cost and its privatization cost. Taking into account the social effects produced by the employees' dismissal if the company is liquidated, the state acted directly for its privatization, assuming the granting of facilities if the process would be finalised.

(63) Related to the above presented facts, the Competition Council considers that the private investor's test is not applicable in this case.

(64) *Through the measures of financial support, an economic advantage is being created in favour of S.C. GRANTMETAL S.A., as the company is exempted from the payment of some debts toward budget creditors, and of interest rates and penalties for late payment related to outstanding budget obligations. These facilities have a favourable effect over the economic and financial results and the cash flow. Thus, the company has an advantage, and it is favoured vis-à-vis its competitors.*

(65) To conclude, *the facilities meant to be granted to S.C. GRANTMETAL S.A. Bucuresti are considered state aid in the meaning of Art. 2 of the Law no. 143/1999 on state aid, republished.*

The compatibility of the State aid

(66) Article 2 of the Law no. 143/1999 on State aid, republished, provides that the aids granted by the state or from state resources which distort or threaten to distort competition and affect the trade with the Member States are incompatible with the normal competitive environment.

(67) However, state aid may be considered compatible and may be authorized by the Competition Council, if the aid is granted with the observance of certain criteria provided for under the regulations and guidelines of the Competition Council. Thus, AVAS justified the compatibility of the State aid with the normal competitive environment according to the Regulation on state aid for rescuing and restructuring firms in difficulty, enforced by Order of the President of the Competition Council no. 501/23.11.2004, hereinafter called Regulation.

⁹ confidential data

(68) The Competition Council assesses the state aid for S.C. GRANTMETAL S.A. according to the criteria provided for under the Regulation. The state aid is conditional on the implementation of a feasible, coherent restructuring plan proving the restoration of the company's viability on the long term. In this sense the Regulation provides that restructuring usually involves one or more of the following elements: reorganisation and rationalisation of the company's activities on a basis as efficient as possible, usually involving giving up the activities generating losses, restructuring the existing activities which may become competitive again and sometimes their diversification leading to new and profitable activities. Industrial restructuring must usually be accompanied by the financial restructuring (capital injections, reduction of the indebtedness degree, etc.)

The beneficiary's activity. The economic sector involved

(69) According to art. 1 of the Regulation on State aid for rescuing and restructuring for the steel sector, enforced by Order of the President of the Competition Council no. 40/02.03.2005, „State aids for rescuing and state aids for restructuring firms in difficulty in the steel sector, as defined in Annex no. 1 of the Multisectoral Regulation for large investment projects (...) are forbidden.”

(70) Annex no. 1 of the Regulation on regional state aid for large investment projects, with subsequent amendments and completions includes the steel sector as defined in the Treaty instituting the European Community for Coal and Steel (ECSC Treaty), as well as the subsectors tubular pipes and large welded pipes, which were not covered by the ECSC Treaty, but which are part of an integrated production process and which have similar characteristics with the steel sector.

(71) From the information supplied by the beneficiary, the Competition Council notes that in the list of products of GRANTMETAL, there are 3 types of products which are to be found in Annex 1 of the Regulation on regional aid for large investment projects, with subsequent amendments and completions, that is hot extruded bars and profiles (CN 7222.11.81), stainless steel hot extruded profiles (CN 7222.40.10), seamless tubes (CN 7304).

(72) At a later stage, following the discussions between the representatives of the Competition Council and AVAS, the beneficiary transmitted to the Competition Council a statement of cease of steel production which is to be found in Annex 1 of the Regulation on regional aid for large investment projects, which involves taking production capacities out of service. From the statement submitted, it turns out that the taking out of service will be achieved by the selling of the production capacities during 2006.

(73) As it turns out from the comments received from S.C. GRANTMETAL S.A., the arrest of the steel production activity shall be achieved before the grant of the state aid. The cessation of the steel production as a measure comprised in the restructuring plan, will be possible to achieve only after the possibility is created to develop the non-steel production activity. The continuation of production for achieving the non-steel products

involves some costs which the investor assumed through the privatisation contract, in the context where the company shall be exempted from part of the outstanding debts. The restructuring plan shall not be accomplished if the company does not benefit from state aid, because the investor cannot support both the investment program and the payment of the budgetary debts. In the first stage, the investor will ensure the working capital for the functioning of the company within normal parameters concerning the electricity supply.

(74) As a consequence, the cessation of the steel production activity and the taking out of use of equipments necessary to produce the steel products after authorizing the state aid, but before granting it, is justified.

(75) The commitment of the beneficiary to transmit periodically documents showing the situation of the production of S.C. GRANTMETAL S.A. by types of products, certified by the Auditing Commission, represents an extra-guarantee that the company will not carry out steel production activities.

(76) The disposal of the production capacities used to manufacture steel products will be done either through the dismantling and valuation as scrap metal of some equipment, or by changing the destination of some fixed assets.

(77) The equipment used in the manufacturing of steel products that will be dismantled is grouped as below:

- 7 rolling mills: 2 „H.P.T.R. 8-15” rolling mills, 3 „URPWK 45” rolling mills, 1 rolling mill ‚round to square’, and 1 KPW25 rolling mill;
- 3 ovens: 1 oven for gap induction, 1 oven for gap spring (RAV) and 1 oven for ferrule fitting;
- 3 rectifying machines, 4 drilling machines, 2 boring and milling, 2 milling machines, 1 MPC2 calibration processing machine with accessories and 2 calibration machines;
- 1 complete line of scaling in melt salts;
- 1 installation for electrical remelting under slag;
- 1 nondestructive control IGNUS installation
- 3 presses: 1 extrusion press. 1 rectifying press and 1 PMCP S 452 mechanical precision press;
- Ancillary tools (3 compressors, 5 saws, 1 pre-decantation tundish, heating instalations)

(78) These tools have an advanced degree of wear and tear with little chances to be valued by sale as assets. On a first stage, the company will try to sell some components of these tools. On the ‚second hand’ market, these components sell per kilogram, and their price is quite close to the price for scrap iron.

(79) The fixed assets that will be dismantled by changing of destination are given below:

- compressed air power station and pump station;
- protection gas station;
- hot process workshop – extrusion;

- winding workshop;
- melt salts holl place;
- H.P.R. laboratory;
- cylinder turning shop;
- fire protection and extinguishing commission (PSI), constructive development and installation.

(80) The hot process workshop-extrusion and the compressed air power station will be revamped in order to manufacture technological and spare parts. The other tangible assets whose purpose will be changed will be made available for lease.

(81) The fixed assets whose destination will be changed may no longer be used to produce steel products (pipes), since they are ancillary fixed assets for these products and may not be used by themselves, without rolling mills in the production flow; the rolling mills are the main tools to manufacture steel products, and they are foreseen to be irreversibly dismantled. The remaining fixed assets will be used for the manufacturing of non-steel products, namely forged bars, cold processed bars, wires, metal constructions.

(82) Under these circumstances, the Competition Council deems that stopping the steel business and selling the tools or changing destination of fixed assets used in the manufacturing of steel products constitute an adequate measure in order to prevent that the restructuring aid to GRANTMETAL should not support the company's steel production.

Company eligibility. Firm in difficulty

(83) In order to benefit from state aid according to the Regulation, the company must be in difficulty. According to the Regulation, the Competition Council considers a firm to be in difficulty whether it is not capable, either by its own financial resources, or by the resources it might get from owners/shareholders or creditors, to cover the losses which, in the absence of an intervention from the public authorities, will most likely condemn it on the short or medium term to exit the economic circuit.

(84) According to the Regulation, a stock company is deemed to be in difficulty when more than half of its own capital is lost, as it is proven by the company accounting records, and more than a quarter of this capital was lost during the previous 12 months.

(85) As is results from the data presented at paragraphs (29), during 2002-2004, S.C. GRANTMETAL S.A. lost more than half from its own capital, namely from ROL 44,810,806 thousands in 2002 to ROL -56,984,699 in 2004, and in the last 12 months more than a quarter from this capital, respectively from ROL 8,195,845 thousands in 2003 to ROL -56,984,699 thousands in 2004.

(86) The Competition Council notes that the condition provisioned at Art.2 (2) in the Regulation is fulfilled so that S.C. GRANTMETAL S.A. to be considered „firm in difficulty”.

Belonging to a group of companies

(87) In accordance with the provisions of the Regulation, a company which is part of a group or which is take over by a group is not, normally, eligible for state aid granting for rescue and restructuring, except the case where it can demonstrate that its difficulties are specific and do not result from an arbitrary cost allocation within the group, and that these difficulties are too serious to be solved within the group.

(88) The difficulties of the company are specific, do not originate from arbitrary allocations of expenses within the group, but to the lack of cash flow that the company faced before privatization.

(89) After several failed privatization attempts, AVAS brought again to sale the share package owned at GRANTMETAL in 2004. As in the previous attempts, AVAS showed in the Presentation Dossier which is the situation of the budgetary debts for which facilities are to be granted. The additional information submitted by AVAS show that the company which are part of the consortium that acquired GRANTMETAL achieved in 2003 economical and financial results that did not allow paying the debts accumulated prior to the privatization by the acquired company. This way, the four companies' total profit amounts ROL 13.4 billions, while GRANTMETAL registers debts of over 100 billions ROL lei. Even under these circumstances, the group assumed the payment of the debts unpaid to the utilities' suppliers, in amount of ROL 11 billions. It clearly results that under these circumstances, the state aid's granting is absolutely necessary. Without granting it there is the risk that the group may become insolvable. Therefore, the investors' consortium bought the main share package only by taking into account the state aid's granting.

(90) The Competition Council deems that S.C. GRANTMETAL S.A. qualifies as a firm in difficulty, for the purposes of Art. 2 of the Regulation and is eligible for state aid for restructuring.

Restoration of long-term viability

(91) Difficulties which S.C. GRANTMETAL S.A. faced led to the limitation of activity, together with the accumulation of debts towards the state budget for which, in time, increases and late payment fees accumulated, which exceed very much the value of the outstanding debts.

(92) In 2004, S.C. GRANTMETAL S.A. was privatized. To get out of the difficult situation, the company presented a restructuring program for 2005-2008, which was assumed by the investor and AVAS. The synthesis of the measures comprised in the restructuring plan of S.C. GRANTMETAL S.A. was presented in Chapter 2.

(93) The analysis of the restructuring plan and of the way in which it will lead to the restoration of the long-term viability of S.C. GRANTMETAL S.A. observes the provisions of Article 13 of the Regulation.

(94) According to Article 13 of the Regulation, the grant of restructuring aid is made conditional on the implementation of the restructuring plan which is the basis for the evaluation made by the Competition Council. The restructuring plan, whose duration must be as short as possible, must comprise the end of the activities producing losses and must offer the company long-term viability, allowing it to function with its own resources. The restructuring plan must be based on a realistic assessment of the market terms; the restoration of the viability must result mainly from the internal measures which it comprises, as well as from taking into consideration the external factors like price and offer, on which the company does not have a decisive influence.

(95) The restructuring plan of S.C. GRANTMETAL S.A. is based on a market analysis made within the study concerning the metallurgy products market, elaborated by the Institute for Metallurgical Research and, considering the situation on the market segments on which S.C. GRANTMETAL S.A. operates, as well as their forecasted evolution, proposes a series of measures to revitalize the company on the long term within a reasonable timeframe, namely 4 years.

(96) The strategy of S.C. GRANTMETAL S.A. pursues the preservation of strong points, namely: holding production capacities allowing to produce small-series products from mixtures of metals and special steels of a high technical quality for the car and energy industries, in small quantities, but of high value; possibilities of relatively fast adaptation to the new market requirements from the point of view of production technologies and achieving new products; flexible organisational structure, which may be adapted to the specific requirements; very qualified staff at the executive level.

(97) At the same time, the strategy of S.C. GRANTMETAL S.A. pursues the limitation and improvement of weak points, such as: insufficient development of the marketing activity, including a weak promotion of the company's products; physical and moral using up of almost all equipments on the production flow; high production costs and high energy consumption.

(98) As a part of the restructuring program, the company will give up the activities generating losses. Thus, by the enforcement of the restructuring plan, the production of pipes will cease, as the product was made on higher costs than the market price, due to the manufacturing technology used by GRANTMETAL, which was energy consuming and to the equipments used, which were used up. The company's production will concentrate on the manufacturing of new products, respectively forged bars, cold finished bars, drawing wires, metallic works and metal processing, for which the demand on the domestic market is rising and is higher than the offer and for which the company has the production capacity and the necessary workforce. GRANTMETAL already registered a significant demand for these products, materialized in firm orders. This will lead to S.C. GRANTMETAL S.A.'s profitability.

(99) As it turns out from the information presented in the market study the forecast for the macroeconomic indicators for 2005-2008 shows superior rising rhythms compared to the national gross product in industry and constructions. Also, a rise of the metal consumption on the domestic market by 5%/year is forecasted. The construction sector, motor vehicle industry and shipbuilding industry will be the main rising factors of the metal consumption on the Romanian market.

(100) Considering all of the above, the company assumed to accomplish a series of objectives to make possible the restoration of viability, as a result of implementing the restructuring program, namely:

- increase of the company's capacity to promote and sell its products by: setting up a marketing compartment, participation in fairs and exhibitions, editing catalogues to advertise the company and its products, creation of a web site, offering company's products by internet;
- modernisation of the production process by replacing equipments highly used up, modernisation of the technological flow for wires and existing equipments, installations and machines, according to the assumed investment program;
- improving the efficiency in the company's activities by cutting costs;
- improvement of the quality of the products manufactured;
- improvement of the working conditions;
- diminution of debts;
- rise of the usage level for the production capacities;
- observation of the environment requirements and pollution reduction.

(101) The amended restructuring plan shows a better concentration of the human and financial resources with a view to promoting and trading the GRANTMETAL products. The Competition Council considers that through implementing the envisaged marketing measures, the company will be able to support the turnover level, as indicated in the restructuring plan.

(102) At the same time, the plan comprises enough elements showing the improvement of the management, such as: implementation of the management of the company by implementing the project-based leadership system, organisation of the production process by groups of products and activities, organized as costs centres, with own budgets of incomes and expenses, attracting experienced personnel, which activated in similar companies, in the company's management, setting up a compartment to draw up the post-calculation of administration.

(103) By enforcing the measures comprised in the restructuring plan, to which the company and the Buyer will contribute by own resources, as well as the state, by the facilities granted to the company for the payment of budgetary liabilities – for 2005 – 2008, an improvement of the economic-financial indicators is forecasted even in the worst case scenario, as follows:

Table no.10 The estimated evolution of the economic and financial values, after the application of the restructuring measures – pessimistic scenario

-ROL mill.-

Name of values		2005	2006	2007	2008
1	- Net turnover	55,500	68,400	82,000	98,000
2	Total incomes, of which:	142,706	65,400	81,000	96,969
	- Operation incomes	142,706	65,400	81,000	96,969
	- Financial incomes	-	-	-	-
	- Extraordinary incomes	-	-	-	-
3	Total expenses, of which:	79,018	78,409	83,406	89,969
	- Operation	79,018	78,409	83,406	89,969
	- Financial	-	-	-	-
	- Extraordinary	-	-	-	-
4	Gross profit (+) / Loss (-)	+63,688	-13,009	-2,406	+7,000
5	Outstanding payments - total	2,050	2,550	2,050	2,050

Source: S.C. GRANTMETAL S.A. restructuring program

(104) The analysis of the main economic and financial values estimates that in 2008, compared to 2005, the turnover will increase by 76%. With regard to the operational incomes, they are foreseen to artificially increase in 2005, as a result of the incomes obtained from the fiscal incentives, namely the write-off of outstanding payments. In 2008, a real increase of 78% of the operational incomes is estimated, while the operational expenses increase by only 13.8%, which leads to a profit of ROL 7.000 mill. in 2008.

(105) After achieving the measures in the restructuring program, the company estimates to achieve the following synthetic efficiency indexes:

Table no. 11 Status of synthetic efficiency indexes

No.	Indexes	U.M	2005	2006	2007	2008
1	Intermediary cash flow	%	117.88	65.48	90.79	44.43
2	Speed of rotation of stocks	days	169.2	122.4	90	72
3	Debt payment duration	days	277.2	201.6	144	108
4	Degree of indebtedness	%	164.78	77.81	45.44	33.71
5	Share of outstanding payments	%	4.77	6.55	6.12	6.92
6	Economic profitability	%	92.23	-	-	5.95
7	Financial profitability	%	244.23	-	-	7.96
8	Rate of losses tow. registered capital	%	65.1	54.14	44.79	37.02
9	Expenses per ROL 1000 operational income	lei	553.7	1,199	1,030	927.8

Source: S.C. GRANTMETAL S.A. restructuring program

(106) Considering the above, the Competition Council concludes that restructuring program of S.C. GRANTMETAL S.A. starts from the technical and economical data that reflect the company's business prior to privatization and from the causes that led to the current difficulties (paragraphs (27)-(30). The program was based on a market SWOT analysis, and on realistic evaluation on future operating conditions.

(107) The changes brought to the restructuring plan with regard to the organisational restructuring, the Competition Council's doubts were eliminated. We ascertain that the implementation of the suggested restructuring plan will lead to the restoration of S.C. GRANTMETAL S.A. long-term viability; the viability is mainly a consequence of the internal measures in the restructuring plan and is not based on external factors, such as price fluctuation and demand. The company's restructuring plan implemented will ensure a radical change which will allow the company, at the end of the restructuring, to fully cover the costs and to compete on its own on the free market.

Avoidance of significant distortion of competition

(108) According to the provisions in the Regulation, in view of minimizing the negative effects of the state aid over competition on the relevant markets, compensatory measures are necessary. These measures will be proportional to the distorting effects of the aid, and especially with the size and relative importance of the company on the relevant markets. Reduction of the presence on the market is set according to the market study attached to the notification, and on other relevant information, and is an integral part of the restructuring plan.

(109) S.C. GRANTMETAL S.A. is part of the category of small and medium-sized enterprises and holds insignificant market shares on the relevant markets on which it does business. Consequently, given the provisions of Art. 14 of the Regulation, according to which compensatory measures must be proportional with the distorting effects of aid over competition, especially on the with the size and relative importance of the company on the relevant markets, the Competition Council deems that, for S.C. GRANTMETAL S.A., no significant reductions of production capacities are necessary.

(110) In accordance with Art. 14 par. (3) of the Regulation, the Competition Council takes note of the fact that the reduction of those production capacities which contribute to the production of steel products may not be considered compensatory measures, since this activity is loss-generating.

(111) The compensatory measures to be taken for S.C. GRANTMETAL S.A. by the end of the restructuring period with the aim of avoiding distortion of competition consist of irreversible reductions of production capacities which contribute to the production of forged bars, wires and cold finished bars.

(112) Irreversible reductions of capacities are an integral part of the modified restructuring program. They consist of:

- reduction of the production capacity for forged bars, relative to 2004, from 320 t/year to 200 t/year, namely a capacity reduction of 37,5%;
- reduction of the production capacity for wires, relative to 2004, from 230 t/ year to 190 t/ year, namely a capacity reduction of 17,4%;
- reduction of the production capacity for cold finished bars, relative to 2004, from 120 t/ year to 100 t/ year, namely a capacity reduction of 16,7%.

(113) Irreversible reductions of capacities are achieved through cassation and dismantling of the equipment that contribute to the company's production, namely: for forged bars – cassation of the forging hammer of 400kgf, for wires – cassation of the oven for thermal treatment in the form of unfolded wire, under protected atmosphere, and for cold finished bars – cassation of the VAFIOS installation.

(114) There are significant differences between S.C. GRANTMETAL S.A.'s production capacity and its effectively used production capacity. The company does not intend to increase its production capacities, but achieve a higher degree of utilization of the ones still in function.

(115) For the period of implementation of the restructuring measures, the production capacities and the degree of their utilization are presented below:

Table no. 12 Degree of utilization of the production capacities between 2005 – 2008

Product name	2004	2005			2006			2007			2008		
	Cap. in func	Cap. in func	Achieved prod	Utiliz degr	Cap in func	Achieved prod	Utiliz degr	Cap. in func	Achieved prod	Utiliz degr	Cap. in func	Achieved prod	Utiliz degr
	t/an	t/an	t/an	%	t/an	t/an	%	t/an	t/an	%	t/an	t/an	%
Forged bars from non-alloyed, alloyed and stainless steel	320	200	100	50	200	110	55	200	120	60	200	140	70
Wires...	230	190	60	32	190	80	42	190	95	50	190	110	58
Cold finished bars from non-alloyed, alloyed and stainless steel	120	100	55	55	100	60	60	100	60	60	100	80	80

Source: Supplementary information

(116) Considering the above, the Competition Council ascertains that the state aid will be used only for the purpose of restoration of company viability, and will not allow the beneficiary to expand its production capacity during the restructuring plan application.

Aid limited to the minimum necessary

(117) In accordance with Art. 15 of the Regulation, the aid amount and intensity must be limited to the strictly necessary in order to allow the company restructuring. The beneficiary of the aid must have a significant own contribution to the restructuring costs, including sale of assets which are not essential for the company restructuring or sources attracted under normal market conditions, containing no state aid. According to the provisions of Art.15 par.(2) of the Regulation, for medium-size enterprises, a contribution of at least 40% is deemed as appropriate.

(118) The total cost of S.C. GRANTMETAL S.A.'s restructuring is ROL 218.639 mill. and is made of:

- cost of organizational restructuring ROL 11,377 million;
- cost of technological restructuring ROL 80,711 million;

- cost of environment restructuring ROL 1,538 million;
- cost of financial restructuring ROL 125,013 million.

(119) The beneficiary's cost of restructuring is sustained from:

- GRANTMETAL's own resources ROL 3,810 million;
- own resources of the controlling interest buyer ROL 101,216 million;
- state aid ROL 113,613 million.

(120) The beneficiary's own contribution of ROL 105,026 million stands for 48.03 % of the total restructuring costs and derives from the investor's contribution incurred at the privatization, in amount of ROL 101,216 million, and company's own resources in amount of ROL 3,810 million, obtained by rental of available locations, improvement of metal scrap from own production and improvement of metal scrap from the dismantling of the tools used in the manufacturing of steel products.

(121) Pursuant to Art. 15 of the Regulation, the amount and intensity of the aid must be limited to the minimum necessary restructuring costs, to allow the restructuring within the financial resources of the company, the stakeholders or of the group it is part of. For GRANTMETAL, the aid intensity, calculated as a ratio between the aid value and the total restructuring cost, is 51.97 %.

(122) Given the above, the Competition Council deems as significant S.C. GRANTMETAL S.A.'s own contribution of 48,03 %, to the restructuring costs, since this company is a medium-sized enterprise. This contribution demonstrated the trust S.C. GRANTMETAL S.A. has in the practical value of restructuring.

(123) The appreciation of the production capacities used in the manufacturing of steel products foresees incomes in amount of approx. ROL 3,060 million. This amount was computed as a product between the volume in tons of metal scrap resulted from dismantling and an average market price per ton of scrap of approximately Rol 4 miollion. To estimate the resulted volume of scrap, several guiding data from the technical tool manuals were used. In the event components of these tools are being appreciated as assets, an additional sum of approx. ROL 200 million is obtained.

(124) The incomes to be obtained from the increase of value of the tools used in the manufacturing of steel products will be used to finance one part of the organizational and technological measures.

(125) Under these circumstances, the Competition Council ascertains that through the appreciation of steel production capacities, no supplementary liquidities are created. Consequently, the state aid is limited to the minimum necessary in order to restore GRANTMETAL's viability.

One time, last time principle

(126) According to the information submitted by AVAS, the company did not previously benefit from state aid for restructuring, and thus, the provisions of Art. 24 of the Regulation are observed.

Annual monitoring and reporting

(127) Pursuant to Art. 18 of the Regulation, the Competition Council monitors on a permanent basis the implementation of the restructuring plan so that the company should keep achieving the objectives it set.

(128) The Competition Council will monitor the implementation of the restructuring plan until the end of the period, to make sure there will no increases of production capacities, no major deviations from achieving the restructuring measures, and that the state aid will not create supplementary cash flows that may be used for activities other than the ones provided by the restructuring plan.

CONCLUSION

(129) According to the results of the investigation, the Competition Council concludes that the state aid to be granted to S.C. GRANTMETAL S.A. is not able to significantly affect competition and neither it violates the proper application of the international treaties to which Romania is part.

(130) The analysis we made shows that the state aid, in total amount of ROL 113.613 mill., consisting of payment incentives for budget obligations and AVAS own debts, to be granted pursuant to GED 26/2004, meets the granting criteria of the *Regulation on state aid for rescue and restructuring of firms in difficulty*.

DECIDES

Art. 1. The measure notified by the Authority for State Assets Recovery for S.C. GRANTMETAL S.A. represents a state aid, according to art. 2(1) of the Law no.143/1999 on state aid, re-published.

Art. 2. Based on art.12 (2) lit. c), read in conjunction with art.14 (1) lit. e) of Law no.143/1999, re-published, the state aid for restructuring to be granted to S.C. GRANTMETAL S.A. is authorized under condition to observe provisions of art. 3, art. 4 and art. 5 of this Decision.

Art. 3. The state aid will only be granted after S.C. GRANTMETAL S.A., will provide the proof that the equipment used in the manufacturing of steel products were dismantled and reserved for conservation. The company shall dismantle its steel production capacities according to the restructuring program it incurred. The company shall convey

on a quarterly basis justifying documents proving the production achieved by S.C. GRANTMETAL S.A., for each type of product.

Art. 4. The company is compelled to fully implement the Restructuring Plan to which the company committed itself.

Art. 5. The company shall reduce its production capacities by 2008, according to the Restructuring Plan to which it committed itself.

Art. 6. Should this decision be violated, the provisions of Art. 22 of Law 143/1999, republished shall apply.

Art. 7. The value of the state aid to be granted is ROL 113,613 mill.

Art. 8. This Decision shall become applicable as of its communication.

Art. 9. According to the provisions of art. 32 of the Law no.143/1999, re-published, the state aid grantors shall submit to the Competition Council information concerning the granted state aid, in order for the aid to be inventoried and monitored. The Authority for State Assets Recovery shall submit to the Competition Council annual reports regarding the implementation of the Restructuring Plan. The first report shall be submitted within 6 months as of the Decision's issuing date.

Art. 10. According to the provisions of art. 46 of Law no.143/1999 on State aid, re-published, this Decision may be appealed, by the interested persons, before the Bucharest Court of Appeals, Administrative Section, within 30 days as of its communication.

Art. 11. This Decision shall be communicated by the Secretary General of the Competition Council, to:

- The Authority for State Assets Recovery, 50, Cpt. Av. Alexandru Serbanescu Street, 1st sector, Bucharest;
- S.C. GRANTMETAL S.A, b-dul Constructorilor, nr. 16A, cod postal 060511, Bucuresti.

Art. 12. The Secretary General and the Directorate for State Aid Authorizing of the Competition Council shall pursue the enforcement of this Decision.