EUROPEAN
COMMISSION

Brussels, 8.6.2015
C(2015) 3770 final

COMMISSION DECISION

of 8.6.2015

ON THE STATE AID SA.37792 (2014/C) (ex 2013/N) which Slovenia is planning to implement for the Cimos Group

(Text with EEA relevance)

(Only the English version is authentic)

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In the published version of this decision, some information has been omitted, pursuant to articles 24 and 25 of Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty, concerning non-disclosure of information covered by professional secrecy. The omissions are shown thus […].		PUBLIC VERSION This document is made available for information purposes only.

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first subparagraph of Article 108(2) thereof[1],

Having regard to the Agreement on the European Economic Area, and in particular Article 62(1)(a) thereof,

Having regard to the decision by which the Commission decided to initiate the procedure laid down in Article 108(2) of the Treaty on the Functioning of the European Union, in respect of the aid SA.37792 (2013/N)[2],

Having called on interested parties to submit their comments pursuant to the provisions cited above[3], and having regard to their comments,

1 With effect from 1 December 2009, Articles 87 and 88 of the EC Treaty have become Articles 107 and 108, respectively, of the Treaty on the Functioning of the European Union ("TFEU"). The two sets of Articles are, in substance, identical. For the purposes of this Decision references to Articles 107 and 108 of the TFEU should be understood as references to Articles 87 and 88, respectively, of the EC Treaty where appropriate. The TFEU also introduced certain changes in terminology, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this Decision.

2 Commission Decision C (2014) 2238 final of 9 April 2014 concerning the case SA.37792 (OJ C 156, 23.05.2014).

3 OJ C 156, 23.05.2014, p. 63.

Whereas:

1. PROCEDURE

(1) By letter dated 21 November 2013, Slovenia notified the Commission of the restructuring aid it intended to implement for the Cimos Group[4] ("Cimos", "the Company"). The notified measure was preceded by the granting of a rescue aid which the Commission approved on 2 July 2013[5].

(2) By letter dated 9 April 2014, the Commission informed Slovenia that it had decided to initiate the procedure laid down in Article 108(2) of the Treaty in respect of the aid ("the opening decision"). Slovenia provided comments on that decision by letter dated 10 June 2014. Slovenia provided additional information by letters dated 24 September 2014 and 3 October 2014. The Commission met the Slovenian authorities on 4 November 2014. The Commission requested additional information by letter dated 18 December 2014, to which Slovenia replied on 30 January 2015.

(3) The Commission decision to initiate the procedure was published in the *Official Journal of the European Union*[6]. The Commission called on interested parties to submit their comments.

(4) The Commission received comments from one interested party. It forwarded them to Slovenia, which was given the opportunity to react. Slovenia has not replied to the comments of the interested party.

(5) By letter dated 27 January 2015, Slovenia waived its right under Article 3 of Regulation (EC) 1/1958[7] to have this Decision adopted in Slovenian and agreed that the authentic language of this Decision should be English.

2. DESCRIPTION

2.1. Beneficiary

(6) Cimos is a Slovenian-based manufacturer of automotive components, one of the largest industrial companies in Slovenia and a major employer. It has recently reported annual sales of over EUR 400 million and employed 6 855 people[8], of which over 2 500 in Slovenia.

(7) Apart from its core business, the Company was also active in other sectors through its Machine Building and Tooling ("Machine") Division and its Energy and Agricultural Machinery ("Agriculture") Division. It has recently sold them or integrated them into the Automotive Division, which is now the Company's only business.

(8) Slovenia estimates that Cimos' share in the European market is below 15% for most product families, with the exception of central housings and nozzle rings turbo

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[4] Since the beneficiary of the rescue aid was the Cimos Group and the restructuring aid must be assessed at the same level, Slovenia clarified that it considers the Cimos Group to be the beneficiary of the restructuring aid. Henceforth all references to Cimos or to "the Company" should be understood as references to the Cimos Group.

[5] Commission Decision of 2 July 2013 in the case SA.36548 (2013/N) – Rescue aid for Cimos, OJ C 287/2, 03.10.2013 ("the rescue aid decision").

[6] OJ C 156, 23.05.2014, p. 63.

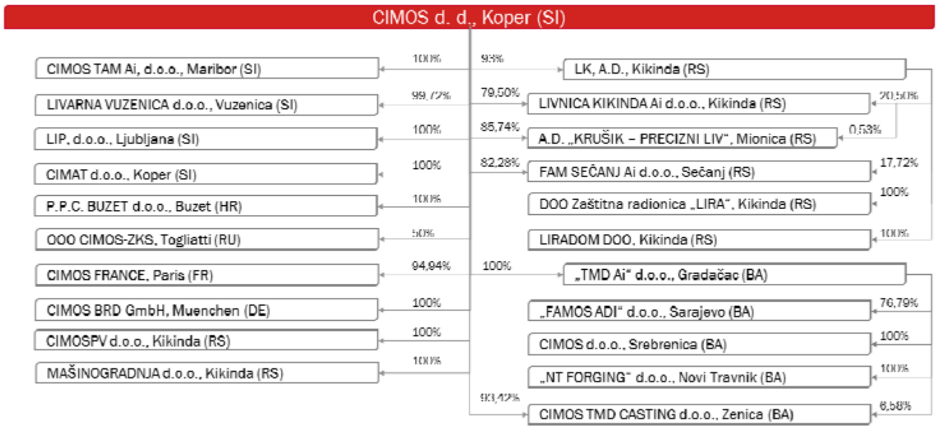
[7] Regulation No 1 determining the languages to be used by the European Economic Community (OJ 17, 6.10.1958, p. 385).

[8] As of 31 May 2014, including temporary employees.

systems where it is estimated at 17% and 21%, respectively. Cimos' main competitors include Edscha and FlexNGate, Le Bélier, Streit and NWS.

(9) As of 31 August 2014, Cimos consisted of a parent company, Cimos d.d., and 21 subsidiaries with operations in Slovenia, Croatia, France, Germany, Serbia, Bosnia and Russia. The organisational structure of Cimos is shown in Figure 1 below.

Figure 1 The organisational structure of Cimos



(10) The Slovenian State holds indirectly – through State-controlled companies or municipalities – over 39% shares of Cimos. The ownership structure and control, as of 31 August 2014, was as follows:

Table 1 Ownership structure of Cimos

Shareholder	Share	Control
Modra Zavarovalnica d.d.	21.4%	Public
Banka Koper d.d.	20.4%	Private
Cimos d.d.	13.3%	Private
Kovinoplastika Lož d.d.	13.1%	Private
D.S.U. d.o.o.	6.9%	Public
Others	24.9%	Public and private

Source: Restructuring plan

(11) In recent years the Company has experienced significant financial difficulties. Having generated small profits in 2010 and 2011, Cimos reported significant net losses of EUR 97.9 million in 2012 and EUR 122 million in 2013. As a result, net assets turned negative falling to minus EUR 103.3 million in 2013. Debt (long-term and short-term liabilities), already at a high level in previous years, further increased in 2013 and the debt-to-equity ratio soared due to falling net assets. The liquidity situation deteriorated as the ratio of current assets to current liabilities fell from 0.85 in 2010 to 0.5 in 2013. Selected financial data of the Company are presented in Table 2.

Table 2 Selected financial data of Cimos Group in 2010-2013, EUR million

	2013	2012	2011	2010
Sales revenue	409.2	445.6	480.7	444.8

Net result	-122.0	-97.9	3.4	4.1
Net assets	-103.3	22.5	139.3	133.1
Debt	610.4	569.3	581.6	594.2
Current ratio	0.5	0.54	0.85	0.85

Source: Consolidated financial statements for the years: 2013, 2012, 2011, and 2010.

(12) Cimos' difficulties result mainly from severe liquidity problems and over-indebtedness. In 2000-2008 the Company grew rapidly, financed primarily through external borrowings. This was followed by a decrease of demand linked to the economic crisis coupled with poor investment decisions and mismanagement. As a result, the Company has amassed considerable debt and found itself unable to refinance or settle its financial liabilities.

(13) Cimos has also considerable trade payables which disrupts the supply chain and threatens the very existence of the Company if the suppliers took steps to limit their exposure.

2.2. Debt restructuring process

(14) In June 2012, Cimos signed a restructuring agreement with its banks to postpone the repayment of debt. The agreement was extended several times but the Company did not manage to regain liquidity on its own and in April 2013 had to ask for rescue aid from the State in order to avoid bankruptcy.

(15) The Company then negotiated with the consortium of bank creditors ("Club Banks") a comprehensive Master Restructuring Agreement ("MRA") that was to set forth the terms and conditions of a voluntary debt restructuring. The voluntary debt restructuring was the main element of the restructuring plan that Slovenia notified in November 2013. Cimos expected that the MRA would be signed by the end of 2013.

(16) In February 2014, however, following the receipt of an audit report, the management of Cimos became aware of the fact that Cimos met the criteria for insolvency related to capital inadequacy under the Slovenian law. The Club Banks had increasing concerns as to whether the voluntary restructuring and the MRA could be achieved. In particular, they were concerned that too much of the restructuring burden was placed on the major creditors and that the required operational restructuring was not sufficiently tackled in the restructuring plan.

(17) To address these concerns, the bank creditors decided not to pursue the conclusion of the MRA but to initiate instead a compulsory settlement ("CS") procedure supervised by a court, with the aim to ensure that a broader set of stakeholders, including customers, suppliers and other creditors, would participate in the Company's restructuring to a greater extent and with firmer obligations than under the voluntary MRA process. On 3 June 2014, the court imposed the CS on Cimos. In parallel, the bank creditors started discussions with other stakeholders to agree on their contribution to the restructuring.

(18) As the CS creditors[9] reached a conclusion on the terms of the compulsory debt restructuring and the contribution of other stakeholders (the State, customers, suppliers, lessor and banks outside the CS) was agreed, the originally notified restructuring plan, which was based on the MRA, had to be updated in light of the

[9] The CS creditors are: Abanka Vipa d.d., Banka Celje d.d., Družba za upravljanje terjatev bank d.d. ("DUTB"), Gorenjska banka d.d., Nova Ljubljanska banka d.d., SID – Slovenska izvozna in razvojna banka d.d.

outcome of the CS process. Consequently, on 3 October 2014, Slovenia submitted the updated restructuring plan.[10]

(19) A key element of the CS under the Slovenian law is the submission to the court of the Plan of Financial Restructuring ("PFR") which sets out the agreed terms of the restructuring. The CS creditors submitted the PFR on 3 November 2014. According to Slovenia, once the PFR has been submitted, it may not be changed. Slovenia confirmed that all stakeholder groups have committed to the PFR.

(20) The PFR was examined by an independent certified business appraiser who, in line with Slovenian insolvency law, issued an opinion confirming that Cimos is insolvent, that there is a more than 50% probability that the implementation of PFR will enable the financial restructuring of Cimos to make it liquid and solvent in the short and long term and that there is more than 50% probability that the creditors of Cimos will be given more favourable terms of repayment of their claims than if bankruptcy proceedings were initiated by the Company. The appraiser found that in the event of bankruptcy the ordinary financial creditors would recover 3.88% of their claims, whereas in the event of the compulsory settlement they would recover 23.94% of their claims.

2.3. The notified measures

(21) The updated restructuring plan provides for the implementation of the measures summarised below.

(22) **Measure 1:** A 60% reduction (EUR 21.7 million) of the State's claim against Cimos resulting from the rescue aid guarantee through a debt for equity conversion, with the remaining 40% (EUR 14.5 million) to be paid over a 10-year period at an interest rate of EURIBOR + 2.5%.

(23) **Measure 2:** A 60% reduction (EUR 23.4 million) of the State's claim against Cimos resulting from other guarantees[11] through a debt for equity conversion, with the remaining 40% (EUR 15.6 million) to be paid over a 10-year period at an interest rate of EURIBOR + 2.5%.

(24) **Measure 3:** A combination of a 60% reduction in the debt (EUR 122 million) through a debt for equity conversion of bank debt, for some banks a haircut (EUR 35.7 million[12]) and a rescheduling of the remainder (EUR 99.5 million) over a 10-year period at an interest rate of EURIBOR + 2.5%.

Table 3 Summary of Measures 1-3, EUR million

Creditor's name	Principal outstanding	Debt for equity conversion	Haircut	Remaining debt
Measure 1				
Ministry of Finance	36.2	(21.7)	-	14.5

[10] All references to the restructuring plan in the remainder of this Decision mean the updated restructuring plan unless otherwise indicated.

[11] These guarantees were granted by the State under the schemes “Jamstvena shema” and “Nedelničarska posojila”. The scheme “Jamstvena Shema” has been approved by Commission Decision of 12 June 2009 State aid NN 34/2009 (ex N 321/2009) – Slovenia “Temporary Framework scheme – Guarantees” and Commission Decision of 16 April 2010 State aid N 105/2010 – Slovenia Amendment to “Temporary Framework Scheme – guarantees” (NN 34/2009). The scheme “Nedelničarska Posojila" had been in existence prior to the accession of Slovenia to the EU.

[12] Includes debt to be written off by creditors who have not supported the CS.

Measure 2				
Republic of Slovenia	39.0	(23.4)	-	15.6
Measure 3				
DUTB	65.8	(39.5)	-	26.3
SID Banka	47.5	(1.0)	(27.5)	19
Banka Celje d.d.	42.4	(25.5)	-	16.9
NLB	26.8	(16.1)	-	10.7
Abanka Vipa d.d.	23.2	(13.9)	-	9.3
International Finance Corporation (IFC)	22.1	(13.3)	-	8.8
Gorenjska Banka d.d.	15.5	(9.3)	-	6.2
NKBM	5.7	(3.4)	-	2.3
Total Measure 3	249	(122)	(27.5)	99.5

Source: Restructuring plan.

(25) **Measure 4:** A New Money Facility amounting to EUR 39.5 million, consisting of: (i) a commercial loan from the banks ("New Money Banks"[13]) for the amount of EUR 20 million with interest at 6-month EURIBOR + 5% p.a. supported by collateral and (ii) a loan by the Company's private customers ("New Money Customers"[14]) for the amount of EUR 19.5 million on an unsecured basis and with no interest.

(26) **Measure 5:** A voluntary restructuring of debt by suppliers[15] with a financial impact of EUR 21.8 million.

(27) **Measure 6:** A voluntary restructuring of debt by a lessor[16] with a financial impact of EUR 6 million.

(28) **Measure 7:** A voluntary rescheduling of debt by the banks outside the CS[17] with the expected financial impact of EUR 3 million.

(29) **Measure 8:** Customer funding of capital expenditure, in the form of a loan, for the amount of EUR 9.8 million.

(30) Slovenia considers that only the conversion of the State's claim resulting from the rescue aid guarantee to equity for the amount of EUR 21.7 million (part of Measure 1) constitutes State aid.

3. THE RESTRUCTURING PLAN

(31) As mentioned in recital (18), the originally notified restructuring plan has been updated in light of the modified terms of restructuring proposed under the CS. The

[13] The New Money Banks are: Abanka Vipa d.d., Banka Celje d.d., Družba za upravljanje terjatev bank d.d., Gorenjska banka d.d., Nova Ljubljanska banka d.d., SID – Slovenska izvozna in razvojna banka d.d., Nova kreditna banka Maribor d.d.

[14] The New Money Customers are: Audi, BMW, Bosch Mahle, Borg Warner, Eaton Corporation, Ford Motor Company, GM/Opel, Honeywell Turbo Technologies, Magna-Steyr and PSA.

[15] The measure involves more than 1 000 individual contracts with different suppliers and includes haircuts, lump sum arrangements, delayed repayment and rescheduling of trade payables.

[16] Hypo Leasing d.o.o. (now trading as Heta Asset Resolution d.o.o.).

[17] The non-Slovenia-based banks, namely Zagrebačka banka, Razvojna banka, Erste bank, Bosnia Bank International, Banka Intesa, Bawag, RZB, Privredna banka Sarajevo, Fond RS and Nova banka.

key features of the updated plan are the same as those of the originally notified plan. The modifications consist, essentially, in expanding the financial restructuring measures to include a wider scope of stakeholders and in strengthening the operational restructuring measures to take account of the implications of the CS.

(32) According to the plan the Company's difficulties originate from the debt-financed expansion, declining operational effectiveness and a downturn in the automotive market caused by the global economic and financial crises.

(33) The revenue growth in 2000-2008 averaged more than 20% p.a. and was primarily financed through external borrowing, in most cases with short-term loans, resulting in a mismatch between long-term assets and short-term liabilities used to finance those assets. During that period the net debt of the Company increased seven times and has remained at high level since then. The Company found itself unable to repay this debt, let alone finance the necessary capital investment. In addition, Cimos accumulated considerable trade payables, as it financed operations largely through extending payment periods to suppliers. Failure to pay suppliers on time not only added to liquidity problems but also disrupted operations, which in the automotive industry rely upon just-in-time delivery.

(34) The main reasons for the Company's declining operational effectiveness include poor quality, high scrap rates, lower customer service, overcapacity leading to high overheads, inability to reduce costs leading to deterioration of margins and supply shortages caused by a failure to respect supplier payment terms.

(35) The global economic crisis and credit crunch reduced demand for new cars and related demand for automotive components. Cimos' sales revenue fell in 2008 and 2009, grew briefly in 2010 and 2011 and declined again in 2012 and 2013. As the Company did not manage to reduce costs, it became unprofitable and was not able to generate enough cash flows on its own to service debt.

(36) With the aim to address the reasons for difficulty, Cimos has prepared a restructuring plan which provides for the implementation of financial and operational restructuring measures described below.

(37) The restructuring period is not explicitly set in the restructuring plan. The plan provides that the restructuring effectively started in February 2014 and that the restructuring measures shall be implemented by 2016, with the full benefits to be obtained by 2018 (it takes two to three years for the benefits of some measures to take effect in the forecasts). In view of this, given that the Company is forecasted to return to long-term viability by 2017 under all scenarios, the Commission considers that the restructuring period runs from February 2014 to the end of 2017.

3.1. Financial restructuring

(38) The originally notified restructuring plan provided for the State to convert the claim resulting from the rescue aid guarantee of EUR 35 million to equity and for two public shareholders of Cimos, Modra Zavarovalnica d.d. and D.S.U. d.o.o., to subscribe additional share capital of EUR 6.5 million. In addition, the originally notified plan envisaged the conversion and rescheduling of Cimos' bank debt for the amount of approximately EUR 250-270 million.

(39) Under the updated plan, the restructuring of the State's claim and the bank debt remain a central element of the financial restructuring but will be performed on modified terms agreed under the CS. In addition, other stakeholders including customers, suppliers, the lessor and banks outside the CS, will voluntarily contribute

to the financial restructuring through a reduction of their claims or provision of funding. However, the two public shareholders will no longer inject capital, as was envisaged under the originally notified plan.

(40) Cimos' financial debt consists of a claim by the State against the Company in respect of the rescue aid guarantee of EUR 36.2 million (including accrued interest), the claims by the State against the Company totalling EUR 39 million in respect of other guarantees[18] and various loans held by a number of banks. The State and CS banks agreed to restructure this debt through a combination of a debt-for-equity conversion, haircut and rescheduling of repayment on the terms described in recitals (22)-(24). This is aimed to bring the Company's debt to a sustainable and serviceable level. It will also free up cash resources necessary to finance operations and improve Cimos' creditworthiness in the eyes of customers, suppliers and financial creditors.

(41) Cimos will need additional funds to finance its working capital and repay liabilities arising from the debt restructuring, which is a *sine qua non* of returning to solvency and profitability. To this end, Cimos has agreed with its banks and major customers that they will provide EUR 39.5 million in the form of the New Money Facility on the terms described in recital (25).

(42) The Company has also concluded agreements with its suppliers on the voluntary restructuring of ordinary operating claims on the basis of supply contracts. The agreement provides for suppliers to restructure their claims through a combination of a one-off repayment of part of their claims and a rescheduling and write-off of the remainder. The financial impact of this measure for the amount of EUR 21.8 million corresponds to the amount of Cimos' payables written off.

(43) Cimos has entered into an agreement with Hypo Leasing d.o.o. (now trading as Heta Asset Resolution d.o.o.), a lessor, on the voluntary restructuring of claims resulting from finance lease agreements. On the basis of the agreement, the lessor will receive a one-off repayment (including penalty interest) of EUR 2.3 million, write-off EUR 6 million, which is the declared financial impact of this measure, and reschedule repayment of the remaining debt over 4 years with a 1-year grace period.

(44) Outside the CS, Cimos has concluded, or is in a final stage of negotiations to conclude, bilateral agreements on debt restructuring with the Company's non-Slovenian banks. The financial impact of this measure, consisting of an extension to the loan maturities, changes to interest and a moratorium on the repayment of principal, is estimated at EUR 3 million.

(45) Capital expenditure ("capex") has been reduced in recent years due to limited available cash, which led to under-investment and poor maintenance of the equipment. Cimos intends to bring capex to the level necessary to carry out the restructuring. This will be funded partly by customers, partly by Cimos. The customers have agreed to fund customer-specific tooling and machinery expenditure in the form of a loan to Cimos for the amount of EUR 9.8 million. Cimos will fund the remaining necessary capex from its own resources.

(46) In order to further improve liquidity, Cimos reached an agreement with customers to shorten the payment period from 30-60 days to a week, until June 2015. The measure is estimated to improve liquidity by approximately EUR 10 million.

[18] See footnote 11.

(47) Finally, Cimos plans to obtain borrowing of EUR 25 million on market terms to finance operations in 2018-2019, after the end of the restructuring period.

3.2. Operational restructuring

(48) As regards operational restructuring, the originally notified restructuring plan provided for the implementation of lean management, consolidation of production capabilities, enhancement of business unit roles and responsibilities, procurement improvement, inventory optimisation and human resource restructuring. These measures are being implemented, though under the updated plan they have been strengthened and expanded to take account of the business implications of the CS.

(49) In particular, the operational restructuring measures will have more impact on the group headcount, labour costs and overheads than originally planned, with the aim to generate net profit and cash at the earliest possible stage. To achieve this goal, in view of the higher than initially assumed expected decline in sales and an increase of maintenance costs, the modified measures are expected to generate higher cost savings than initially planned.

(50) The Company's booked business will drop in time as three quarters of the projects in progress are expected to be completed by 2019. A decline in existing business will have to be compensated by new projects. To this end, the Company will implement measures in sales, including most importantly the retention of long-term customers by cooperating with them right from the product development stage, penetration of new markets with the existing products and development of new products for the existing and new markets. Sales revenue is forecasted to decrease in 2015-2018 and start growing in 2019. The measures are not expected to generate additional costs.

(51) Cimos plans to reduce headcount from 6 855 employees in May 2014 to […][*] employees in […], which is expected to generate annual cost savings of EUR […]. The associated costs of severance pay are estimated at EUR […] and will be incurred in […].

(52) The Company has decided to reduce the number of plants from 20 to 13 in 2014-2016 in order to consolidate production capacity and focus on core business. The divestment proceeds are expected to amount to EUR 5.1 million, which will improve liquidity. In addition, in 2013-2014 Cimos sold its subsidiaries, TPS Labin, TPS Novi Knezevac (Agriculture Division), Litostroj Power (Energy Division) and Cimos Titan (Machine Division), which generated total proceeds of approximately EUR 25 million.

(53) The plan provides for quality measures to improve work processes, e.g. materials flow, internal packaging, cutting tool handling and stock management. In addition, measures will be implemented to improve manufacturing processes, including the transformation and relocation of certain production lines, the replacement or abandonment of certain input materials and the renewal, repair and replacement of work equipment. The annual benefits from the implementation of these measures are expected to grow from EUR 0.9 million in 2015 to EUR 5 million after 2017.

(54) In the area of supply chain the Company intends to reduce the number of […], decrease premium freight costs by reducing the backlog of production for known customers, simplify material flows between the plants and reduce […] by awarding the contracts via calls for tenders. The expected reduction in the supply chain costs

[*] Business secret.

will ultimately reach EUR 5.3 million per year from 2018 onwards. Until then the savings are expected to gradually increase, from EUR 1.8 million in 2015 to EUR 4.1 million in 2017.

(55) The Company also plans to improve purchasing process by negotiating volume discounts with its existing suppliers […] to secure more advantageous prices as well as by centralising the purchasing function. The current liquidity problems have led many suppliers to refuse to deal with Cimos which restricted its ability to optimise costs by switching suppliers. This is expected to change after the exit from the CS procedure. The benefits from the improved purchasing process are expected to reach EUR 11.3 million in 2015-2018.

(56) The overhead cost reduction measures are mainly focused on lowering the costs of services (utility, IT, telecom, cleaning and security), other operating costs (e.g. bank charges, rental costs) and discontinuing non-business related promotion activities (donations to the local sport clubs). The measures are expected to bring savings of EUR 0.3 million in 2015 and EUR 0.6 million per year thereafter.

(57) Under the inventory optimisation measure Cimos plans to better control obsolete stock, implement consignment stocking, increase the frequency of deliveries, reduce inventory of raw materials and increase inventory of finished goods, with the aim to deliver better customer service.

3.3. Overview of the restructuring costs and sources of financing

(58) According to the restructuring plan the total restructuring costs amount to EUR 350.7 million and are planned to be financed from an own contribution for the amount of EUR 329 million and from the State aid for the amount of EUR 21.7 million. The restructuring costs and the sources of financing are summarised in Table 4.

Table 4 Restructuring costs and sources of financing, EUR million

Restructuring cost item		Source of financing	
Trade creditor repayment	113.1	Declared own contribution	329.0
Past and 2014 trading losses	65.2		
Capital expenditure	18.3	Notified State aid (rescue aid converted to equity)	21.7
Repayment of customer funded capex	9.8		
Loss on disposal of Litostroj Power	17.5		
Loss on disposal of Cimos Titan	2.5		
Repayment of debt relating to Litostroj Power	21.4		
Severance payments	8.4		
Restructuring advisor fees	3.0		
Lease penalty interest and default repayment	2.3		
Limited equity and minimum cash headroom	49.0		
Interest on rescue aid	1.2		
Repayment of New Money	39.0		
Total costs	350.7	Total sources of financing	350.7

Source: Restructuring plan

(59) The declared level of own contribution amounts to 94% of total restructuring costs.

Restructuring costs

(60) Due to limited liquidity Cimos has accumulated considerable trade payables, which must be repaid in order to ensure continued supplies and stability of operations. The Company has repaid trade payables of EUR 20.5 million before the initiation of the CS and has to repay a further EUR 92.6 million owed at the outset of the CS. The total repayment amounts to EUR 113.1 million.

(61) As of 2014 the Company's forecasted accumulated losses amounted to EUR 211.4 million and negative equity - to EUR 155.6 million. According to the CS rules, in order for a restructured company to be considered viable upon exit from the CS, the equity cannot be negative. Thus the accumulated losses must be covered. The above amount has to be adjusted by items shown separately in Table 4 (losses on disposal, severance payments, restructuring advisor fees, lease penalty interest and trade creditor repayment). The balancing figure amounts to EUR 65.2 million and represents past trading losses to be covered during the restructuring.

(62) As mentioned in recital (45), the capex has been insufficient in recent years due to liquidity shortages. This often led to delays in production and inability of Cimos to meet its commitments towards customers. The capex foreseen in the plan is intended to assure that Cimos will meet its future contractual obligations and thus is essential for the restoration of viability.

(63) Part of the capex for the amount of EUR 9.8 million will be funded by customers in the form of a loan. This loan will have to be repaid by Cimos and thus it constitutes a cost of restructuring.

(64) On selling its subsidiaries, Litostroj Power (Energy Division) and Cimos Titan (Machine Division) Cimos recognized a loss on disposal of EUR 20 million, which increases the accumulated losses described in recital (61).

(65) The proceeds from sale of Litostroj Power for the amount of EUR 21.4 million were used by Cimos to repay bank loans, as was required by the financing facility agreements.

(66) The redundancies planned as part of the operational restructuring will generate severance payment costs of EUR 8.4 million.

(67) The Company has hired consultants to assist the management board in planning and execution of the restructuring process. The associated cost of professional services is estimated to amount to EUR […].

(68) As part of the deal sealed with the lessor (see recital (43)) Cimos must settle part of its obligations upfront, including penalty interest.

(69) In order to operate on the market on its own merits, it is not enough for Cimos to cover accumulated losses. It is a common practice in the automotive industry that customers require a sufficient debt to equity ratio for a bidder to participate in tenders. If Cimos is to bid for orders, which is necessary to achieve planned sales targets and ultimately return to viability, it must have minimum equity headroom estimated at EUR 39 million. In addition, it needs EUR 10 million to secure sufficient cash safety margin necessary to stabilise liquidity and regain trust on the market after the exit from the insolvency procedure.

(70) The interest on the amount the Company has borrowed on the market thanks to the rescue aid guarantee, accrued by 3 June 2014, namely the start of the CS, amounts to EUR 1.2 million and must be repaid as part of the restructuring.

(71) Cimos will also have to repay the debt resulting from the New Money Facility, described in recital (41). The associated restructuring cost, as notified by Slovenia, amounts to EUR 39 million.

Sources of financing

(72) The notified sources of own contribution include the New Money Facility (see recital (41)), Cimos- and customer-funded capex (see recital (45)), proceeds from the sale of the subsidiary Litostroj Power (see recital (52)), the benefits of financial restructuring measures described in section 3.1 and Cimos' contribution to the suppliers' debt restructuring (see recital (42)). The sources of own contribution are analysed in detail in section 8.8.

(73) The notified State aid consists of the conversion of the State's claim against Cimos resulting from the rescue aid guarantee to equity for the amount of EUR 21.7 million.

3.4. Restoration of long term viability

(74) The restructuring plan provides for a restoration of viability in 2015 under the realistic scenario and in 2017 under the pessimistic scenario, thanks to the implementation of the restructuring measures in 2014-2016. Selected projected financial data under the realistic scenario are presented in Table 5.

Table 5 Selected projected financial data under the realistic scenario (numbers in EUR million)

	2014	2015	2016	2017	2018	2019
Net sales	370.4	358.1	327.2	321.8	316.0	345.0
EBIT	-7.7	10.1	10.7	11.6	12.1	18.8
Net profit/loss	-77.8	2.1	2.9	4.2	5.0	11.1
Operating cash flow	2.9	19.0	32.1	40.5	34.1	27.6
Equity	-155.6	53.2	56.2	60.4	65.4	76.4
Return on capital	-	3.9%	5.2%	7.0%	7.6%	14.5%

Source: Restructuring plan.

3.5. Compensatory measures

(75) As a compensatory measure Cimos proposes to divest three business units within the automotive segment, its core business, namely the plants in […]. The plants were profitable and accounted for around 4% of Cimos' total revenue prior to restructuring.

(76) In addition, the Company has divested three non-core business units, namely its Agriculture, Energy and Machine Divisions, which accounted for around 20% of Cimos' total revenue in the pre-restructuring period and were profitable.

Table 6 Financial performance of the divested businesses prior to restructuring

	2011		2012		2013	
	Share in Cimos' revenue	Gross profit, EUR m	Share in Cimos' revenue	Gross profit, EUR m	Share in Cimos' revenue	Gross profit, EUR m
[…]	1.1%	2.3	1.0%	1.5	1.0%	1.2
[…]	0.9%	0.9	0.8%	0.8	1.0%	1.0
[…]	1.6%	1.9	1.4%	1.5	2.0%	2.2
Total core business	**3.6%**	**5.1**	**3.2%**	**3.8**	**4.0%**	**4.4**
Agriculture	0.9%	1.5	1.2%	2.7	0.9%	1.2

Energy	11.4%	22.6	12.2%	28.1	9.7%	14.4
Machine	5.0%	5.3	6.8%	6.6	8.5%	6.3
Total non-core business	**17.3%**	**29.4**	**20.2%**	**37.4**	**19.1%**	**21.9**

Source: Reply to the request for information from 30 January 2015.

(77) After the above divestments, Cimos' only remaining business will be the Automotive Division, its core activity.

3.6. The opening decision

(78) On 9 April 2014, the Commission opened the formal investigation procedure. In the opening decision the Commission expressed doubts in respect of the restoration of long-term viability, compensatory measures and own contribution.

(79) The restoration of long-term viability seemed questionable. According to the financial projection contained in the originally notified restructuring plan, the Company was expected to generate net losses and negative cash flows even after the restructuring. In addition, the capability of the originally notified restructuring plan to restore Cimos' viability relied largely on the conclusion of the voluntary debt restructuring agreement. As no agreement had been reached by the time of the opening decision, this assumption was considered not realistic. This was confirmed by subsequent events. The parties failed to reach agreement on the voluntary debt restructuring and the creditors initiated instead the CS procedure.

(80) The proposed compensatory measures, consisting of the sale of Agriculture, Machine and Energy Divisions, did not seem to concern the Company's main market and there was no evidence that all the activities to be discontinued were not loss-making prior to the restructuring, as required in point 40 of the Rescue and Restructuring Aid Guidelines[19] ("the Guidelines").

(81) Finally, the recapitalisation of Cimos by two public shareholders and the expected cash benefits from the restructuring of bank debt, including largely debt held by State-owned banks, which were originally notified as sources of own contribution, seemed to involve State aid. If proved true, they would not comply with the Guidelines, which provide that own contribution must be free of aid. The only acceptable source of own contribution at the time of the opening decision, namely the proceeds from the sale of Agriculture Division, accounted for only 0.5% of the restructuring costs, which means that it was well below the required 50% threshold.

4. COMMENTS FROM SLOVENIA

(82) In the reply to the opening decision Slovenia informed the Commission that the content of the notified restructuring plan would be updated in light of the outcome of the CS procedure initiated on 3 June 2014.

(83) As the negotiations on the CS were ongoing, Slovenia did not provide details on the modifications, however it confirmed that the recapitalisation of Cimos by two public shareholders was no longer being considered. As regards the other originally notified measures, Slovenia submitted that they could not be assessed until they are sufficiently well defined under the CS. Nevertheless, Slovenia provided comments on some of the issues raised in the opening decision.

19 Community guidelines on State aid for rescuing and restructuring firms in difficulty, OJ C 244, 1.10.2004, p.2.

(84) Referring to the Commission's doubts on the imputability of the actions of State-owned banks to the State, Slovenia replied that all of them operate on the market in accordance with commercial principles. Their decisions on Cimos were based on purely economic interests, were not influenced by governmental bodies and were taken in parallel with private creditors who also initiated the CS.

(85) As regards DUTB, Slovenia argued that its involvement in the restructuring of Cimos was free from political interference. Four out of seven of its board members are non-Slovenian and have strong international expertise and credibility. Credit and asset management decisions are made in an operational committee structure with clearly defined mandates and competencies.

(86) The participation of SID Banka ("SID") in the restructuring of Cimos would be independent from the Slovenian government. Transactions above certain limits must be authorised by the supervisory board, whose members are appointed by the government, however they shall be independent from the government. Slovenia acknowledged that the mission of SID as a development bank differs from the goals of commercial banks (e.g. maximizing profits), but argued that SID's corporate governance is subject to the same rules as in the private banks.

(87) Slovenia took note of the Commission's doubts regarding the restoration of long-term viability and declared that it would ensure that these doubts would be addressed in the updated restructuring plan.

(88) As regards the compensatory measures, Slovenia submitted that the restructuring aid for Cimos may be approved without compensatory measures as Cimos' market share is small to negligible and the Company is located in an assisted area. It also argued that neither the case law nor the Guidelines suggest that compensatory measures must take place exclusively on the company's main markets post restructuring. Finally, Slovenia submitted that the divestment of Agriculture, Machine and Energy Divisions would significantly affect Cimos' competitive position on the automotive segment by limiting resources that had been previously available thanks to profits generated by the divested businesses.

(89) Concerning the own contribution, Slovenia submitted that the debt restructuring, to the extent that it does not involve State aid, qualifies as an own contribution.

5. COMMENTS FROM INTERESTED PARTY

(90) The Commission received comments from one interested party, Cimos. Cimos fully endorsed the observations submitted by Slovenia in the reply to the opening decision. It also emphasized the Company's socio-economic importance for the country and the region and expressed confidence in the restoration of viability.

6. OTHER COMMENTS

(91) Between September 2014 and March 2015, the Commission received several letters from a private citizen, Ms. Olga Filakovic, representing a Canadian company, Hormess International Limited. In her letters Ms. Filakovic alleges that Cimos' balance sheet was fraudulently increased by at least EUR 20 million of laundered money, which (with interest accrued) adds up to EUR 35 million granted by Slovenia as part of the restructuring aid; that her company is entitled to be paid damages and – as a creditor - is seeking from Cimos and Slovenia EUR 60 million, a receivable which is allegedly registered at the District Court of Koper; and that Cimos falsified

financial documentation in order to hide debts owed to her clients in relation to an office building that Cimos did not own but sold for EUR 9.75 million.

(92) The Commission notes that interested third parties were invited to submit comments by means of a notice published together with the opening decision in the Official Journal of the EU on 23 May 2014[20]. The deadline for submission of comments expired on 23 June 2014. Nevertheless, in response to Ms Filakovic's request, the Commission has taken into account the information she has provided in the present investigation. The allegations are assessed in recital (160) below.

7. COMMENTS FROM SLOVENIA ON THE OBSERVATIONS OF INTERESTED PARTIES AND OTHER COMMENTS

(93) Slovenia has not replied to the comments from Cimos.

(94) As regards comments from Ms. Filakovic, in response to the Commission's request for information from 18 December 2014, Slovenia has rejected all allegations and declared them as completely false, not understandable and not supported by any evidence. In particular, Slovenia clarified that the financial statements of Cimos have been audited by an independent auditor, as part of the mandatory requirements of the CS procedure, who has issued an unqualified audit opinion. Concerning the alleged damages of EUR 60 million, Slovenia assured that Cimos does not have any obligation whatsoever against Hormess International. In December 2014, Hormess International and a Slovenian company SOF ING d.d. lodged a claim of approximately EUR 61 million with the court in the CS proceedings over Cimos, however the claim has not been included in the examination of claims performed by the administrator of the CS and therefore is not registered at the District Court in Koper as part of the CS proceedings. Finally, in relation to the sale of an office building, Slovenia confirmed that Cimos was the owner of the building, which was sold to the company Berny Commerce d.o.o. in 2001, which duly registered itself in the land register as owner in 2002, and that no associated claim against Cimos exists.

8. ASSESSMENT OF THE AID

8.1. Existence of State aid

(95) Article 107(1) of the Treaty stipulates that any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.

(96) It follows that, for a measure to be qualified as State aid within the meaning of Article 107(1) of the Treaty, the following cumulative criteria must be met: use of State resources imputable to the State, selective advantage to the beneficiary, and distorting effects (or threat thereof) on competition and trade between Member States.

Measure 1

(97) The measure is to be granted by the Ministry of Finance, therefore it clearly involves State resources and is imputable to the State.

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[20] See footnote 2.

(98) The measure is to be provided to one specific undertaking only, namely Cimos. The measure consists of a debt-for-equity conversion for the amount of EUR 21.7 million and a rescheduling for the amount of EUR 14.5 million of the State's claim against Cimos resulting from the rescue aid guarantee[21]. In the opening decision the Commission concluded that the debt-for-equity conversion of the State's claim constitutes State aid. This conclusion remains valid and is not contested by Slovenia.

(99) Slovenia argues that the rescheduling of the State's claim does not constitute aid because it is to be performed in line with the debt owed by Cimos to the other CS creditors. The Commission considers that the rescue aid guarantee and the rescheduling of the State's claim resulting therefrom are part of a single operation even if they involve different financial instruments. In this sense the rescheduling merely prolongs the advantage conferred on Cimos by the rescue aid. This is also confirmed by the fact that, on 3 November 2013, when Slovenia notified a conversion of its total claim resulting from the rescue aid to equity, the other current CS creditors did not agree to restructure Cimos' debt. In view of that, the Commission considers that the rescheduling of the State's claim provides Cimos with a selective advantage.

(100) In addition, without prejudice to the conclusion reached in the previous recital, the Commission notes that neither the conversion nor the rescheduling of the State's claim would comply with the market economy operator principle, as explained in recitals (104)-(107) below.

(101) Finally, the measure is apt to improve the competitive position of Cimos on the automotive market that is open for competition from other Member States. Therefore, it distorts or threatens to distort competition and affects trade between Member States.

(102) In view of the assessment in recitals (97)-(101), the Commission considers that Measure 1 constitutes State aid.

Measure 2

(103) The measure is to be granted by the Republic of Slovenia, therefore it clearly involves State resources and is imputable to the State.

(104) According to case law, economic transactions carried out by a public body or a public undertaking do not confer an advantage on its counterpart, and therefore do not constitute aid, if they are carried out in line with normal market conditions[22] (the market economy operator principle, or "MEOP"). This principle has been developed with regard to different economic transactions. In particular, to identify the presence of State aid in cases of transactions related to debt claims, it is necessary to compare the behaviour of public creditors to that of hypothetical private creditors that find themselves in a similar situation ("MEOP test").

(105) Any prudent market economy creditor would normally carry out its own *ex-ante* analysis of the financial outcome of a debt restructuring, for example by comparing the expected recovery amount in the scenario of debt restructuring with the expected recovery amount in the alternative scenario, in the present case, the bankruptcy of Cimos.

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[21] This guarantee was called on by the relevant banks, resulting in a claim by the State against the Company.

[22] Case C-39/94 *SFEI and Others* [1996] ECR I-3547, paragraphs 60-61.

(106) Therefore, if a Member State argues that the economic transaction is in line with the MEOP test, it must provide evidence showing that the decision to carry out the transaction was taken on the basis of an assessment that a rational private creditor would have carried out to determine the transaction's profitability.

(107) In the present case Slovenia has not provided evidence to demonstrate that by accepting the debt restructuring terms the State acted as a rational market creditor. Slovenia refers to the report of an independent appraiser of the PFR, who found that all creditors in aggregate would recover more from the CS than from the bankruptcy of Cimos.[23] The report does not, however, indicate how much the State alone would recover if it chose the alternative scenario. It cannot be excluded that, while the creditors as a whole might be better off by accepting the CS, the State could have recovered more from its individual claims if it had chosen the alternative scenario. In any case the analysis performed at the level of all creditors would not be sufficient for an individual private creditor to decide on the course of action as there could be differences in relation to the collateral held, the ranking of the claims, etc. Therefore, the Commission considers that the measure at hand conferred a selective economic advantage on Cimos.

(108) The assessment of the impact of Measure 1 on competition and trade, described in recital (101), is also valid for Measure 2.

(109) In view of the assessment in recitals (103)-(108), the Commission considers that Measure 2 constitutes State aid.

Measure 3

(110) The Commission observes that Gorenjska Banka is a private entity, while IFC belongs to the World Bank Group, therefore the actions of these two entities are not imputable to the State.

(111) The other banks participating in Measure 3, NLB, Abanka, Banka Celje and NKBM, are majority-owned by the State, which holds the majority of votes in the management and supervisory boards. This is an indication of imputability. However, the Commission has not found any evidence from the Articles of Association, the governance structure or from any other source indicating that the State influenced the decisions of the banks concerned on adopting the measure in question, in the sense of the *Stardust-Marine* case law.[24] On the contrary, Slovenia submitted internal documents demonstrating that each of the banks assessed the proposed restructuring terms based on economic considerations and in line with their standard internal decision-making processes. In addition, NLB's debt-to-equity conversion in the case Adria Airways was also not considered as imputable to the State[25]. For these reasons the Commission considers that the decisions of NLB, Abanka, Banka Celje and NKBM to participate in Measure 3 are not imputable to the State.

(112) DUTB is a State-owned company established in 2013 to facilitate the restructuring of banks that are facing severe liquidity and solvency problems. Again, the State-ownership is an indication of imputability, however it is not *per se* sufficient to consider the measure imputable to the State. The Commission has found evidence

[23] According to the report, ordinary financial claims would be recovered at the rate of 3.88% in the scenario of bankruptcy and 23.94% in the scenario of CS.

[24] Case C-482/99 *French Republic v Commission* (*Stardust Marine*) [2002] ECR I-4397.

[25] See Commission Decision of 9 July 2014 on the measures SA.32715 (2012/C) (ex 2012/NN) (ex 2011/CP) implemented by Slovenia for Adria Airways d.d.

indicating that DUTB was independent in its decision-making in respect of Cimos. First, according to the founding legal act of DUTB, decisions such as the one on Cimos, do not require government authorisation. Second, the governance structure of DUTB mimics the operational organisation of a bank, in that the decisions are taken by a credit committee. The particular decision on Cimos was taken by the highest-ranking board credit committee. Three out of seven board members are non-Slovenian and all but one come from the financial sector. The only one member of board representing the public administration (an ex-State secretary in the Ministry of Finance) voted against the restructuring of Cimos, but was outvoted by the other board members. Finally, Slovenia submitted internal documents demonstrating that DUTB also assessed the proposed restructuring terms on the basis of economic considerations. Therefore, the Commission considers that the decision of DUTB to participate in Measure 3 is not imputable to the State.

(113) In this context it is also noted that, without prejudice to the conclusions reached in recitals (110) and (112) above, all the creditors mentioned in recital (111) as well as DUTB performed ex-ante analyses comparing different courses of action and finding that they would recover more from Cimos' restructuring than from its liquidation. Therefore, the agreement of these creditors to the debt-to-equity conversion can also be considered in line with MEOP and thus no to involve economic advantage to Cimos.

(114) SID Banka is a 100% State-owned Slovenian export and development bank. All members of SID's Supervisory Board, which authorised the decision on Cimos, were appointed by the government and, moreover, three out of seven of them are employed by the State. According to Article 8 of the Slovene Export and Development Bank Act, all decisions by SID have to be taken with the vision of the development of Slovenia in mind. Slovenia itself acknowledges that the mission of SID as a development bank differs from the goals of commercial banks (e.g. maximizing profits). SID agreed on the least favourable conditions of the debt restructuring among all CS creditors, in that it approved a 58% haircut of debt, while none of the remaining CS creditors approved any haircut but rather opted for a debt-to-equity conversion offering a possibility of future capital gains from the acquired shareholding in Cimos. Slovenia has not substantiated why SID accepted more unfavourable terms than other CS creditors. The Commission has already held in previous decision that the guarantees provided by SID amounted to State resources and constituted aid.[26] In view of this, the Commission considers that SID's decision to participate in Measure 3 is imputable to the State.

(115) Slovenia has not provided any reliable evidence to demonstrate that the decision of SID to participate in Measure 3 was taken on the basis of market considerations. Slovenia claims that SID would recover EUR 9.9 million from the CS and would have to pay an extra EUR 6.7 million in case of Cimos' liquidation, that is to say that the difference between the two scenarios is EUR 16.6 million. This claim is not, however, supported by any analysis showing how these amounts were determined. Slovenia has submitted such analyses made by the other CS creditors. In addition, the recovery amounts raise doubts. It is not clear why SID would incur additional losses in case of liquidation, given that the market value of SID's collateral amounts to EUR 4.5 million. On the other hand, the recovery amount in case of restructuring does not seem to take into account the loss of EUR 27.5 million due to the haircut. Any

[26] See Commission Decision of 12 June 2009 State aid NN 34/2009 (ex N 321/2009) – Slovenia “Temporary Framework scheme – Guarantees”

rational market creditor would perform financial analysis before deciding on the course of action. On the basis of the available evidence the Commission considers that SID did not perform such analysis before agreeing on the haircut, that is to say that it did not behave as a rational market creditor. Consequently, the measure granted by SID conferred a selective economic advantage upon Cimos.

(116) The assessment of the impact of Measure 1 on competition and trade, described in recital (101), is also valid for the measure granted by SID.

(117) In view of the assessment in recitals (110)-(116), the Commission considers, on the one hand, that Measure 3 constitutes State aid to the extent that it was granted by SID. On the other hand, debt restructuring under Measure 3 by Gorenjska Banka, IFC, NLB, Abanka, Banka Celje, NKBM and DUTB does not involve State aid.

Measure 4

(118) None of the customers contributing to the New Money Facility is State-controlled, therefore their decisions are not imputable to the State. As regards the contribution of the New Money Banks, their decisions on Cimos have been assessed as not imputable to the State in recitals (110) and (112) above, with the exception of SID. In addition, the publicly-owned banks participated in the New Money Facility on the same terms as the private bank Gorenjska Banka and IFC.

(119) Moreover, the participation of the banks is matched by the private customers who have agreed to provide funding to Cimos for the same amount but at significantly less favourable terms. The customers' contribution is unsecured and does not bear interest. The contribution by the New Money Banks, on the other hand, is secured by super senior collateral and bears an interest of 6-month EURIBOR + 5% p.a., that is to say higher than a rate envisaged for the companies in financial difficulties with high collateral in the Commission's reference rate communication[27], which seeks to approximate the market rate.

(120) The provision of the New Money Facility is crucial for the Company's return to viability. Without it, Cimos would not be able to pay its suppliers in the short term and thereby to continue operations. In this sense, it is also economically rational for the creditors, which have accepted the debt restructuring, to increase marginally their exposure, in order to increase the likelihood of the Company's return to viability and the ultimate recovery of their remaining debt.

(121) As regards SID, however, the Commission notes that in addition to contributing to the New Money Facility on the same terms as the other banks, it also grants State aid (see above Measure 3). Furthermore, due to its legal status as public development bank, all its actions are imputable to the State. Measures 3 and 4 are granted at the same point in time and pursue the same objective, i.e. restructuring of Cimos. According to the case law, their compliance with the MEOP test therefore has to be assessed together.[28] Without it being necessary to perform a detailed calculation, it is clear that the overall terms for SID are not *pari passu*. Therefore, the contribution of SID to the New Money Facility has to be considered as State aid.

[27] Communication from the Commission on the revision of the method for setting the reference and discount rates, OJ C 14, 19.1.2008, p. 6.

[28] Case T-1/12 *France* v *Commission* (“Sea France”) [2015] ECR II-0000, paragraph 34 with further references.

(122) In view of the assessment in recitals (118)-(120), the Commission considers that Measure 4, with the exception of the contribution of SID, does not constitute State aid.

Measure 5

(123) None of the suppliers involved in the voluntary restructuring of their debt towards Cimos is owned or controlled by the State, therefore their decisions to participate in Measure 5 are not imputable to the State and thus Measure 5 does not constitute State aid.

Measure 6

(124) The lessor, Hypo Leasing d.o.o., belongs to Hypo Group Alpe Adria ("HGAA Group"), which is owned by the Austrian State. The Commission has not found any evidence indicating that the lessor pursued any interests other than commercial interests or that Austria influenced its decision on the restructuring of Cimos' lease obligations. It would appear unlikely that Austria would exert pressure on the HGAA Group to grant State aid to a company in difficulty located in another Member State. The Commission also notes that HGAA is limited as to the terms on which it may conduct business by the commitments contained in the Commission's State aid decision.[29] In addition, Austria undertook in that decision not to grant any further aid to companies in the HGAA Group.

(125) Therefore, the Commission considers that the decision of the lessor to restructure its exposure towards Cimos is not imputable to the State and thus Measure 6 does not constitute State aid.

Measure 7

(126) The banks participating in the voluntary debt restructuring are not State-controlled and therefore their decisions to participate in Cimos' restructuring are not imputable to the State. Thus Measure 7 does not involve State aid.

Measure 8

(127) None of the customers committing to provide funding in respect of capex is State-controlled, therefore their behaviour is not imputable to the State. Thus Measure 8 does not constitute State aid.

Conclusion on the existence of State aid

(128) The Commission concludes that Measures 1, 2 and part of Measures 3 and 4 (to the extent they were granted by SID) constitute State aid.

(129) The State aid amounts to EUR 80.3 million, corresponding to the debt for equity conversion by the State and the debt for equity conversion, the haircut and the contribution to the New Money Facility by SID[30]. In addition, the State aid includes up to EUR 16.6 million embedded in the debt rescheduling. The aid element embedded in the debt rescheduling was determined as the difference between the nominal value of the State's claims and SID's loans as of the CS date and the NPV of these claims and loans calculated according to the repayment schedule, as accepted by the creditors under the CS, i.e. assuming a 10-year repayment period with a grace period of 2 years, an interest rate of EURIBOR + 2.5%., discounted at an appropriate

[29] Commission Decision C (2013) 5648 final of 3 September 2013 concerning the case SA.32544 (OJ L 176, 14.06.2014).

[30] EUR 6.7 million.

discount rate.[31] The precise amount of aid embedded in the debt rescheduling cannot be established as e.g. the future EURIBOR rate is not known.

8.2. Legality of State aid

(130) In accordance with Article 3 of Council Regulation No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty[32], aid shall not be put into effect before the Commission has taken, or is deemed to have taken, a decision authorising such aid ("standstill obligation").

(131) According to the reply of Slovenia from 30 January 2015 to the Commission's request for information the CS procedure was planned to be resolved by April 2015. To the Commission's knowledge, however, no restructuring aid has been granted to Cimos to date. Therefore, it appears that Slovenia has complied with the standstill obligation so far.

8.3. Compatibility of State aid

(132) Article 107 (3) (c) of the Treaty provides that State aid can be authorised where it is granted to promote the development of certain economic sectors and where this aid does not adversely affect trading conditions to an extent contrary to the common interest.

(133) Slovenia has notified the measures as restructuring aid under the Guidelines. In view of the previous Commission decision concerning the rescue aid to Cimos and the financial difficulty of Cimos described below, the Commission agrees that the present case involves a restructuring aid which must be assessed in the light of the criteria under the Guidelines in order to establish whether it may be compatible with the internal market pursuant to Article 107 (3) (c) of the Treaty.

8.4. Firm in difficulty

(134) According to points 12(a) and 14 of the Guidelines[33] only firms in difficulty are eligible for restructuring aid. In order to qualify as a firm in difficulty the company must fulfil the criteria listed in point 10 or point 11 of the Guidelines.

(135) Under point 10, a firm is considered to be in difficulty when:

(a) in the case of a limited liability company, more than half of its registered capital has disappeared and more than one quarter of that capital has been lost over the preceding 12 months;

(b) in the case of a company where at least some members have unlimited liability for the debt of the company, more than half of its capital as shown in the company accounts has disappeared and more than one quarter of that capital has been lost over the preceding 12 months;

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[31] The discount rate was determined on the basis of the reference rate for Slovenia applicable to a company in difficulty. According to the Communication from the Commission on the revision of the method for setting the reference and discount rates (OJ C 14/02 of 19.01.2008), the reference rate is also to be used as a discount rate for calculating present values.

[32] OJ L 83, 27.3.1999, p.1.

[33] Since the restructuring aid was notified on 21 November 2013, it should be assessed under the 2004 Guidelines (see footnote 19). According to point 136 of the 2014 Guidelines (Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty, OJ C 249, 31.7.2014, p. 1) "*notifications registered by the Commission prior to 1 August 2014 will be examined in the light of the criteria in force at the time of notification*".

(c) whatever type of company concerned, it fulfils the criteria under its domestic law for being the subject of collective insolvency proceedings.

(136) In the opening decision, the Commission observed that Cimos, being a limited liability company, fulfilled the criteria listed in point 10(a) of the Guidelines. According to the consolidated financial statements as of 31 December 2012, it had lost more than half of its registered capital (108%) and more than one quarter thereof over the preceding 12 months (137%)[34]. Therefore the Commission considered that Cimos qualified as a firm in difficulty based on point 10(a) of the Guidelines.

(137) Since then the financial situation of Cimos has further deteriorated. As of 31 December 2013, the Company reported a negative equity of EUR 103.3 million. According to preliminary (unaudited) results for the first 10 months of 2014, Cimos recorded a net loss of EUR 74.3 million, which means that its negative equity increased even more. In earlier cases[35], the Commission concluded that, where a company has negative equity, there is an *a priori* assumption that the criteria of point 10(a) of the Guidelines are met, which would be the case for Cimos. The General Court also concluded[36] that a company with negative equity is a company in difficulty.

(138) In addition, since 3 June 2014, the court imposed the compulsory settlement procedure on Cimos under the Slovenian insolvency law at the request of its creditors. Therefore it also fulfils the condition of point 10(c) of the Guidelines.

(139) According to point 12 of the Guidelines, newly created firms are not eligible for rescue or restructuring aid. A firm is in principle considered as newly created for the first three years following the start of operations in the relevant field of activities. Cimos started operations in 1972, was registered in its present form in 1975 and has been operating in the current field of activities ever since. Therefore it cannot be considered as a newly created firm.

(140) Point 13 of the Guidelines establishes that a firm belonging to or being taken over by a larger business group is not normally eligible for rescue or restructuring aid, except where it can be demonstrated that the firm's difficulties are intrinsic and are not the result of an arbitrary allocation of costs within the group, and that the difficulties are too serious to be dealt with by the group itself.

(141) Cimos does not belong to or is not being taken over by a larger business group. Therefore the criteria set out in point 13 of the Guidelines do not preclude it from being eligible for restructuring aid.

(142) The Commission concludes that Cimos has been a firm in difficulty since 2012 and is eligible for restructuring aid.

8.5. The "one time, last time" principle

(143) According to point 73 of the Guidelines, if the firm concerned has already received rescue or restructuring aid in the past, including any un-notified aid, and where less than 10 years have elapsed since the rescue aid was granted or the restructuring period came to an end or implementation of the restructuring plan has been halted

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34 The loss of capital over the preceding 12 months is bigger than the total loss of capital because Cimos reported accumulated profits in the past.

35 Commission Decision in case C 38/2007 *Arbel Fauvet Rail*, (OJ L 238, 5.9.2008, p. 27).

36 Joined Cases T-102/07 *Freistaat Sachsen v Commission* and T-120/07 *MB Immobilien and MB System v Commission*, [2010] ECR II-585, paragraphs 95 to 106.

(whichever is the latest), the Commission will not allow further rescue or restructuring aid.

(144) Slovenia informed the Commission that the Company has not received any rescue or restructuring aid in the last ten years, apart from the notified rescue aid approved by the Commission, as described in recital (1).[37]

8.6. Restoration of long-term viability

(145) In order to consider a measure compatible under points 34-37 of the Guidelines, the restructuring plan must restore the long-term viability of the firm within a reasonable timescale and on the basis of realistic assumptions as to future operating conditions. The plan should enable the company to cover all its costs after restructuring and the expected return on capital must be enough to enable the restructured firm to compete on the marketplace on its own merits. The restructuring plan must describe the circumstances that led to the difficulties, thereby providing a basis for assessing whether the proposed restructuring measures are appropriate.

(146) The restructuring plan provides for Cimos to return to long-term viability in 2015 under the realistic scenario of the financial projections and in 2017 under the pessimistic scenario (see Table 5). The Company is expected to generate net profits and positive operating cash flows, which means that it would be in a position to cover all its costs after completing the restructuring, including depreciation and financial charges. The expected return on capital is forecasted to be 7.6% to 14.5% in 2018 and 2019 respectively, i.e. in the post-restructuring period. Given that the yield on the Slovenian 10-year government bonds, commonly seen as an approximation of a return on a risk-free investment, is approximately 1%, the expected return on capital gives investors a reasonably adequate risk premium and can be considered enough to enable Cimos to compete in the marketplace on its own merits.

(147) The financial projections are based on prudent assumptions. The sales are initially forecasted to decrease due to expected loss of customers caused by financial distress associated with the CS process. The revenue is forecasted to drop from EUR 358.1 million in 2015 to EUR 316 million in 2018 before it starts to grow in 2019. This is significantly less than in the pre-restructuring period when revenue exceeded EUR 400 million. The current forecast is also much lower than the one contained in the originally notified plan where sales were predicted to remain stable at EUR 400 million in the period 2015-2017. In view of that and taking into account that the business already booked accounts for more than 95% of planned sales in 2015 and 2016 and for more than 80% of planned sales in 2017, as well as considering the expected benefits of the implementation of the sales restructuring measures, it is reasonable to consider that the sales forecast contained in the updated restructuring plan is achievable.

(148) The costs have been forecasted on the basis of historical results, taking into account the expected benefits of the implementation of the restructuring measures. The Commission notes that significant cost savings are related to the measures over which the Company has relatively high influence, such as a workforce reduction or consolidation of production facilities, which increases the likelihood that they will be implemented as planned. The workforce reduction in particular should lead to a

[37] In 2009-2010, Cimos was granted State guarantees under the schemes described in footnote 11. At that time the Company was not an undertaking in difficulty, therefore the guarantees did not constitute rescue or restructuring aid and thus do not breach the "one time, last time" principle.

decrease of variable costs, while the disposal of loss-makings plants should decrease depreciation and improve profitability. The CS creditors and other stakeholders (customers, suppliers, the lessor) have agreed to a debt restructuring, which ensures that the financial restructuring measures will also be implemented as planned. This, among other benefits, will significantly decrease the Company's finance costs. Therefore, the planned cost savings also appear achievable.

(149) In the opening decision the Commission questioned the restoration of viability on the basis that at that time the banks had not agreed on Cimos' debt restructuring. This doubt has now been removed as the banks agreed to restructure Cimos' debt under the CS process.

(150) According to the restructuring plan Cimos will need additional funding totalling EUR 25 million in 2018 and 2019 to finance operations. The Commission notes that, on the basis of the restructuring schedule, by that time the Company will have implemented the core restructuring measures and will have returned to profitability. The initial deleveraging (through a debt-for-equity conversion, write-off and partial repayment) will improve Cimos' credit rating and will release a portion of assets currently pledged to creditors to be used as future collateral. This should enable Cimos to obtain the necessary financing on the market as planned.

(151) The restructuring plan sets out the circumstances that led to Cimos' difficulties, namely over-indebtedness and operational inefficiency. The Commission notes that the plan provides for the measures aimed precisely to address these difficulties.

(152) The conversion of debt for equity by major creditors will lead to a reduction of their claims by 60%. As a result, the overall financial liabilities of Cimos will decrease from EUR 422 million in 2013 to EUR 184 million in 2017. The debt to equity ratio will decrease from 17.7 in 2012 (last year when equity was positive) to 3 in 2017, a much more sustainable level. In addition, the remaining 40% of debt held by CS creditors is to be repaid on more favourable terms, including an extended repayment period and a 2-year payment holiday. This will further reduce the current and future repayment burden. The ratio of EBITDA to interest, which measures the ability of a company to service debt, is forecasted to increase from 1 in 2013 to 5.4 in 2017.

(153) Moreover, the suppliers agreed to reduce their claims, which will further reduce the overall debt and ensure continuity of operations. All of the financial restructuring measures, including notably the agreement by customers to shorten payment periods, will additionally improve liquidity. The cash flows eased by not having to repay the restructured debt or by receiving payments from customers earlier, will be also available to finance the implementation of the operational restructuring measures aimed at tackling the second reason for difficulty, namely the operational inefficiency.

(154) Under the operational restructuring Cimos embarked on a number of cost-saving measures, including most notably the reduction of workforce, consolidation of operations by decreasing the number of plants, reduction of overheads and improved process management. The Company wants to refocus its operations on the core automotive business. The operational restructuring measures are planned to generate total annual cost savings of EUR 27 million, much higher than under the originally notified restructuring plan. By decreasing costs they will improve profitability, which at the reduced level of employment and capital, will translate into increased operational efficiency.

(155) In view of the findings in recitals (152)-(154) the Commission considers that the proposed restructuring measures are appropriate to tackle the reasons for difficulty identified in the restructuring plan.

(156) The contribution of private banks, customers and suppliers to the financial restructuring is a sign of their confidence in Cimos and gives an additional reason to consider that the restructuring plan is capable of restoring long-term viability.

(157) The independent business appraiser of the PFR also concluded that the restructuring plan is likely to make Cimos liquid and solvent in the short and long term.

(158) Furthermore, the Commission notes that the duration of the restructuring plan is limited to less than four years, running from February 2014 to 2017. Such a restructuring period appears appropriate given the scope of the planned restructuring measures, their implementation schedule and the expected date for the restoration of viability.

(159) The Commission observes that the updated restructuring plan is not a new plan but only a development of the originally notified plan on the basis of the outcome of the CS. It pursues exactly the same restructuring goals as the originally notified plan, namely reduction of over-indebtedness, restoration of liquidity, improvement of operating efficiency and refocusing operations on the core automotive segment. The most significant restructuring measure in terms of financial impact, the conversion and rescheduling of the financial debt, remains the same, albeit on slightly modified terms and through a compulsory rather than voluntary procedure. The other restructuring measures are not substantially different than under the originally notified plan but have been strengthened to achieve greater cost-savings. Both the originally notified and the updated plans are based on the same business model and strategy. The Commission has already approved similar updates of notified restructuring plans in previous decisions.[38]

(160) Concerning the allegations of Ms. Filakovic, described in recital (91), the Commission notes that the financial statements of Cimos were examined by an independent auditor who issued an unqualified opinion about them and did not report anything on the alleged fraud and money laundering. Concerning the granting by Slovenia of EUR 35 million to Cimos as part of the restructuring aid, the Commission notes that in July 2013 it approved a EUR 35 million rescue aid guarantee for Cimos[39]. The guarantee, which is to be converted to equity as part of the restructuring aid, does not entail any transfer of monetary resources to Cimos, therefore it cannot be financed from money laundering. Finally, as regards the alleged claims of Ms. Filakovic's company and her clients against Cimos, on the basis of available information, the Commission has not identified any such claims. In view of that, the Commission considers that the allegations are unsubstantiated and do not affect the assessment of the restructuring aid.

(161) In view of the foregoing, the Commission concludes that the proposed restructuring measures are capable of restoring long-term viability of the Company within a reasonable timescale and on the basis of realistic assumptions.

[38] See e.g. Commission Decision C(2014) 4543 of 20 November 2012 in the case SA.32715 (2012/C) (ex 2012/NN) – Alleged aid to Adria Airways, OJ L 78/18, 24.03.2015; Commission Decision C(2012) 6352 final of 19 September 2012 in the case SA.30908 (2011/C) – CSA – Czech Airlines – Restructuring plan (ex N 176/2010), OJ L 92/16, 03.04.2013.

[39] See footnote 5.

8.7. Avoidance of undue distortions of competition (compensatory measures)

(162) Pursuant to points 38-42 of the Guidelines, compensatory measures must be taken to ensure that the aid's adverse effects on trading conditions are mitigated as far as possible. The aid shall not unduly distort competition. This usually means a limitation of the presence which the company can enjoy on its markets at the end of the restructuring period. The compensatory measures should be in proportion to the distortive effects of the aid and, in particular, to the size and relative importance of the firm on its market or markets. The closure of loss-making activities cannot be considered as valid compensatory measures. The degree of compensatory measures must be established on a case-by-case basis and with regard to the objective of restoring the long-term-viability of the firm. Moreover, according to point 7 of the Guidelines the Commission will request compensatory measures which minimise the effect on competitors.

(163) The compensatory measures should not compromise the ability of the company to return to long-term viability after the implementation of the restructuring plan, as provided in point 38 of the Guidelines.

(164) Cimos has proposed two compensatory measures:

– divestment of its Agriculture, Machine and Energy Divisions;

– divestment of three plants in the automotive segment, in […].

(165) Regarding the first compensatory measure, Cimos has already sold the three divisions concerned. They accounted in total for around 20% of the Company's revenue and were profitable prior to restructuring.

(166) The Commission notes that only compensatory measures which affect the beneficiary's presence on its main market can be considered sufficient[40]. Therefore, in principle the sale of these divisions cannot be accepted as a compensatory measure as such. Nevertheless, by divesting the non-core divisions Cimos has not only lost its market share in secondary segments but also has significantly weakened its competitive position and ultimately its market presence on the core automotive market. This is because the profits that Cimos would have earned from the divested divisions (approximately EUR 90 million in the period 2011-2013), which were profitable prior to restructuring, could have been otherwise used to finance the expansion on the core market.

(167) Regarding the second compensatory measure, all plants concern Cimos' main market and were profitable prior to restructuring, as shown in Table 6. They represent a reduction of capacity by 15% in terms of the number of plants and account for around 4% of the total revenue and 4.5% of the automotive segment revenue. By divesting these plants Cimos will give up market share to its competitors, lose customers and narrow its product range.

(168) After the divestments mentioned in recital (164) Cimos' only remaining business will be the Automotive Division, which is the Company's core and the only activity left and thus it is indispensable for the restoration of viability. The Automotive Division has already been downsized through divestment of plants by way of compensatory or restructuring measures. In view of that, any further divestments could indeed jeopardise the objective of restoring the long-term viability.

[40] Joined cases T-115/09 and T-116/09 *Electrolux AB and Whirlpool Europe BV v. Commission* (FagorBrandt) [2012] ECR II-000.

(169) The implementation of the compensatory measures coupled with the divestment of assets envisaged as part of the restructuring plan will significantly reduce Cimos' capacity and prevent it from gaining an undue competitive advantage thanks to the restructuring aid.

(170) Moreover, according to point 56 of the Guidelines, the conditions for authorising aid are less stringent as regards the implementation of compensatory measures in assisted areas. The Commission notes that Cimos is located in an assisted area according to Article 107(3)(c) of the Treaty.

(171) Therefore the proposed measures constitute a genuine compensation for the distortion of competition caused by the granting of the aid and are adequate to ensure that the adverse effects on trading conditions resulting from the aid are minimised.

(172) Consequently, the aforementioned compensatory measures are considered to comply with points 38-42 of the Guidelines.

8.8. Aid limited to the minimum, own contribution

(173) According to points 43-45 of the Guidelines, the aid must be limited to the strict minimum, necessary to enable the restructuring to take place. The beneficiary is expected to make a significant contribution to the restructuring plan from its own resources, including the sale of assets not essential to the company's survival, or from external financing at market conditions. Such contribution must be real, i.e. actual, excluding all future profits such as cash flow and is a sign that the markets believe in the feasibility of the return to viability of the company. It must not include any further State aid. For large enterprises, such as Cimos, the share of own contribution must be at least 50% of restructuring cost.

(174) According to Slovenia the own contribution proposed by Cimos accounts for 94% of the total restructuring cost and consists of the sources listed in Table 7.

Table 7 Sources of own contribution

Source	EUR million
New Money Facility	39
Cimos funded capex	8.5
Customer funded capex	9.8
Consideration for the sale of Energy Division (Litostroj Power)	18.0
Debt for equity conversion and non-accrual of interest on bank debt (without SID)	120.2
Non-accrual of interest on loans	5.3
Haircut of suppliers	21.8
Haircut of lessor	6
Haircut of bank debt	8.3
Debt for equity conversion and haircut of SID's debt	28.5
Debt for equity conversion of State guarantees	23.4
Non-accrual of interest on the rescue aid	1.2
Cimos contribution to funding of supplier compromise	39.0
Total declared own contribution	329.0

Source: Restructuring plan.

(175) The New Money Facility is confirmed by the funding agreement, on the basis of which the New Money Banks and New Money Customers agreed to provide Cimos

in total with EUR 38.4 million (EUR 19.2 million each) on the terms described in recital (25). Slovenia informed the Commission that the difference as compared to the notified amount of its own contribution from this source equalling to EUR 39 million relates to the customer Eaton who paid in the funds in early January 2015 and will approach the banks to provide the additional funding (the agreement provides for equal funding by the customers and the banks). The Commission does not have evidence that Eaton indeed paid the funds and that the banks provided the equivalent funding. In addition, as concluded in section 8.1, the participation by SID in the New Money Facility amounting to EUR 6.7 million constitutes State aid and thus cannot be considered as a source of own contribution. The Commission concludes that the New Money Facility for the amount of EUR 31.7 million constitutes a valid source of own contribution.

(176) Between January and September 2014, Cimos spent EUR 17.6 million on capex from its own resources. Therefore, the total amount of EUR 8.5 million, as proposed by Cimos, can be accepted as its own contribution.

(177) Cimos has signed bilateral agreements with its customers, on the basis of which they will provide a loan for Cimos to finance the capex. As none of the customers concerned is State-owned, this contribution is real and free of State aid and can be accepted.

(178) On 12 May 2014, Cimos sold its subsidiary, Litostroj Power, to a private company from the Czech Republic for EUR 21.4 million. Cimos has proposed EUR 18 million as its own contribution from this source. The contribution is real and free of State aid, therefore it can be accepted.

(179) The own contribution in the form of the debt for equity conversion by the banks, to the extent it was assessed as not involving State aid, has been determined as a financial benefit for Cimos resulting from not having to repay the loans which have the present value of EUR 121 million[41]. Instead of repaying these loans Cimos will have them converted to equity, which does not entail any future cash outflows with respect to these loans. The liquidity released by the conversion is available for Cimos to finance the restructuring costs. By accepting the conversion the CS creditors have assumed a risk of capital loss if Cimos' equity loses value after the conversion, which is a sign of their confidence in the restoration of viability.

(180) According to the CS terms no interest will accrue on the bank loans mentioned in the previous recital from 3 June 2014 (the date of the initiation of the CS) until the court's decision confirming the CS, which represents an additional benefit for Cimos for the amount of EUR 5.3 million.

(181) The haircut granted by the suppliers and the lessor is confirmed by agreements, as described in recitals (42) and (43) respectively, therefore it is real. It will free liquidity available for financing the restructuring costs, which otherwise would have to be spent on the repayment of the associated payables.

(182) The haircut of bank debt for the amount of EUR 8.3 million corresponds to the expected contribution from "non-supportive" creditors, who have not agreed to the terms of CS, but will be outvoted by the majority of supportive creditors. In the absence of agreement by the banks concerned, the Commission does not consider this contribution as real, nor as a sign of their confidence in the restoration of Cimos' viability.

[41] Of which Cimos has notified EUR 120.2 million as its own contribution.

(183) As concluded in section 8.1, the conversion and haircut of SID's debt constitutes State aid. For that reason it cannot be considered as a source of own contribution.

(184) Likewise, the debt for equity conversion of the State's claims resulting from the guarantee schemes and non-accrual of interest on the State's claim resulting from rescue aid guarantee (after 3 June 2014) have been assessed as constituting State aid and, as such, cannot be considered as own contribution.

(185) Finally, the restructuring plan provides that Cimos' contribution to funding of supplier compromise (the repayment of rescheduled debt) will be funded from "future profits". Slovenia informed the Commission that this debt amounts to EUR 34.2 million, as the remaining EUR 4.8 million has been already repaid to suppliers. According to point 43 of the Guidelines own contribution must exclude future profits. Therefore, the Commission considers only EUR 4.8 million as a legitimate own contribution from this source.

(186) On the basis of these considerations, the Commission concludes that an own contribution for the amount of EUR 226.1 million meets the criteria of the Guidelines. This amount accounts for 64.5% of total restructuring cost, which is above the 50% threshold required for large enterprises.

Conclusion on the compatibility of the restructuring aid

(187) The Commission concludes that the restructuring aid meets the compatibility conditions of the Guidelines.

9. CONCLUSION

(188) The Commission concludes that Measures 1, 2 and part of Measures 3 and 4 (to the extent they were granted by SID) constitute State aid within the meaning of Article 107(1) of the Treaty, which is compatible with the internal market on the basis of Article 107(3)(c) of the Treaty read in conjunction with the Guidelines,

HAS ADOPTED THIS DECISION:

Article 1

The State aid which Slovenia is planning to implement for the Cimos Group, amounting to EUR 96.9 million, is compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty.

Implementation of the aid amounting to EUR 96.9 million is accordingly authorised, subject to the condition set out in Article 2.

Article 2

Slovenia shall submit regular reports on the implementation of the restructuring plan submitted on 3 October 2014. The first report shall be submitted to the Commission not later than six month after the date of this Decision. Subsequent reports shall be sent to the Commission at least once a year until the end of 2017.

Article 3

This Decision is addressed to the Republic of Slovenia.

Done at Brussels, 8.6.2015

For the Commission

Margrethe VESTAGER
Member of the Commission

CERTIFIED COPY
For the Secretary-General,

Jordi AYET PUIGARNAU
Director of the Registry
EUROPEAN COMMISSION