COMMISSION

COMMISSION DECISION

of 12 September 2007

on State aid C 54/2006 (ex N 276/2006) planned by Poland for Bison Bial SA

(notified under document number C(2007) 4145)

(Only the Polish version is authentic)

(Text with EEA relevance)

(2008/145/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community, and in particular the first subparagraph of Article 88(2) thereof,

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

Having called on interested parties to submit their comments [1] pursuant to the provisions cited above,

Whereas:

1. PROCEDURE

(1) On 4 May 2006 Poland gave notification of planned restructuring aid for Bison Bial SA (hereinafter 'BB').

(2) By letter of 13 June 2006 the Commission asked Poland to submit some missing information, which was duly provided by the Polish authorities on 13 July 2006. The Commission requested further information by letter of 29 August 2006. The Polish authorities replied by letters dated 18 September, 20 October and 3 November 2006.

(3) By letter of 20 December 2006 the Commission informed Poland that it had decided to initiate the proceedings laid down in Article 88(2) of the EC Treaty in respect of the measure. The Commission's decision to initiate proceedings under Article 88(2) of the EC Treaty was published in the *Official Journal of the European Union* [2]. The Commission invited interested parties to submit their comments on the measure.

(4) The Polish authorities submitted their observations by letter of 23 January 2007. No reactions from third parties have been received.

(5) On 28 March a meeting was organised with representatives of the Polish authorities and BB. The Commission asked for further information by letter of 17 April 2007. The Polish authorities replied by letter of 15 May 2007.

2. DETAILED DESCRIPTION OF THE AID

2.1. The company

(6) BB is a large company which produces machine tool fixtures such as lathe chucks, spindle tooling, milling fixtures and tool holders. It was created in 1948 as a State enterprise. In 1997 the State sold 53 % of BB's shares to the private company Metalexport Sp. z o.o., which in 2004 was renamed Mex-Holding Sp. z o.o. At the end of 2006 the State held 18 % of BB's shares; while the remaining shareholders were private investors. BB had 950 employees in 2006, down from 1 680 in 2000.

(7) In 2004 the company had a 17 % share of the Polish machine tool fixtures market, which represented only 20 % of BB's output, since the company produces mainly for export (in 2004 30 % of output was exported to the United States, 15 % to Italy, 7 % to Eastern European countries including Russia and 5 % to the United Kingdom). The company distributes most of its exported products through companies from the Mex-Holding Group, such as Toolmex Corporation (USA), Mexpol GmbH (Germany), Toolmex Polmach (UK) or Italmex SA (Italy).

(8) BB's estimated share of the European market amounts to 1,3 %. The geographical scope of the market for these products is at least European and possibly worldwide. Production of standard machine tool fixtures like the ones made by BB is characterised by overcapacity at world and European level.

(9) The company is based in a region eligible for aid under Article 87(3)(a) of the EC Treaty.

[1] OJ C 23, 1.2.2007, p. 20.
[2] See footnote 1.

2.2. **Difficulties faced by the company**

(10) BB first experienced difficulties in 2001, with losses amounting to PLN 24 million. Poland has identified the following main reasons for these financial difficulties:

— appreciation of the Polish zloty against the US dollar (the United States accounts for 30 % of the company's sales);

— the difficult financial situation in the business group as a whole and non-repayment by the parent company of a PLN 16 million loan;

— declining export sales as a result of stagnation in the United States and Western Europe after September 2001.

(11) These circumstances, coupled with the high cost of borrowing prevailing in the market, caused serious liquidity problems. The financial difficulties resulted in debt arrears. In 2002 four banks demanded the immediate repayment of loans. BB was unable to meet its existing commitments, including wages, which led to a four-month plant shutdown. Sales dropped by half (from PLN 91 million in 2001 to PLN 48 million in 2002) and the year ended with a net loss of PLN 74,8 million.

(12) BB's difficulties mirrored the deteriorating situation of its parent company — Mex-Holding Sp. z o.o. In 2002 the group as a whole generated losses of PLN 75,8 million. Since then the situation has improved, but the group continues to record losses and its equity is negative.

(13) In 2003 the company managed to reduce its losses to PLN 8,5 million, and in 2004 it generated a profit of PLN 5,1 million. According to the Polish authorities, this reflected the fact that a start had been made on restructuring BB. Implementation of the first restructuring measures resulted in increased sales, reduced costs and partial debt remission. Consequently in 2005 and 2006 the company generated profits amounting to PLN 20 million and PLN 12,5 million respectively.

(14) Despite generating profits, however, BB is still struggling. Accumulated losses on operating activities since 2001 have led to significant indebtedness. In 2004 the value of assets was estimated at PLN 57 million and liabilities amounted to PLN 115,7 million. In other words, equity was negative. At end-2006 equity was still negative, amounting to – PLN 26 million. The analysis submitted to the Commission shows that without aid, the company will go bankrupt in the near future, as it will not be able to reimburse various immediately payable debts.

The restructuring operation

(15) BB has devised a restructuring plan for 2003-2009. Restructuring focuses mainly on finances, assets and employment. Financial restructuring, which started in 2003, included repayment of old debts in accordance with agreements concluded with private creditors, the writing-off of part of the private and public debt and repayment of the remaining public debt using the loan to be granted by the State-owned Industry Development Agency ('the IDA').

(16) In 2004 the company signed agreements concerning repayment of debts to banks and its employees and a court settlement agreement with other private creditors.

(17) Operational restructuring started in 2001. The company reduced employment from 1 680 employees in 2000 to 1 144 employees in 2001 and to 925 employees in 2005. By the end of the restructuring period the company should have a workforce of 800. In other words, by the end of restructuring employment will have been reduced by 52 % in relation to 2000 or by 30 % in relation to 2001.

(18) As regards asset restructuring, BB plans to sell its redundant assets, move and sell the land on which it is currently located. According to the evaluation submitted, the market value of the land is PLN […] [3] million. Originally the Polish authorities indicated that the land should be sold in 2009, as first all the machines and equipment had to be transferred to the new site. In addition, the real estate for sale is encumbered with a mortgage. Following the Commission decision to initiate the formal investigation procedure, Poland indicated that the sale might be delayed until 2010.

(3) Confidential information.

(19) Between 2003 and 2005 BB invested PLN 1,4 million, and the investments planned for 2006-2009 amount to PLN 14,2 million. These are mainly replacement investments, i.e. purchase of more efficient and environmentally friendly machines and equipment. The plan postpones any significant increase in investments until after 2009 in view of the scarce financial resources available. The bulk of investments will be made in 2010 and will be linked to the company's planned move to a new site.

(20) Poland initially suggested that the reduction in the number of jobs and the company's production area should be regarded as sufficient to mitigate the adverse effects of the aid. However, Poland also confirmed that these reductions would be counterbalanced by the planned investments in more productive equipment, with the result that BB's production capacity would be unchanged. Poland stated that maintaining capacity at current levels (instead of increasing it) should in itself be regarded as a compensatory measure.

(21) The notified restructuring plan assumed that restructuring costs for 2003-2009 would amount to PLN 138 million, the main item being financial restructuring costs of PLN 122,6 million. The remaining PLN 15,6 million are investment costs.

(22) The plan assumes that financial restructuring will consist of repayment of debts to banks of PLN 65,6 million on the basis of composition agreements, repayment of other private debts of PLN 17,5 million and repayment of public debt of PLN 39,5 million. The full amount of the planned state aid will be earmarked for the settlement of public debt. Part of the restructuring costs will be financed by the revenue acquired from the sale of assets after the company moves to its new site.

The aid measures

(23) State aid for the restructuring of BB is based on two pieces of legislation: the Restructuring of Businesses' Public Debt Act of 30 August 2002 ('the Act of 30 August 2002') and the State Aid to Enterprises of Special Significance to the Labour Market Act of 30 October 2002 ('the Act of 30 October 2002'), as amended by the Act of 14 November 2003.

(24) The Act of 30 August 2002 incorporated into the Polish system the possibility for companies in financial difficulties to restructure public debt by way of write-offs. The company concerned had to file an application together with a restructuring plan to each public authority whose claims were to be restructured (hereinafter 'restructuring authority'). Having concluded that the proposed restructuring plan could improve the company's financial situation, the restructuring authority issued a decision on restructuring conditions which listed the debts covered by restructuring. If the company fulfilled all the conditions imposed by the decision, the restructuring authority was legally obliged to issue a decision to write off the debts listed in the decision on restructuring conditions.

(25) The Act of 30 October 2002 subsequently centralised this system and empowered the President of the IDA to issue an equivalent of the above-mentioned decision on restructuring conditions, referred to as a restructuring decision (Article 10(1)(4), read in conjunction with Article 19). The restructuring decision contains an assessment of the restructuring plan and indicates how the public debt referred to in the plan should be restructured. The restructuring authorities in question are then obliged by law to issue individual decisions to write off the public debt listed in the restructuring decision.

(26) Lastly, the Act of 14 November 2003 amending the Act of 30 October 2002 made the public debt restructuring conditional on the transfer of assets corresponding to at least 25 % of the total amount of debt to be restructured to a third company, the Operator (a company wholly owned by the IDA or the Treasury). The proceeds from the sale of these assets by the Operator were to cover at least part of the public debt concerned, the remainder being written off on completion of restructuring.

(27) BB applied for public debt restructuring pursuant to the Acts of 30 August 2002 and 30 October 2002. The overall nominal value of the planned state aid is PLN 31,43 million [4] (EUR 8,2 million). These measures comprise a preferential loan and write-offs of public debt. A detailed description of the state aid measures is set out in the following table.

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(4) The Polish authorities suggested that in order to calculate the aid element of the measure, the value of assets that would be transferred to the Operator in exchange for debt cancellation should be deducted from the nominal value of aid. Basically, the transfer of these assets represents the company's contribution to restructuring and it has no impact on the value of the aid measure. Therefore in this case the aid element is equal to the nominal amount of aid.

Table 2

Planned state aid

(PLN)

No	Awarding authority	Type of aid	Nominal amount of aid
Aid under the Act of 30 August 2002			
1.	ZUS, Bialystok	Write-off	933 474,51
2.	ZUS, Bielsk Podlaski	Write-off	113 884,66
3.	ZUS, Zambrów	Write-off	144 934,88
4.	Mayor of Bialystok	Write-off	1 448 108,90
5.	State Fund for the Rehabilitation of the Disabled (PFRON)	Write-off	519 591,35
6.	Tax Office II, Bialystok	Write-off	217 590,00
Total aid under the Act of 30 August 2002			3 377 584,30 (with interest as of 31 December 2005: **6 171 774,74**)
Aid under the Act of 30 October 2002			
7.	ZUS, Bialystok	Write-off	3 019 362,90
8.	Mayor of Bialystok	Write-off	1 505 534,12
9.	State Fund for the Rehabilitation of the Disabled (PFRON)	Write-off	539 650,70
10.	Tax Office, Bialystok	Write-off	71 516,60
11.	Bialystok Voivodship Office	Write-off	25 064,81
12.	Grajewo District	Write-off	12 133,80
13.	Kolno District	Write-off	17 224,60
14.	Mayor of Kolno	Write-off	248 648,09
15.	ZUS, Zambrów	Write-off	626 625,15
16.	ZUS, Bialystok	Write-off	398 029,30
Total write-offs under the Act of 30 October 2002			6 463 790,07 (with interest as of 31 December 2005: **9 259 229,92**)
17.	Industrial Development Agency	Preferential loan	16 000 000
Total			**31 431 004,66**

3. DECISION TO INITIATE PROCEEDINGS UNDER ARTICLE 88(2) OF THE EC TREATY

(28) The Commission decided to initiate the formal investigation procedure because it had doubts as to whether the restructuring aid was compatible with the common market.

(29) First, the Commission doubted that the restructuring plan would restore the company's long-term viability. The Commission suspected that the profits recorded in 2004 and 2005 had been due to one-off items (e.g. debt waivers) and, as such, were not an indication of real improvements within the company. In addition, the plan focused on settling old debts and the investment for which it made provision would not be sufficient to guarantee competitive means of production at the end of the restructuring period.

(30) Second, the Commission had doubts as to the validity of the proposed compensatory measures. The company planned to reduce the surface area of the plant, but that would not have reduced production capacity. Employment had been already significantly reduced, but this seemed to have been necessary for viability reasons.

(31) Lastly, it seemed that not all the measures indicated by the Polish authorities as the company's own contribution could be regarded as such within the meaning of the Guidelines. Therefore it was not clear whether the real own contribution would be large enough, i.e. whether the aid was limited to the minimum necessary.

4. COMMENTS FROM POLAND

(32) Following the Commission decision to initiate the formal investigation procedure with regard to the planned aid for BB, the Polish authorities submitted detailed information on the company's strategy.

(33) The Polish authorities explained that the company's production in Bialystok was located on two sites, one of which was in Bialystok city centre (site at ulica […]). BB plans to sell this real estate and either move production to its second site or buy a third site, transfer all production there and sell both sites it owns at present. According to the forecasts submitted, BB plans to invest PLN […] million in 2010, once the site on ulica […] has been sold. If the company decides to sell both sites and move to a new location the amount of the investments will be even higher.

(34) The Polish authorities have confirmed that basically the company will be modernised in 2010, after it moves. Between 2010 and 2014 BB plans to invest PLN 43 million, PLN […] million of which should be realised by end-2010, the scheduled date of the move.

(35) The Polish authorities indicate that the investments planned for 2010-2014 are designed to modernise the design and production management system, automate the assembling process for standard fixtures, improve the quality of products, optimise technological production processes and the thermal and chemical treatment of products and improve measurement and control methods. The Polish authorities have also confirmed that the change of site and the investments which will take place thereafter constitute implementation of the company's long-term strategy.

(36) With a view to avoiding undue distortion of competition, the Polish authorities and the company have proposed three alternative options as possible compensatory measures to be implemented by the company:

(a) capping production by reducing the number of BB's products by 5 % in comparison with its projected future production, or

(b) reducing capacity by selling 5 % of BB's machine tools, or

(c) reducing capacity by selling BB's production division in […] which, in 2006, accounted for 13 % of BB's turnover and generated a PLN 1,2 million profit.

(37) The third option, i.e. selling off the production division in […], would lead to a 46 % reduction in BB's product range and a 12 % decrease in the number of machine tools. However, the production division in […] is partially burdened with debt, the restructuring of which is supposed to be financed by the notified state aid. Moreover, […]'s assets are mortgaged or constitute securities for repayment of BB's commercial debts. Therefore the Polish authorities claim that the problem of […]'s indebtedness needs to be resolved first and that the division cannot be sold until 2009 at the earliest. BB has undertaken to take all the necessary steps to complete the sale by end-2009 if the Commission decides that this would be an appropriate compensatory measure.

(38) As regards the financing of the restructuring process, the Polish authorities have indicated that, taking into account the recent increase in real-estate prices in the region and the location of the plot to be sold (Bialystok city centre), the expected revenue from the sale is PLN […] million. Estimated revenue from the sale of the […] production division is PLN […] million. Lastly, in accordance with the legal basis underpinning the planned state aid scheme, BB is obliged to transfer assets worth PLN 2,795 million to the public body (the Operator) in exchange for cancellation of the debt.

5. ASSESSMENT OF THE AID

5.1. State aid within the meaning of Article 87(1) of the EC Treaty

(39) Under Article 87(1) of the EC Treaty, 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 and affects trade between Member States is incompatible with the common market.

(40) The planned cancellation of public debt, including accrued interest, and the loan from the state-owned agency both involve state resources. These solutions also confer an advantage on the company by reducing its costs. As regards the second measure, given that BB is a company in difficulty whose liabilities far exceed its assets, it would not have obtained this type of financing on the market. The aid element may therefore be regarded as the full amount of the loan.

(41) The previous restructuring decisions promising the cancellation of public debt and suspending enforcement of debt repayments may also constitute aid. However, the Commission takes the view that, in this case, the aid element of these 'deferments' is reflected in the notified aid, i.e. in the interest accrued over the whole period and added to the total amount of the debt to be cancelled.

(42) The metal tools fixtures produced by BB are sold on the EU market. BB also competes with other European producers on third markets. Thus the stronger position which BB enjoys as a result of the state aid may impact on the competition in Europe, which means that the criterion of distortion of trade within the Community is fulfilled.

(43) Therefore the above-mentioned measures are regarded as constituting state aid within the meaning of Article 87(1) of the EC Treaty.

5.2. Derogations under Article 87(2) and 87(3) of the EC Treaty

(44) The exemptions provided for in Article 87(2) of the EC Treaty do not apply in this case. As regards exemptions under Article 87(3), given that the primary objective of the aid is to restore the long-term viability of a firm in difficulty, only the exemption set out in Article 87(3)(c), which authorises state aid to promote the development of certain economic activities where such aid does not adversely affect trading conditions to an extent contrary to the common interest, can be applied. Therefore, the aid can be considered compatible on the basis of Article 87(3)(c) of the EC Treaty only if the conditions laid down in the Community Guidelines on State aid for rescuing and restructuring firms in difficulty [5] (hereinafter 'the Guidelines') are respected.

5.3. Eligibility of the company

(45) According to the Guidelines, a firm is in difficulty if it is unable to recover by using its own resources, by raising the funds it needs from shareholders or by borrowing and if, without intervention by the authorities, it will almost certainly go out of business. The Guidelines also list some of these companies' typical characteristics, such as mounting debt or falling/zero net asset value. Under point 13 of the Guidelines a firm belonging to a larger business group is not normally eligible for 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.

(46) BB should be regarded as a 'firm in difficulty' within the meaning of the Guidelines. Its equity is negative. The company is repaying old debts to private creditors in accordance with signed agreements (the last instalments are to be paid in 2009). If the company does not settle its public debt (through repayment or cancellation), it will be payable immediately. Enforcement of this debt will make repayment of instalments to private creditors impossible and in all probability the company will go bankrupt. BB cannot borrow funds on the market to repay this public debt as its financial situation is very weak and all its assets have already been pledged.

(47) The existence of profits does not change this assessment of the company's eligibility because BB's equity remains negative. It should also be borne in mind that it was possible to generate profits only because the public authorities suspended enforcement in view of the planned debt cancellation.

(48) BB's parent company is also in difficulty, making losses and accumulating debt, and so it is unable to resolve BB's problems. The parent company's difficulties started soon after 2000. The parent company's failure to repay a loan granted by BB, which is one of the reasons for BB's difficulties, reflects the real financial difficulties faced by the parent company. This was not an attempt to increase the profits of part of the group or a deliberate aggravation of BB's difficulties.

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[5] OJ C 244, 1.10.2004, p. 2.

5.4. **Restoration of viability**

(49) In the decision to initiate the formal investigation procedure, the Commission expressed doubts about the restructuring operation, pointing out that it was essentially financial in scope and failed to take sufficient account of industrial restructuring. Following the decision to initiate the formal investigation procedure, the Polish authorities provided further information, thereby allaying the Commission's doubts as regards restoration of viability.

(50) A detailed analysis of BB's accounts points to a real improvement in the company's operations since 2004-2005. Incidental events have made only a limited contribution to this improvement. Incidental events, e.g. debt cancellations, had an additional positive impact on the company's results, but the main source of BB's profits derives from its operational activities.

(51) The product restructuring analysis demonstrates that the company is increasingly focusing on products with higher added value (in 2001 BB produced 709 000 items with a turnover of PLN 84,9 million, while in 2006 it produced 377 000 items with a turnover of PLN 93,8 million).

(52) The planned investments for 2003-2009 amount to PLN 14,75 million. In fact the company plans to implement a programme of additional major investments in 2010 worth PLN […] million which is connected with the plant's planned move to a new location. In the Commission's view, only by implementing the second part of the investment programme will the company's long-term viability be restored.

(53) For this reason, and taking into account that the real-estate sale necessary to finance the investments is to be delayed until 2010, the Commission is of the opinion that the restructuring period should be prolonged until end-2010 and that the investments planned by the company for 2010 should form part of the restructuring measures. As a result, investments between 2003 and 2010 would amount to PLN […] (PLN 14,75 million + PLN […] million), significantly more than the originally planned amount of PLN 15,6 million.

(54) The Commission notes that the return on equity of BB cannot be calculated at present since its equity is negative. By 2010 the company's equity will have been gradually reconstituted. The figures for 2011 can serve as the long-term value. That year, return on equity will be 9 % (net profit of PLN 4 million on own capital of PLN 44 million). While not very high, this level appears to be justified in the light of the fact that BB operates in a market with significant competition from Asia and in which margins are squeezed.

(55) On the basis of these elements, the Commission concludes that implementation of the restructuring plan will restore the company's viability provided that restructuring includes implementation of the investments planned for 2010 and the restructuring period is extended until end-2010.

5.5. **Avoidance of undue distortion of competition**

(56) Following the Commission's decision pursuant to Article 88(2) of the EC Treaty, the Polish authorities proposed three alternative compensatory measures that could be implemented by BB.

(57) As for the first proposal, i.e. a 5 % reduction of the number of items produced, the Commission notes that BB is naturally evolving towards a smaller product range, but with a higher added value. Accordingly, the Commission takes the view that this measure may have no impact on the company's behaviour in practice, and hence will not ensure that BB's market presence is reduced.

(58) The second option envisaged the sale of 5 % of the company's machines. Taking into account the fact that BB plans to implement a significant modernisation programme which includes the purchase of new, more efficient machines, the Commission does not regard this option as a valid compensatory measure, given that the production capacity of the sold machines could be offset by the higher capacity of the new equipment.

(59) In the light of the above, the Commission takes the view that these two options do not ensure that the adverse effects of the aid on competition are limited.

(60) The third option consists in the sale of the company's production division in […]. This sale would reduce BB's product range by 46 %, its turnover by 13 % and the number of machine tools by 12 %. As such, this option incorporates the solutions provided for in the first two proposals, plus additional elements. In addition, once the […] production division is put up for sale, the company's potential competitors will have an opportunity to acquire an organised part of BB's capacities, which could mitigate the negative effects of the aid. Lastly, the production division in […] is viable, generating profits of PLN 1,2 million in 2006, and as such it is not necessary to sell it for restructuring purposes.

(61) In the light of the above, the Commission takes the view that the sale of the division in […] constitutes a valid and sufficient compensatory measure.

5.6. **Aid limited to the minimum**

(62) In paragraph 45 of the decision to initiate proceedings, the Commission expressed doubts that the planned repayment of certain debts during the restructuring period [6] could be incorporated into restructuring costs. These doubts have not been allayed. The Commission notes that these funds were borrowed as part of the normal financing of the company's operations, and that they can be repaid with the company's existing resources.

(63) However, following extension of the restructuring period until 2010 with a view to including the investments to take place that year, these investments must be included in the list of restructuring costs.

(64) In paragraphs 46 and 47 of the decision to initiate proceedings, the Commission raised doubts that certain measures notified by Poland could be considered as a beneficiary's contribution pursuant to paragraph 43 and 44 of the Guidelines. These doubts have not been allayed. Therefore these measures will not be regarded as a beneficiary's contribution in the following analysis.

(65) As a result, the list of restructuring costs, the beneficiary's contribution and state aid is as follows:

(PLN thousand)

	2003-2009	2010	2003-2010
Restructuring costs			
Public debt restructuring	31 431		31 431
Investments	14 754	[…]	[…]
Total	46 185	[…]	[…]
Own contribution			
Sale of assets (site at ulica […])		[…]	[…]
Transfer of assets	2 795		2 795
Sale of production division in […]	[…]		[…]
Total	[…]	[…]	[…]
State aid	31 431		**31 431**
Own contribution/restructuring costs: 50,4 %			

(66) BB's own contribution to total restructuring costs is therefore equivalent to 50,4 %, which is in line with the rescue and restructuring aid Guidelines.

(67) Paragraph 45 of the Guidelines states: 'To limit the distortive effect, the amount of the aid or the form in which it is granted must be such as to avoid providing the company with surplus cash.' The Commission observes that the firm is once again making a profit. However, its viability is threatened because of the amount of its immediately payable debts. The fact that half of the aid was granted in the form of a loan helps to ensure that the aid is limited to the minimum necessary. This is because the loan provides BB with immediate resources for repayment of its arrears. At the same time, BB will have to repay this loan in the future. This will be possible thanks to regular profits and will ensure that the firm does not accumulate surplus cash within the meaning of the Guidelines.

(68) The Commission therefore takes the view that the aid is limited to the minimum necessary.

[6] See Table 1 of the decision to initiate proceedings.

6. **CONCLUSIONS**

(69) The Commission concludes that the notified state aid in favour of Bison Bial can be declared compatible with the common market provided that the imposed conditions are met,

HAS ADOPTED THIS DECISION:

Article 1

The aid measures to the amount of PLN 31,43 million notified by Poland for Bison Bial are compatible with the common market, subject to the obligations and conditions set out in Article 2.

Article 2

1. The restructuring period shall be extended until end-2010 and the restructuring plan shall be implemented in full.

2. The site at ulica […] shall be sold by end-2010.

3. Investments of at least PLN 41,61 million shall be implemented by the end of the restructuring period, i.e. end-2010.

4. The production division in […] shall be sold by end-2009 to a buyer independent of BB. The Polish authorities shall ensure that, prior to the sale, the business activity of the production division in […] is properly run, that it is provided with the means to enable its normal development and that no measures are taken by the beneficiary that would intentionally diminish its value, e.g. transfer of intangible assets, staff, customers or sales capacity to other parts of Bison Bial.

Article 3

The Polish authorities shall submit half-yearly progress reports on the restructuring process.

Article 4

This Decision is addressed to the Republic of Poland.

Done at Brussels, 12 September 2007.

For the Commission

Neelie KROES

Member of the Commission