OLTCHIM

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Societate în reorganizare judiciară, in judicial reorganisation, en redresement

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Registration no: 14561/18.12.2018

To:

Bucharest Stock Exchange
Financial Supervisory Authority
Financial Instruments and Investors Sector

Current report according to the provisions of FSA Regulation no. 5/2018 on Issuers of Financial Instruments and Market Operations

Date of report: December 18, 2018
Name of the company: Oltchim S.A. Rm. Valcea
Registered office: Rm. Valcea, 1 Uzinei Street
Fax number: 0250/735030/736188
Phone number: 0250/701200
Unique Registration Code:RO1475261
Trade Register Number: J38/219/1991
The European Unique Identifier (EUID): ROONRCJ38/219/1991
Legal Entity Identifier (LEI): 254900KXPD2OOC2LLX56
Subscribed and paid up capital: 34,321,138.30 lei
Regulated market on which the issued shares are traded: BSE, standard category, market symbol OLT
Event to be reported:
Completion of the European Commission's investigation into State aid granted to Oltchim SA

Oltchim S.A. informs shareholders that on 17.12.2018 a press release regarding the completion of the investigation launched in April 2016 was published on the European Commission (EC) website to establish whether certain measures taken by Romania in support of Oltchim complied with EU rules on State aid.

The Commission concluded that the public funding granted by Romania to Oltchim, about 335 million EUR plus interest, is incompatible with EU State aid rules and has to be recovered by Romania from Oltchim SA.

The statement also states that the company which acquired the assets, namely Chimcomplex SA, did not benefit from the previous aid granted to Oltchim and is therefore not required to reimburse them.

At the request of the entitled authority / authorities, Oltchim SA will enter the amount set as state aid to be recovered in the creditors' table, according to the national insolvency law.

Attached is the full press release of the European Commission, taken from the site of the institution.

Legal Administrator
ROMINSOLV SPRL

Legal Administrator
BDO BUSINESS RESTRUCTURING SPRL

Special Administrator
Bogdan Stănescu

European Commission - Press release

State aid: Romania needs to recover incompatible aid from petrochemical company Oltchim

Brussels, 17 December 2018

The European Commission has found that Romanian petrochemical company Oltchim received around €335 million of incompatible aid from Romania, since the company's failed privatisation in September 2012. Romania must now recover this aid from Oltchim.

At the same time, the Commission has concluded that the buyers of Oltchim's assets do not benefit from past aid granted to Oltchim because they have acquired the assets on market terms. This means that the responsibility to repay the aid remains with Oltchim.

Commissioner Margrethe **Vestager**, in charge of competition policy, said: *"Over the years, Oltchim has benefitted from the waiver of significant amounts of public debts. Our investigation found that these measures gave the company an unfair economic advantage in breach of EU State aid rules, which Romania must now recover. At the same time, the sale of most of Oltchim's assets on market terms can ensure a sustainable future for the company's economic activities, without the need for further public support."*

Oltchim is one of the largest petrochemical companies in Romania and South-East Europe. The Romanian State has a controlling stake of 54.8% in the company. In January 2013, Oltchim was declared insolvent.

In April 2016 the Commission opened an in-depth investigation to establish whether several Romanian measures in support of Oltchim were in line with EU State aid rules, specifically:

- the **non-enforcement and further accumulation of debts** owed by Oltchim to the Romanian Authority on managing State assets (AAAS) after Oltchim's failed privatisation in September 2012;
- **debt cancellations** of more than €300 million by AAAS and various State-owned enterprises; and
- **continued supplies** by the Romanian State and State-owned enterprises (CET Govora and Salrom) to Oltchim without payment, despite the company's deteriorating financial situation.

The Commission found that, in the present case, no private market creditor would have agreed to write-off Oltchim's existing debts or provide further supplies to Oltchim under the same terms as AAAS and other State-owned creditors did in 2015. As a result, the Romanian public support measures constitute State aid within the meaning of EU rules.

The Commission then assessed these measures under applicable EU State aid rules, namely the 2014 Guidelines on State aid for rescue and restructuring. The Guidelines allow a state intervention for a company in financial difficulty under specific conditions, requiring in particular that the company is subject to a sound restructuring plan, contributes to the cost of its restructuring and that any competition distortions are limited.

In the present case, no such restructuring plan was notified to the Commission. Moreover, the Commission found that there was no discernible contribution from investors to the restructuring costs of the company.

The Commission therefore concluded that the public funding granted by Romania to Oltchim, totalling a combined amount of around €335 million plus interest, is **incompatible with EU State aid rules** and needs to be recovered by Romania.

Sale of Oltchim's assets

To determine whether aid has been passed on to new owners in an asset sale, the Commission assesses whether there is economic continuity between the new and previous owner. The Commission uses a set of indicators, such as the scope of the transaction (assets, liabilities and workforce transferred, bulk sale of assets), the moment of the sale, the sale price and the sales process, as well as the identity of the purchaser.

At the time of the opening of the in-depth investigation, the Commission had concerns that the privatisation process of Oltchim could lead to economic continuity between Oltchim and a future buyer or buyers.

However, after the Commission opened formal proceedings, the Romanian authorities amended the terms of sale of Oltchim's assets. In particular, interested investors were allowed to bid for one or several of nine asset bundles, thus increasing the likelihood of and proceeds from a successful sale. During the sale, various market investorsshowed an interest and have acquired most of Oltchim's assets.

In light of the terms of Oltchim's amended sales process and its outcome, the Commission has concluded that the buyers of the relevant assets do not benefit from past aid granted to Oltchim and are thus not liable to pay it back.

Background

Oltchim has a long history of economic difficulties and State support. Numerous privatisation attempts since 2001 have failed. Previously, in March 2012, the Commission found that a debt-to-equity swap of Oltchim's debt held by AAAS was free of aid in view of the immediate privatisation of Oltchim (case SA.29041). However, Romania did not implement the debt-to-equity swap and the privatisation failed again in September 2012.

Under EU State aid rules, public interventions in favour of companies can be considered free of State aid when they are made on terms that a private operator would have accepted under market conditions (the market economy operator principle - MEOP). If this principle is not respected, public interventions involve State aid within the meaning of Article 107 of the Treaty on the Functioning of the European Union, because they confer an economic advantage on beneficiaries that their competitors do not have.

Under the Commission's 2014 Guidelines on State aid for rescue and restructuring, companies in difficulty may receive State aid provided they meet certain strict conditions. Aid may be granted for a period of up to six months (" rescue aid"). Beyond this period, the aid must either be reimbursed or Member States must notify a restructuring plan to the Commission for the aid to be approved ("restructuring aid"). The plan must ensure that the long-term viability of a firm is restored without further State support, that the company contributes to an adequate level to the costs of its restructuring and that distortions of competition created by the aid are addressed though compensatory measures.

As a matter of principle, EU State aid rules require that incompatible State aid is recovered without delay in order to remove the distortion of competition created by the aid. There are no fines under EU State aid rules and recovery does not penalise the company in question. It simply restores equal treatment with other companies.

A non-confidential version of this decision will be made available under case number SA.36086 in the State Aid Registeron the competition website once any confidentiality issues will have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly E-News

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