

DECISION OF THE COMPETITION COUNCIL
no. 91 on 13.04.2006
regarding the state aid notified by the
Authority for State Assets Recovery
granted to S.C. URB RULMENTI SUCEAVA S.A.

The Competition Council,

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

With regard to the provisions of the Law no. 21/1996, published in the Official Gazette no. 88, Part I, on 30.04.1996, amended and completed by E.G.O. no. 121/2003, approved by Law no. 184/2004,

With regard to the provisions of the Law no. 143/1999 on State aid, republished in the Official Gazette of Romania, 1st Part, no. 744/16.08.2005,

With regard to the provisions of the Regulation on State aid for rescuing and restructuring firms in difficulty, published in the Official Gazette of Romania, Part I, no. 1215 on 17.12.2004,

With regard to the provisions of the Decree no. 57/2004 for the appointment of the Competition Council's members,

Based on the following reasons,

I. THE PROCEDURE

(1) By the address no. VP4/1551/15.06.2005, registered at the Competition Council with no. RS-AS 37/16.06.04.2005, the Authority for State Assets Recovery (hereinafter named AVAS) notified, based on art. 15 of Law no. 143/1999 on State aid, republished, the intention to grant an individual state aid for the restructuring of S.C. URB RULMENTI SUCEAVA S.A.

(2) By the address no. DAAS/590/17.06.2005, the Competition Council informed AVAS that the State aid for export, granted in the period 2000-2002 is incompatible with the normal competition environment, being forbidden according to art. 14(3), of Law no. 143/1999 on State aid. Also, additional information to the notification form was requested.

(3) AVAS transmitted the response to the additional information's requested, by address no. VP4/641/18.06.2005 registered at the Competition Council as no. RG 3456/19.05.2005.

(4) The State aid beneficiary answered through the address no. 3820/21.06.2005 (registered at the Competition Council as no. DAAS/602/21.06.2005), informing the Competition Council that it agrees with the reimbursement of 1.257.473.210 ROL, sum that represents interest premium for the credits that are contracted from Romanian commercial banks to sustain the export activity and the interests in quantum of 100.597.856 ROL.

(5) The notification became effective on 21.06.2005, when all the information were complete and exact.

2. DESCRIPTION OF THE MEASURE

2.1. LEGAL BASIS FOR GRANTING THE STATE AID

- Law no.137/2002, regarding certain measures for accelerating the privatization, with the subsequent amendments and completions;
- GD no. 577/2002, regarding the approval of Methodological Norms for the application of GEO no. 88/1997 regarding the privatization of companies, with the subsequent amendments and completions, and the Law no.137/2002, regarding certain measures for accelerating the privatization.

2.2. Concrete modalities for granting the State aid

(6) The State aid intended to be granted by AVAS, in total amount of ROL 7,642,133,865, consists of:

- Facilities for payment of delay interests to the consolidated State budget, in a total amount of ROL 5,292,373,116, as follows:
 - a) exemption from the payment of 77% for outstanding liabilities at 31.12.2001, representing the company's contribution to the social security State fund, in total amount of ROL 467,011,475;
 - b) payment exemption for delay interests and penalties related to the outstanding liabilities referred to in let. a), contained by the budgetary obligations certificates, calculated until the date of the ownership transfer rights over the shares and unpaid, in a total amount of ROL 4,745,149,280
 - c) payment exemption for any delay interests and penalties related to the budgetary obligations referred to in let. a) and unpaid, calculated for the period of 03.11.2003 – 30.04.2004, in total amount of ROL 80,212,361;
- facilities in the payment of certain AVAS own claims, respectively exemption from the payment of 77% of overdue dividends at 31.12.2001 and of the moratorium damages afferent to the unpaid dividends, in total amount of ROL

1,280,844,136, out of which 13,093,799 ROL represent dividends for the year 1993;

- non-reimbursable financial support, in total amount of ROL 1,082,010,412 granted by the Ministry of Economy and Commerce for endowment and accreditation of the metrological laboratory and RAM laboratory.

(7) At the same time, in the period prior to the beginning of the restructuring process, the company benefited from fiscal facilities in the amount of ROL 4,709,717,485, consisting of:

- Exemption from the payment of delay penalties afferent to outstanding liabilities to ANOFM, in total amount of ROL 505,103,848;
- Exemption from the payment of delay penalties afferent to the Accident Risk Fund, in a total amount of ROL 1,418,815,439;
- Exemption from the payment of delay penalties afferent to outstanding liabilities representing the health insurance budget contribution, in a total amount of 1,528,328,988 ROL;
- Interest premium for the credits that are contracted from Romanian commercial banks for the export activity, in a total amount of 1.257.473.210 ROL.

(8) The Competition Council has been informed by the beneficiary that the amount of 1,257,473,210 ROL, representing the interest premium for the credits contracted from Romanian commercial banks for the export activity and the afferent interests (100,597,856 ROL) will be voluntary reimbursed. Consequently, this State aid does not make the object of the present evaluation.

2.3. State aid beneficiary (S.C. URB RULMENTI SUCEAVA S.A.)

(9) The State aid beneficiary is S.C. URB RULMENTI SUCEAVA S.A. The company was established according to the Romanian laws, as a joint stock company, in 1991 from the former Rulmenti Suceava Enterprises which was operating since 1983. The company has been privatized by selling the share package owned by AVAS to S.C. Baza de Aprovizionare si Desfacere Rulmenti S.A. Brasov, according to the shares sale/purchase contract no. 51/28.10.2003. Following the transfer of shares' ownership, at 9.01.2004, the registered capital of 154.238.675 thousand ROL, divided into 6.169.547 shares with a nominal value of 25.000 ROL, was held as follows:

Table no. 1 Shareholder structure of S.C. URB RULMENTI SUCEAVA S.A.

Shareholders	Capital held	
	Number of shares	(%) in the registered capital
B.A.D. Rulmenti S.A. BRASOV	3,794,033	61.496
S.I.F. MOLDOVA S.A. BACAU	1,790,020	29.014
OTHER SHAREHOLDERS	585,494	9.490
Total	6,169,547	100.000

Source: AVAS Notification

(10) The company operates in the industry field. S.C. URB RULMENTI SUCEAVA S.A. has as main scope of activity the design, production and sales of bearings - CAEN code 2914.

(11) The results of the fiscal years, based on the data from the balance sheets of the past 4 years, are presented in Table no. 2.

Table no. 2 The result of the fiscal years in the period 2001-2004 at S.C. URB RULMENTI SUCEAVA S.A. - Thousand ROL-

	2001	2002	2003	2004
Total turnover	176,140,344	152,166,380	165,684,871	196,294,286
Turnover on the Romanian market	57,994,000	34,623,000	31,823,000	30,216,106
Profit/loss	15,033,473	1,711,694	-18,673,587	-22,211,894

Source: AVAS

The accounting profit registered in 2001 and 2002 in the profit and loss account presents the company's activity as being profitable in those periods, but this image is only an apparent one. The financial results of these years are prepared in accordance with the International Accounting Standards. As a result of the enforcement of the International Accounting Standards, the 2001 balance sheet has registered losses in a total amount of 25,462,279 thousand ROL, so the cumulated net result at the end of the year 2001 amounted a loss of 29,927,598 thousand ROL, which expressed in real terms the company's health. The net result of the 2002 fiscal year, as the first year of enforcement of the International Accounting Standards, was a profit of 1,711,694 thousands ROL, but it originated entirely from the financial result, I.e. from the registration of the favorable differences in the exchange rate upon collecting the foreign currency for the exported bearings. By cumulation, on 31.12.2002, the profit and loss account amounts to 28,215,904 thousand ROL losses. The apparently favorable result of ROL 1.7 billion in 2002 was insufficient to cover losses carried forward from the previous years, in a total amount of 28.2 billion ROL, which losses were reflecting, in real terms, the condition of the company's health.

(12) The company is a large enterprise (turnover in amount of 196,294,286 thousand ROL and a number of 809 employees) that does not meet the conditions of the Regulation regarding State aid for SMEs, with subsequent amendments and completions.

(13) S.C. URB RULMENTI SUCEAVA S.A. manufactures bearings and elements of bearings (interior and exterior ball-bearing rings, cages and covers etc.).

(14) The production capacities before the beginning of the restructuring process and their usage degree are presented in table no.3. The average number of employees working in these production facilities on 31.12.2003 was 809.

Table no. 3 Production capacities of S.C. URB RULMENTI SUCEAVA S.A.

Product	2001		2002		2003	
	Capacity in use (mil pieces/year)	Usage degree (%)	Capacity in use (mil pieces/year)	Usage degree (%)	Capacity in use (mil pieces/year)	Usage degree (%)
Bearings	12.5	35.4	12.5	27.2	12.5	27.2
Elements of bearings	10.0	-	10.0	-	10.0	1.0

Source: AVAS Notification form

The low usage degree of the production capacities was mainly due to the lack of liquidities, which could not secure either the material base necessary to satisfy the orders or to repair and modernize the installations, let alone the lack of investment funds for up-to-date installations.

2.4. Privatization process

(15) The privatization process took place in non-discriminating and transparent manner, observing the provisions of the XXIIIrd Report of the European Commission. Each investor was informed about all the pre-qualification criteria from the very beginning of the privatization process by the privatization announcement. The privatization was made by sale advertisement of shares by way of negotiation based on final, improved and irrevocable bids.

(16) The announcement for the sale of shares held by AVAS in S.C. URB RULMENTI SUCEAVA S.A. (3.794.033 shares representing 61.50% of the registered capital) was published in on 24.09.2003 in the national newspaper “Ziua” and the local newspaper “Monitorul de Suceava” as well on the Internet page of AVAS and by publication at the company’s premises. Afterwards, the tender dossier was put into sale starting with 25.09.2003, the only bidder being B.A.D. RULMENTI S.A. Brasov. After analyzing the pre-qualification and tender documents, the Negotiation Committee ascertained that the bidder, namely S.C. B.A.D. RULMENTI S.A. Brasov met all the conditions of the announcement of sale and tender dossier of S.C. URB RULMENTI SUCEAVA S.A.

(17) The Competition Council found that an economic concentration is being created, which fulfils the condition of the ROL 65 billion threshold falling within the Law no. 21/1996 on competition, with the subsequent modifications and completions. By Decision no. 70/17.02.2004 of the Competition Council, the economic concentration was considered (compatible with a normal competitive environment on the relevant market, namely of bearings. This concentration does not modify the market structure, the acquired company continuing to carry out the same activity before this operation and does not have as effect the restriction, prevention or distortion of competition.

3. STATE AID ASSESSMENT OF THE MEASURES – ARE THE MEASURES STATE AID?

(18) The financial support, in order to be considered as State aid under Law no. 143/1999 on State aid, republished, must fulfill cumulatively the four conditions provided under art.2:

- to be granted by State or through State resources,
- the selective character of the measure,
- to provide an advantage to the economic operator,
- to distort or threaten to distort the competition and to affect the trade between Romania and the EU Member States.

(19) The financial support granted to S.C. URB RULMENTI SUCEAVA S.A. and notified by AVAS consists in State's waiver to certain incomes, therefore State resources are involved.

(20) The financial support measures, granted under Law no. 137/2002 on certain measures for accelerating the privatization, are addressed only to certain undertakings that are going to be privatized, including S.C. URB RULMENTI SUCEAVA S.A. Therefore, the measures granted to S.C. URB RULMENTI SUCEAVA S.A. do have a selective character.

(21) Through the financial support granted in the form of fiscal facilities, an economic advantage for S.C. URB RULMENTI SUCEAVA S.A. is created, the company being exempted from the payment of its outstanding liabilities towards the State budget, as well as from the payment of related interests and delay penalties. As a result of granting these facilities, the company must not pay the debts towards the State budget, having a favorable effect over the financial-economic and cash-flow indicators. Therefore, the company is advantaged, being favored in comparison with its competitors.

(22) Granting the financial support to S.C. URB RULMENTI SUCEAVA S.A. creates the premises for a possible competition distortion on the relevant market since it allows the company to maintain or even strengthen its position on this market.

(23) As well, it is clear that the financial measures affect the trade with the EU Member States due to the fact that its products are commercialized on the external market.

(24) Therefore, the Competition Council concludes that the financial measures granted to S.C. URB RULMENTI SUCEAVA S.A. are considered as State aid and fall under the scope of the State aid Law no. 143/1999, republished.

(25) As regards the facilities in amount of ROL 3.452.248.275 of which the company benefited during 2001-2002, these were granted by the Ministry of Public Finances under GEO no. 11/1996 and GEO no. 40/2002 and represented exemptions from the payment of supplementary charges and penalties for payment delay afferent to overdue obligations to

the consolidated State budget, consisting of specific State aid allocations under an existing State aid scheme.

(26) The facilities amounted ROL 3,452,248,275 being below the 'de minimis' threshold of the State aid which does not fall under the obligation to notify. Since, subsequently, the company did not benefit of other State aids, this aid will be considered 'de minimis' aid. All reporting and monitoring obligations under 'de minimis' will be respected.

(27) As regards the interest rate subsidy for credits contracted from Romanian commercial in order to sustain the export activity, the Competition Council considers this measure as State aid for export which is incompatible with a normal competitive environment, being forbidden according to art. 14 para. (3) of State Aid Law no. 143/1999, with subsequent amendments and completions.

4. STATE AID ASSESSMENT – COMPATIBILITY WITH THE LEGISLATION IN FORCE

(28) Art. 2 of State Aid Law no. 143/1999, republished, provides that State aids granted by the state or from state resources distorting or threatening to distort competition and affecting trade with the Member States of the European Union are incompatible with the normal competitive environment.

(29) The objective of the State aid is the restructuring of S.C. URB RULMENTI SUCEAVA S.A. aiming at restoring the company's viability at the end of the restructuring period.

(30) The restructuring aid is conditioned by the implementation of a restructuring viable and coherent plan, demonstrating the long term viability of the company. To this effect, the Regulation states that the restructuring usually involves one or more of the following elements: the company's re-organization and rationalization on a more efficient base, generally implying the retreat from actions that are generating loses, the restructuring of the existing activities that may become again competitive and sometimes the diversification towards new and profitable activities. In general, the industrial restructuring must be accompanied the financial restructuring (capital injections, reduction of debts degree, etc.).

(31) The Competition Council assesses the State aid granted to S.C. URB RULMENTI SUCEAVA S.A. according to criteria provided under the Regulation on State aid for rescue and restructuring firms in difficulty. The State aid must fulfill all the criteria from the above-mentioned Regulation in order to be considered compatible with a normal competitive environment.

4.1. Eligibility of S.C. URB RULMENTI SUCEAVA S.A. - firm in difficulty

(32) In order to benefit of State aid in accordance with the Regulation State aid for rescuing and restructuring firms in difficulty, the company must be in difficulty.

According to the Regulation, the Competition Council considers that a company is in difficulty when it is not capable to cover its losses either from its own financial resources or from resources got from owners/shareholders or creditors, and which in the absence of an exterior intervention of public authorities, will almost lead on short or medium term to its economic market exit. In article 2 (2) letters b) and c) of the Regulation State aid for rescuing and restructuring firms in difficulty, a joint-stock company is considered as being in difficulty when more than half of its own capital, as the accounting evidence of the company shows, and more than quarter of this capital was lost during the 12 months, and a company, irrespective of its legal form, is considered in difficulty when it fulfills the conditions that allow the application of the procedure concerning the legal reorganization and the bankrupt. Examples of a firm in difficulty include diminishing turnover, increase in stock inventory, declining cash flow and increase in debt.

(33) The reasons for establishing if S.C. URB RULMENTI SUCEAVA S.A. is eligible or not to receive State aid for restructuring are the following:

a) Turnover

Table no. 4 Evolution of turnover between 2001-2003

- thousand ROL-

	2001	2002	2003
Turnover	176,140,344	152,166,380	165,684,871
Turnover in 2001 prices	176,140,344	129,173,497	123,268,445
Production sold	172,903,360	149,872,126	163,348,970
Production sold correlated with inflation index	172,903,360	127,225,913	121,530,550

Source: AVAS notification

According to the loss and profit account, during 2002-2003, the turnover calculated in 2001 comparable prices registered a significant decrease (in 2002 it decreased with 18% in comparison with 2001 and in 2003 with 23%). A very important cause is the events of September 11, 2001, which generated a significant decrease of export prices, which cannot be compensated by the rate of exchange, in continuous decrease. After these events the demand significantly decreased, 2002 being a survival year for the company, until April 2003 when the market started to stabilize

b) Gross operating margin calculated as operating profit/turnover

Table no. 5 Gross operating margin between 2001-2003

	2001	2002	2003
Operating income (thousand ROL)	14,096,971	19,350	-23,325,024
Turnover (thousand ROL)	176,140,344	152,166,380	165,684,871
Profitability %	8.00%	0.01%	-14.08%

The gross operating margin registered a positive value of 8.00% but only in 2001, in the following years being registered a significant decrease of this indicator. The pressure over the prices of raw materials and utilities (permanent increase over the inflation level) corroborated with the reverse pressure of the selling prices of company's products (in decrease and, in the best case scenario, maintained at the same level) made the company's profitability to permanently decrease.

c) Stocks

Table no. 6 Evolution of socks between 2001-2003

	2001	2002	2003
Stocks (thousand ROL)	27,004,376	49,557,385	55,325,359
Stock of semi-products, products, residuals (thousand ROL)	15,780,879	36,813,569	35,687,790
Turnover (thousand ROL)	176,140,344	152,166,380	165,684,871
Number of storage days	55	117	120
Weight of stock of semi-products, end products, residuals in total stocks (%)	58.44	74.28	64.51

The stocks recorded a continuous increase, by about 22.5 billion ROL in 2002 as compared with 2001 and with another 5.8 billion ROL in 2003 as compared with 2002. It can be noticed that the weight of stock of semi-products, end products, residuals in total stocks increased until 2002 (58% in 2001, 74% in 2002), and in 2003 reached 65%. This shows the company is operating on stocks, the storage duration being still long in 2003.

d) Claims

Table no. 7 Evolution of claims between 2001-2003

	2001	2002	2003
Claims (thousand ROL)	27,920,110	25,008,474	25,551,800
Turnover (thousand ROL)	176,140,344	152,166,380	165,684,871
Duration for collecting the claim (days)	57	59	56
The largest production cycle period for basic products (days)	54	54	54

It can be noticed that the period for collecting the claims remained relatively constant (around 57 days). This period frames the normal production cycle of basic products, which apparently ensures the necessary liquidities but only if the company covers the costs for putting into production the new orders.

e) Company's equity

Table no. 8 Evolution of equity between 2001-2003

	2001	2002	2003
Equity (thousand ROL)	126,452,743	128,539,339	155,842,757
Gross revenue (thousand ROL)	15,572,089	1,994,552	-23,078,251
Gross revenue/equity (%)	12.31	1.55	-14.81

The balance sheets for 2001-2003 show the inefficient use of the company's equity, mainly due to its structure.

f) Degree of indebtedness, calculated as total debts/own capital

Table no. 9 Evolution of indebttness ratio between 2001-2003

	2001	2002	2003
Total debts (thousand ROL)	32.389.931	35.435.211	55.319.647
Debts from off-balance sheet accounts (thousand ROL)	4.608.369	2.880.231	1.296.103
Own capital (thousand ROL)	126.432.743	128.539.339	155.842.757
Degree of indebtedness (%)	29,26	29,81	36,33

The company's degree of indebtedness is relatively high, a higher increase of this being recorded in 2003 (by 6.52% in comparison with 2002).

g) Loss increase

As stated in paragraph 11 of the present decision, the company's cumulated profit and loss account (including previous years losses) amounted losses of 28.215.904 thousand ROL at 31.12.2002. In addition, the financial exercise for 2003 recorded losses (-22,211,894 thousand ROL).

(34) Considering the above-mentioned, the Competition Council notices that S.C. URB RULMENTI SUCEAVA S.A. is a firm in difficulty under the provisions of the Regulation on State aid for rescue and restructuring firms in difficulty.

(35) Although until 1999 the undertaking had a positive position, starting with 2000 and mainly from 2001 the company entered a significant decline. The causes leading the company in difficulty are the following:

- delay with at least 1 year, of the privatization moment and, especially, losing the privatization with FAG Germany;
- financial blockage of the Romanian economy, which led to the accumulation of certain debts due to the incapacity to pay the customers;

- exaggerated increase of the steel price corroborated with the price increase for utilities (energy, natural gas, water, fuel, but prices products remained constant or even decreased under this conditions).

4.2. CRITERIA TO BE FULFILLED FOR GRANTING THE STATE AID FOR RESTRUCTURING

(36) The measures mentioned in para. 2.2 above will:

- rehabilitate the S.C. URB RULMENTI SUCEAVA S.A. long time viability;
- prevent the excessive distortion of competition;
- be proportional with the costs and the benefits;
- respect the principal “the first and the last time”;
- confirm the Romania’s commitment to ensure the accomplish of restructuring plan and the commitment that the registered progresses in this plan implementation to be monitored by the Competition Council.

4.2.3. THE DESCRIPTION OF THE RESTRUCTURING PLAN

(37) Starting from the situation in which the company was in at the moment of signing the privatization contract, the buyer of the majority share package together with the company has drawing up a restructuring plan for the period 2004 – 2008. The restructuring plan contains measures regarding the organizational restructuring, technological restructuring, environment investments and financial restructuring, all this rising at the amount of ROL 246,772.4 millions.

(38) The restructuring of S.C. URB RULMENTI SUCEAVA S.A. focuses on four major directions:

- increasing the efficiency of the company’s activity by modifying the organizational structure of the company;
- modernizing and bringing up-to-date the existing technology according the the assumed investment programme, by acquiring: ALUP compressors system, CNC and MURATEC MW lathes etc.;
- reorganization and rationalization of certain production activity;
- diversification of certain profitable activities (elements bearings production for large producers: TIMKEN, FAG, etc.).

(39) The restructuring plan is based on a study regarding the bearing market and the market of bearing elements (“Market study for the main products and services offered by S.C. URB RULMENTI SUCEAVA S.A.”) prepared by a team of specialists from S.C. URB RULMENTI SUCEAVA S.A. (a copy of the study is available, if requested).

(40) The restructuring plan transmitted by AVAS covers both the causes that led to the difficult situation of S.C. URB RULMENTI SUCEAVA S.A., and the measures meant to secure the company’s long-term viability. Through the restructuring plan enforcement, AVAS expects the company to record a profitable activity and to secure its own financial

resources for a proper activity development, freed from debts to the consolidated state budget.

4.2.3.1. THE RELEVANT MARKETS ON WHICH S.C. URB RULMENTI SUCEAVA S.A. OPERATES

(41) The company manufactures and sells bearings under the collective trademark URB. The trademark URB has been on the market since 1947, being appreciated and well known both on the domestic, as well as the international markets, due to its good quality/price ratio. URB generally addresses industrial applications, both as bearings in the initial equipment and as spare parts, covering 80% of the bearings types used worldwide.

(42) The relevant markets for the company are the bearings market and the market of bearings' elements. The company's products are sold on the domestic market, as well as on the international market.

(43) The company submitted to the Competition Council a market study regarding the market of radial bearings and bearing elements. The restructuring plan of the company was based on this market study, which was elaborated by a team of experts from S.C. URB RULMENTI SUCEAVA S.A. The following sources were used:

- statistical reports of S.C. URB RULMENTI SUCEAVA S.A.;
- information regarding the bearing industry, provided by the National Institute of Statistics;
- U.N.E.C.E. 2005 Report (United Nations Economic Commission for Europe);
- Study made by IFO WORLD ECONOMIC SURVEY and the Paris Chamber of Commerce;
- Romanian Government's National Development Plan 2007-2013;
- 2004 Reports of SKF, TIMKEN, KOYO, NSK;
- The "World Bearings to 2007" Report made by FREEDONIA GROUP;
- Statistical data from INTERNATIONAL TRADE STATISTICS;
- WORLDWIDE BUSINESS INFORMATION and MARKET REPORTS.

(44) According to this market study, the size of the domestic market and the demand for bearings in 2001 -2004 are shown in the table below:

Table no. 10 Size of the domestic market for bearings 2001-2004

Product	U.M.	Bearing demand on the domestic market			
		2001	2002	2003	2004
Bearings	Thou.pcs	40,000	32,000	35,000	38,000
	Million ROL	4,800,000	3,000,000	3,500,000	4,180,000

Source: Market study

(45) The company's bearing sales on the domestic market in the same time period, as well as its market share are presented in the table below:

Table no. 11 Bearing sales by S.C. URB RULMENTI SUCEAVA S.A.

		2001	2002	2003	2004
Bearing sales (Thou. Pcs.)		327	281	312	301
Bearing sales (Million ROL)		44,892	29,753	26,930	25,133
Market share (%)	Qty	0.8	0.8	0.9	0.8
	Value	0.9	0.9	0.7	0.6

Source: Market study

It can be noticed that the number of bearings sold dropped by 14% in 2002 as a result of the difficulties facing the Romanian economy at the end of 2001, of the 9/11 events in the USA, as well as of the worldwide recession. In 2003, the number of bearings sold by the company registered a slight increase, but sales were lower than in 2002, due to the fact that the only way for the company to stay on the market was to lower the prices, given the competition generated by bearings imported from China at very low prices. The bearing sales (value) for 2004 dropped by 7% compared with 2003, and the bearing sales (quantity) dropped by 4% compared with 2003.

(46) Also, the market study analyzed the evolution trends of the domestic market for a 5 years period, and concluded that its development will be directly related to the evolution of the Romanian economy. The rate of economic growth is forecasted to be 5% / year, until 2008, and therefore the evolution of the domestic bearing market will be definitely on an upward trend in the next five years. The market demand will be satisfied by the production of the Romanian companies and by import.

(47) The players on the bearings domestic market are local manufacturers and several trading companies, representatives of the world bearing manufacturers (INA, SKF etc) or importers from China, Russia, Bulgaria etc. The market shares of the competitors are:

Table no. 12 The market shares of the competitors on the domestic bearing market

Competitors	Market share (%)	
	Qty	Value
SC RULMENTI SA Barlad	30.0	28.0
SC RULMENTUL SA Brasov	24.5	30.0
SC KOYO ROMANIA SA Alexandria	18.0	15.0
SC TIMKEN SA Ploiesti	2.0	6.4
Representatives of the world bearing manufacturers + importers	24.7	20.0

Source: Market study

(48) The world bearing market is characterized by a fierce competition. The bearing demand is decisively determined by the concurring evolution of the car industry and the mechanical engineering industry as main consumer industrial sectors. The world bearing industry is well consolidated, four manufacturers controlling cca. 50% of the world market, and the top 7 manufacturers make 70% of the total sales.

(49) In 2004, the world bearing market was evaluated at more than USD 27 billion; 37% of the products were sold through dealers and the remaining 70% directly, to the OEMs (original equipment manufacturers). The market growth ratio is estimated at 5.7% /year until 2009, as a result of the increase of the OEMs demand. According to the market study submitted by the company, the markets in Asia/Pacific, Latin America, Africa/Middle East and Eastern Europe are to record the highest increases of the market growth ratio, but the most powerful markets will still be the European and the North-American markets.

(50) The markets on which SC URB RULMENTI SUCEAVA SA exports its products are Europe (75% from the total export made by company), Asia and Middle Orient (19% from the total export made by company), USA (3% from the total export) and Africa (3% from the total export). The sales of bearings and elements of bearings and the market share of S.C. URB RULMENTI SUCEAVA SA recorded during 2001-2004 on the external market are presented in the table below:

Table no. 13. The S.C. URB RULMENTI SUCEAVA S.A. market share on the external market

Product	Sales							
	2001		2002		2003		2004	
	Thou. pieces	ROL mil.	Thou. pieces	ROL mil.	Thou. pieces	ROL mil.	Thou. pieces	ROL mil.
Bearings	3,670	125,056	3,274	116,533	3,343	133,862	3,279	161,847
Market share	-	0.025%	-	0.009%	-	0.01%	-	0.02%
Elements of bearings	-	-	-	-	95	443	912	4,709
Market share	-	-	-	-	-	-	<0,01%	<0,01%

Source: Market study

It is to be mentioned that the company exports elements of bearings (ball-bearing ring) only to TIMKEN, wherewith it has closed contracts by which 8 million ball-bearing ring /year must be delivered, but the company supply is lower than the customer's demand. A market development, for both elements of bearings and bearings, is forecasted, but the company's sales and production will continue to be lower than the orders from the traditional customers.

(51) In conclusion, in 2004, S.C. URB RULMENTI SUCEAVA S.A. holds, on the internal market of bearings, 0.8% market share and on the external market, in the same year, 0.02% of the bearings selling and less than 0.01% of elements of bearings selling.

4.2.3.2. Structural/organizational restructuring

(52) The company's organizational restructuring consists of measures to be implemented until the end of 2005, and are presented in table no. 14. Their implementation costs are of ROL 9,180 million, the necessary funds being provided from the company's own sources, as well as by the majority shareholder.

Table no. 14. Organizational restructuring measures at S.C. URB RULMENTI SUCEAVA S.A.

No.	Restructuring measures	Deadline	Implementation cost (ROL million)	Financing (ROL million)	
				Own sources	Investor sources
1.	Partial restructuring of the bearing ball – bearing roller sector	27.02.2004	2,470.0	2,470.0	-
2.	Reorganization of auto transport abroad	30.09.2004	3,780.0	2,700.0	1,080.0
3.	Improvement of the D.P./I.P ratio through redistribution and natural lay-off of 60 persons	30.02.2005	50.0	50.0	-
4.	Final restructuring of the bearing ball – bearing roller sector	30.08.2005	2,700.0	2,700.0	-
5.	Sale of the bearing ball – bearing roller assembly plant (aprox.850.000 EUR)	30.10.2005	180.0	180.0	-
	TOTAL	-	9.180,0	8.100,0	1.080,0

Source: Restructuring plan of SC URB RULMENTI SUCEAVA S.A.

4.2.3.3. Technological restructuring

(53) For making viable its activity, the company commits itself to achieve certain technological restructuring measures, presented in table no. 15. These measures will have as effect reduction of losses and profit increase from the exploitation activity.

Table no. 15. Technological restructuring measures at S.C. URB RULMENTI SUCEAVA S.A.

No.	Restructuring measures	Deadline	Implementation costs (ROL million)	Financing (ROL million)		
				Own sources	Investor sources	State aid
1.	Repair and modernization of 4 pieces of JSP 8x150	25.01.2004	2,160.0	2,160.0	-	-
2.	Acquisition of an ALUP compressors system	30.12.2004	3,780.0	-	3,780.0	-

3.	endowment of forge equipment with optic pyrometers	30.12.2004	515.7	25.2	490.5	-
4.	Repair and partial modernization of 3 KSP 8x150	31.12.2004	216.0	-	216.0	-
5.	KSP 8x150 modernization at REM Bacau	30.08.2005	1,260.0	-	1,260.0	-
6.	WS1 liquid station modernization	30.06.2005	133.2	133.2		-
7.	Repair and modernization of another 3 KSP 8x150	15.06.2005	216.0	-	216.0	-
8.	Repair and modernization of 2 AMP 30	30.10.2005	2,400.0	600.0	1,800.0	-
9.	Acquisition of FORM-TALYSURF	30.06.2005	2,160.0	-	2,160.0	-
10.	Repair and modernization of the electric installation for 20 pieces SIW and AGL	30.12.2005	972.0	-	972.0	-
11.	WS2 liquid station modernization	30.10.2005	720.0	-	720.0	-
12.	Acquisition of 5 lathe CNC type MURATEC MW 100	15.08.2005	27,000.0	27,000.0	-	-
13.	Lab modernization	31.10.2004	2,222.0	1,140.0	-	1,082.0
	TOTAL	-	43,754.9	31,058.4	11,614.5	1,082.0

Source: Restructuring plan of SC URB RULMENTI SUCEAVA S.A.

4.2.3.4. Restructuring measures for environmental protection

(54) In order to fulfill the environmental requirements, the new investor assumed by the purchase-sale contract, to carry out from its own sources, certain investments for environmental protection by 2007, in total value of ROL 720 million. Also, the company, from its own sources, finances investments for environmental protection, in total value of ROL 720 million.

(55) The investments for environmental protection provided under the restructuring plan of SC URB RULMENTI SUCEAVA SA, with a total value of ROL 1,440.0 billion, refer to:

- modernization of the residuum ejection system from “Lathing” shop;
- put into function of the breaking emulsions installation;
- reducing of the emissions of volatile organic composites by assembling the COV retainer installation, fitted with active coal to the KOYO trichloroethylene washing machine;
- assembling the COV retainer installation fitted with active coal to the washing machines for bearing rollers and caps trichloroethylene;
- reduction of the emissions of volatile organic composites by replacing the white-spirit from the central station of washing liquid with solvents with lower COV.

4.2.3.5. Financial restructuring

(56) At the privatization moment, the company needed a financial restructuring for a normal function production activity, besides other restructuring measures assumed by the restructuring plan.

(57) For S.C. URB RULMENTI SUCEAVA S.A., the financial restructuring includes the following measures, in total value of ROL 192,397.5 million:

Table no. 16. Financial restructuring measures at SC URB RULMENTI SUCEAVA S.A.

No.	Restructuring measures	Deadline	Implementation costs (ROL million)	Financing (ROL million)		
				Own sources	Investor sources	State aid
1.	Payment to suppliers	30.06.2004	12,420.0	-	12,420.0	-
2.	Renegotiation of export prices (8% average increase) for 2004	31.12.2004	180.0	180.0	-	-
3.	77% exemption from the payment of the due obligations toward the State social insurance fund	31.12.2004	5,292.0	-	-	5,292.0
4.	77% exemption from the payment of the obligations toward AVAS	31.12.2004	1,268.0	-	-	1,268.0
5.	5% increase of the export price for 2005	30.08.2005	180.0	180.0	-	-
6.	Recovery of Tehnoimportexport claims in total value of EUR 170,000	15.03.2005	3,592.0	3,592.0	-	-
7.	5% price increase	05.01.2008	360.0	360.0	-	-
8.	Cash contribution for development, modernization of the production flow and ensuring the other necessities of the company established by the Managing Board and the General Assembly	28.10.2008	169,105.5	-	169,105.5	-
	TOTAL	-	192,397.5	4,312.0	181,525.5	6,560.0

Source: Restructuring plan of SC URB RULMENTI SUCEAVA S.A.

(58) According to the financial restructuring plan, the company committed itself to pay from the cash contribution of the majority stakeholder, the overdue payments towards the important suppliers which could turn off the company's activity by not delivering the raw materials (steel, etc) and materials, as well as by the refuse of automotive and ship transport companies to continue the relations before the obligations are paid. Increasing the raw materials and services prices imposed the export prices renegotiation and a profit increase of at least 8% in 2004 and 5% in 2005. The company mentioned in the notification form that all these measures were implemented until now according to the deadlines of the restructuring plan. As well, the company recovered from SC Tehnoimportexport Bucuresti the claims amounting EUR 170,000, with favorable influence over the cash-flow.

(59) By the restructuring plan, the company realistically forecasted the financing sources of the restructuring for the next period, based on its own sources, on one hand, and on the buyer' funds, on the other hand, which finance certain investments in technology and environmental protection, absolutely necessary to carry out its activity, which cover the other necessities of the company, established by the Managing Board and General Assembly.

(60) The Restructuring Plan, through the financial restructuring component, gives the possibility to increase the cash-flow and provide for a constant cash-flow, which will make easier the financial activity of the company. Thus, the company will be able to pay the current debts towards the State and to allocate the necessary liquidities for carrying out the investments planned and necessary in view of developing and sustaining the production program in the future.

4.2.4. Restoring the long term viability of the company

(61) According to article 13 the Regulation on State aid for rescue and restructuring firms in difficulty, the granting of a restructuring State aid is conditioned by the implementation of the restructuring plan. The evaluation of the State aid by the Competition Council is based on this restructuring plan. The restructuring plan which must be as short as possible in time has to contain the abandon of activities that registered losses and to provide the company the long term viability, allowing it to function with its own resources. The restructuring plan must be based on a realistic appraisal of market conditions, the restoring of viability having to result mainly from internal measures contained by it, as well as from taking into consideration the extern factors such as price and demand variation, factors on which the company has no determinant influence.

(62) S.C. URB RULMENTI SUCEAVA S.A., together the with buyer and AVAS elaborated a restructuring plan containing measures of organizational, technological, environmental protection and financial restructuring. The measures from the restructuring plan were presented at point 4.2.3. of this decision.

(63) AVAS and the company submitted the restructuring plan of the S.C. URB RULMENTI SUCEAVA S.A. to the Competition Council, mentioning that it was worked

out based on a diagnostic analysis, which marks out the strong and weak points of the company and describes the circumstances which led to the difficulties the company confronted with. Thus, it is mentioned that the production activity was negatively influenced by the following factors:

- delay with at least 1 year, of the privatization moment and, especially, losing the privatization with FAG Germany;
- exaggerated increase of the steel price corroborated with the price increase for utilities (energy, natural gas, water, fuel, but prices products remained constant or even decreased under this conditions).
- financial blockage of the Romanian economy, which led to the accumulation of certain debts due to the incapacity to pay the customers;
- the company's management policy of the 1990-1996 period, by not allocating resources for investment in technology;
- worn out and obsolete equipment generating a lower quality of products.

(64) The restructuring plan is based on the market research made within the survey regarding the bearings market and elements of bearings market, elaborated by a team of specialists from S.C. URB RULMENTI SUCEAVA S.A. Taking into account the present situation on this market, and also the forecasted one, the plan envisages measures for making viable the company on long term, in a reasonable period of time, namely 5 years.

(65) The S.C. URB RULMENTI SUCEAVA S.A. strategy aims at keeping constant the strong points, which are: the company possesses the trademark URB, recognized and well positioned on market, is accredited with the ISO system 9001/2000 quality, modern IT system, allowing a competitive management, fast access to information; as well, it aims at limiting the weak points which are: high degree of certain installations and older installations worn out. All these aspects made impossible a constant quality of products and only a medium level of the trademark URB requirements can be achieved.

(66) The future strategy was elaborated based on company's strong and weak points and the opportunities and threatens which may confront with. Thus, a series of decisions regarding the company's development strategy resulted, which to make possible the viability due to the implementation of the restructuring plan, respectively:

- minimization as much as possible the production costs;
- increase of the products quality and labor productivity;
- modernization and reengineering of the existent tangible assets;
- assimilation of a new types of bearings requested on market;
- new sale opportunities on the market, after removing the URB bearings from the anti-dumping list in USA, increasing the automotive production in Romania and world-wide, as well as of the electrical motors industry;
- investments for acquiring new production means, such as: ALUP compressors system, CNC and MURATEC MW lathes;
- modernization of the technological processes and reorganization of the production flows;
- reorganization and rationalization of certain production activity;

- diversification of certain profitable activities (elements bearings production for large producers: TIMKEN, FAG, etc.).

(67) The implementation of the restructuring plan has, as a main objective the drastic reduction of losses and reaching an operational equilibrium, in the perspective of obtaining profit, especially from the exploitation activity, and later on, from the total activity.

(68) As a result of the restructuring plan implementation, it is aimed to ensure the company's long term viability by:

- diversification of the products range, through assimilation of new types of bearings requested on the market;
- improvement of the economic-financial indicators and of products quality, reduction of specific consumptions;
- possibility to ensure a regular production cycle, without syncope, essential for reaching the profitability point;
- increase of the usage degree of the production capacity, rational use of the labor force and labor productivity increase;
- framing in the required measures for environmental protection.

(69) The fact that the implementation of the measured included in the restructuring plan leads to ensuring the company's viability, is proved also by the prognoses of the profit and loss account, during the restructuring period, presented in the table no. 17.

Table no. 17 Forecast of the profit and loss account in the period 2004-2008

		-ROL million-				
Indicators		2004	2005	2006	2007	2008
1	Total incomes, out of which:	211,377	292,258	360,130	435,828	552,426
	- Incomes from exploitation	208,325	289,783	358,100	433,608	549,896
	- Net turnover	196,405	231,738	331,100	409,608	526,896
	- Financial incomes	3,052	2,520	2,030	2,220	2,530
	-Extraordinary incomes	-	-	-	-	-
2	Total expenses, out of which:	241,542	298,264	358,330	403,320	477,100
	a) exploitation, out of which:	237,578	293,864	354,530	398,320	471,600
	b) financial	3,965	4,400	3,800	5,000	5,500
	c) extraordinary	-	-	-	-	-
3	Gross profit (+) / Loss (-)	-30,165	-6,006	1,800	37,508	75,326

Source: Restructuring program of S.C. URB RULMENTI SUCEAVA S.A.

(70) As a result of implementing the measures, at the end of the implementation of the restructuring plan it is aimed at reaching the target indicators, as follows:

Table no. 18 S.C. URB RULMENTI SUCEAVA S.A. target indicators

1. Net Profit	ROL mil.	71.546
2. Turnover	ROL mil.	549.896
3. Number of employees	Persons	450
4. Own capital	ROL mil.	357.703
5. claim recovery period	Days	53
6. period for debts payment	Days	43
7. Indebtedness	%	17,28
8. Economic profitability	%	4,93
9. Financial profitability	%	5,78
10. Cash flow	ROL mil.	16.500

Source: Restructuring program of S.C. URB RULMENTI SUCEAVA S.A.

(71) The Competition Council considers that the restructuring plan will lead to S.C. URB RULMENTI SUCEAVA S.A long term viability.

4.2.5. Preventing excessive distortion of competition (compensatory measures)

(72) According to the provisions of art.14 of the Regulation regarding State aid for rescuing and restructuring of firms in difficulty, in order to minimize as much as possible the negative effects that the State aids granted have on the competition on the relevant markets, compensatory measures are needed. These measures will be proportional with the distorting effects caused by the aids and especially with the size and relative importance of the company on the relevant markets. The reduction of the company's presence on the market will be set based on the market research attached to the notification, as well as on any other relevant information, and will be included in the restructuring plan.

(73) By granting the State aid and the implementation of the restructuring plan of S.C. URB RULMENTI SUCEAVA S.A. the structure of the relevant market will not be affected by anticompetitive measures, the scope being to increase the economic efficiency of the company by reducing the production costs, and will not lead to an excess of liquidities, which to be used in aggressive activities for competition distortion on the market, without any connection to the restructuring process.

(74) S.C. URB RULMENTI SUCEAVA S.A. holds insignificant market shares on the domestic market (covering 0.8% from the bearings demand on the Romanian market) and external market (covering 0.02% from the bearings world-wide demand and 0.01% from the elements bearings market).

(75) For reducing as much as possible the unfavorable effects over competition of the State aid granting, S.C. URB RULMENTI SUCEAVA S.A. commits itself to reduce, until the end of the restructuring period, the following production capacities:

Table no. 19. S.C. URB RULMENTI SUCEAVA S.A. reduction of capacities

Products	Production capacities at the beginning of the restructuring period (million pieces/year)	Production capacities at the end of the restructuring period (million pieces/year)	Capacities reduction (million pieces/year)
Bearings	12.5	10.8	1.7
Elements of bearings	10.0	9.6	0.4

Source: Restructuring program of S.C. URB RULMENTI SUCEAVA S.A.

(76) According to the restructuring plan the undertaking will sell, until the end of 2005, assets representing worn out equipments in amount of ROL 1,121,9 million and dismantled equipments sold as scrap iron in amount of ROL 2,968.2 million contributing thus to the reduction of production capacities and to the minimization of the negative effects of the granting of the state aid.

(77) Taking into account its own market shares, as well as the market trends for bearings and elements of bearings on internal and international level, according to the market research submitted by the company, the Competition Council considers that these compensatory measures are enough to counteract the negative effects of the State aid granting over the competitive environment.

4.2.6. Aid limited to the minimum necessary (proportionality of the aid)

(78) In accordance with art.15 of the Regulation on rescue and restructuring firms in difficulty, the State aid intensity and quantum need to be limited to what is absolutely necessary for allowing the restructuring, depending on the company's and shareholders' existing financial resources. The State aid beneficiary must significantly contribute to the restructuring programme, using its own resources, including the sale of unessential assets or external loans obtained under normal market conditions. According to art.15 (2) of the Regulation, a contribution of at least 50% is considered adequate for large enterprises.

(79) AVAS demonstrated thoroughly that the restructuring aid is limited strictly to the minimum necessary, taking into consideration the financial resources of the company and those of the majority shareholder.

(80) During the restructuring, S.C. URB RULMENTI SUCEAVA S.A. will only make the necessary investments in order to overcome the current difficulties and to ensure that the company's viability is restored at the end of the restructuring period.

(81) Thus, the majority shareholder agreed to acquire the majority shares held by AVAS and to assume an important part of the debts of S.C. URB RULMENTI SUCEAVA S.A. only if the fiscal facilities presented at point 2.2 are granted. Moreover, the restructuring plan provides that assets that are not necessary for restoring the viability of the company are to be sold, and the resulting incomes represent company's own resources for financing the restructuring plan.

(82) The restructuring cost of S.C. URB RULMENTI SUCEAVA S.A., amounting ROL 246,772.4 million consists of :

- organizational restructuring cost	9,180.0 million ROL;
- technological restructuring cost	43,754.9 million ROL;
- the cost for environmental restructuring	1,440.0 million ROL;
- the cost for financial restructuring	192,397.5 million ROL.

(83) In the notification form it is specified that the restructuring plan is financed from company's own sources, the majority shareholder' sources, as well as from State aid. Thus, from the restructuring total cost of ROL 246,772.4 million, 18.0% will be financed from company's own sources, 79.0 % from the majority shareholder' sources and 3.1% from State aid.

(84) The 96% contribution to the restructuring costs will be made from:

- capital injection from the majority shareholder - S.C. B.A.D. RULMENTI S.A. Brasov- in total amount of ROL 194,940.0 million;
- company's own sources in total amount of ROL 44.190.4 million, from which:
 - sales of available assets – ROL 40,800.0 million;
 - sales of iron scrap – ROL 1,240.0 million;
 - sales of obsolete and out-of-service equipment – ROL 2,150.4 million.

(85) The State aid intensity, determined as a ratio between the amount of State aid and the total restructuring cost, is 3.1%.

(86) Having in view the above-mentioned aspects, the Competition Council considers the company's contribution of 96.9% to the restructuring costs to be a significant one, showing the company's belief in the practical value of the restructuring process. It shows also that the State aid amount and intensity were strictly limited as to allow the restructuring of the company, according to the company's and shareholders' existing financial resources. Therefore the company will not receive additional funds that could be used for aggressive and market distorting activities

4.2.7. Observance of the “one time, last time” principle

(87) S.C. URB RULMENTI SUCEAVA S.A. did not receive any State aid for rescuing and restructuring before, therefore the provisions of art. 24 of the Regulation on State aid for rescue and restructuring of firms in difficulty, that stipulate that the restructuring aid can only be granted one time, are observed.

4.2.8. Membership to a group of companies

(88) According to the provisions of art.2 (5) of the Regulation on State aid for rescue and restructuring of firms in difficulty, a company belonging to a group is not normally eligible to receive State aid for rescue and restructuring, except for the case when it can be proved the financial difficulties belong to the company itself are not the outcome of an arbitrary allocation of costs within the group and that the difficulties are much too serious to be handled by the group itself.

(89) The fiscal facilities intended to be granted to S.C. URB RULMENTI SUCEAVA S.A refer to historical debts - as an effect of the economic results obtained in the years prior to the moment when the majority equity shares were sold, therefore these debts belong to S.C. URB RULMENTI SUCEAVA S.A.

(90) The majority stakeholder of S.C. URB RULMENTI SUCEAVA S.A. is S.C. Baza de Aprovizionare si Desfacere Rulmenti S.A. Brasov that holds 61.496% of the shares.

(91) AVAS provided the Competition Council data on the economic and financial position of S.C. Baza de Aprovizionare si Desfacere Rulmenti S.A. Brasov. Thus, Baza de S.C. Aprovizionare si Desfacere Rulmenti S.A. Brasov as of June 30th, 2003 had a turnover of ROL 64,837 million and a profit of ROL 4,138 million. As of the same date, liquidities were of ROL 3,296 million whereas debts amounted ROL 35,158 million and bank loans amounted ROL 16,473 million.

(92) The Competition Council notes that the majority shareholder assumed through the privatization agreement the obligation to finance the restructuring of the company with ROL 194,940 million. Thus, in the first year after privatization the majority shareholder contributes to the restructuring the following:

- working capital in amount of EURO 450,000;
- environmental investments in amount of EURO 20,000;
- technological investments in amount of EURO 120,000.

The total contribution of the majority shareholder to the restructuring of the company consists in technological investments in amount of EURO 5,180,000. For this purpose the Buyer sold assets and took bank loans at market terms.

(93) Given the above, the majority shareholder made all possible efforts to cover the company's debts as well as to contribute to its restructuring but considering the small profit, significant debts and high indebtedness ration it was not capable to find other means to pay the remainder of the debts to the consolidated state budget (ROL 7,642,133,865).

(94) Taking into consideration that the commitment of the majority shareholder to the restructuring of S.C. URB RULMENTI SUCEAVA S.A. is obvious right from the first year from privatization and given its financial position, the Competition Council retains that a higher contribution to the restructuring plan would not be possible because it would

expose to a considerable risk the activity of S.C. Baza de Aprovizionare si Desfacere Rulmenti S.A. Brasov. Considering all these, the Competition Council admits that S.C. Baza de Aprovizionare si Desfacere Rulmenti S.A. Brasov can not deal entirely with the company's difficulties and can not totally finance its restructuring the state intervention being therefore required.

5. ANNUAL MONITORING AND REPORTING

(95) According to the provisions of art. 18 of the Regulation on State aid for rescue and restructuring firms in difficulty, the Competition Council permanently monitors the implementation of the restructuring plan so that the company will not fail in fulfilling the objectives established.

(96) The Competition Council will monitor the implementation of the restructuring plan until the end of the period to assure itself that increases of the production capacities are nor registered, major deviations from the achievement of restructuring measures and that the State aid will not lead to the creation of extra liquidities to be used for other activities other than the ones provided by the restructuring program.

6. CONCLUSION

(97) Having in view the above mentioned aspects, the Competition Council ascertain that the individual State aid intended to be granted to S.C. URB RULMENTI SUCEAVA S.A. is compatible with a normal competitive environment and does not significantly affect the trade with the Member States of the European Union.

DECIDES

Art. 1. The measure notified by AVAS for S.C. URB RULMENTI SUCEAVA S.A. represents a State aid according to art. 2(1) of the Law no. 143/1999 on State aid, republished.

Art. 2. Based on the provisions of art. 21 (2) letter c) read in conjunction with art. 23 (1) letter e) of the Law no. 143/1999, republished, the restructuring aid going to be granted to S.C. URB RULMENTI SUCEAVA S.A. at privatization, is authorized with the condition to observe the provisions of articles 3 and 4 of the present Decision.

Art. 3. The State aid for restructuring will be granted after the company reimburses the State aid for export, in total amount of ROL 1,257,473,210 (RON 125,747.3), and the afferent interests in total amount of ROL 100.597,856 (RON 10,059.8).

Art. 4. The company is compelled to fully implement the assumed restructuring plan.

Art. 5. The company will reduce its production capacities according to paragraph (75) of the present decision.

Art. 6 . If the conditions imposed by the present decision are not observed, the provisions of article 22 of the Law no. 143/1999 on State aid, republished, shall apply.

Art. 7. The value of the State aid to be granted is ROL 7,642,133,865 (RON 764.213,4).

Art. 8. The present decision becomes applicable since its communication.

Art. 9. In accordance with the provisions of art. 32 of the Law no. 143/1999 on State aid, republished, AVAS shall submit to the Competition Council information on the State aid granted in order to inventory and monitor. In addition, AVAS shall submit to the Competition Council the annual reports on the implementation of the restructuring plan. The first report shall be submitted within 6 months from the issuance of the decision. The following reports must demonstrate that the company observed the compensatory measures concerning the reduction of the production capacities imposed by the present decision.

Art. 10. In accordance with article 46 of the Law no. 143/1999 on State aid, republished, the present decision can be appealed by the interested parties before the Appeal Court, Administrative Contentious Department, within 30 days from the communication.

Art. 11. The present decision shall be communicated by the Secretary General of the Competition Council to:

- The Authority for State Assets Recovery, 50, Cpt. Av. Alexandru Serbanescu street, sector 1, Bucharest;
- S.C. URB RULMENTI SUCEAVA S.A., Scheia Industrial Area, postal code 727525, Suceava, Suceava County.

PRESIDENT

MIHAI BERINDE