



Brussels, 22.1.2018
C(2018) 488 final

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Subject: SA.49619 (2017/N) Croatia - Rescue aid in favour of Uljanik Shipyard

Madam,

1. PROCEDURE

- (1) On 18 December 2017, Croatia notified its plans to grant rescue aid to Uljanik Shipyard JSC ("Uljanik Shipyard"). The Commission requested additional information on 21 December 2017 and 10 January 2018. Croatia provided replies on 28 December 2017 and on 12 January 2018, further clarified on 15 January 2018.
- (2) On 12 January 2017, Croatia agreed to have the present decision adopted and notified in English.

2. THE BENEFICIARIES

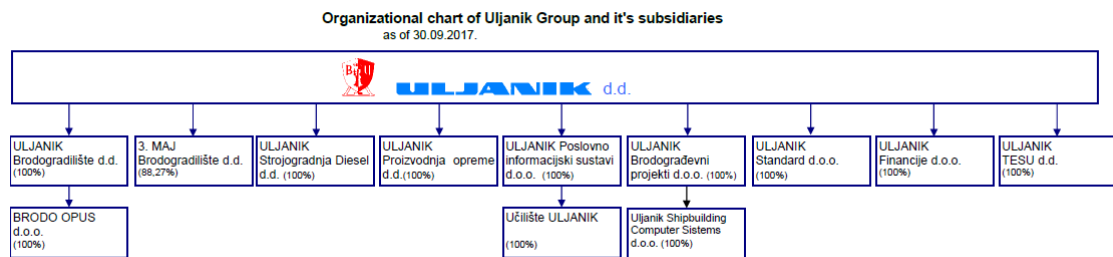
2.1. Activities and corporate structure

- (3) Uljanik Shipyard, a beneficiary of the aid, is situated in Pula, in the County of Istria in Adriatic Croatia. Uljanik Shipyard is registered at the Commercial Court in Rijeka as company undertaking shipbuilding activities with registered office also in Pula. Uljanik Shipyard was created as a State-owned company in

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1985, and privatised in 2012, before Croatia's accession to the European Union. Uljanik Shipyard currently operates as a joint stock company and has a single shareholder, Uljanik JSC (the "Uljanik Group"), a company active in shipbuilding, machinery production, trade and tourism. It employs 1,796 people.

- (4) The Uljanik Group is also registered at the Commercial Court in Rijeka for undertaking activities relevant to shipbuilding. The Company's registered office is in Pula, Croatia and has 4,369 employees. The Uljanik Group is directly involved in the shipbuilding activity. It concludes shipbuilding contracts and subcontracts the implementation of those orders to its shipbuilding subsidiaries, Uljanik Shipyard and 3 Maj Shipyard JSC ("3 Maj Shipyard"). The Uljanik Group itself also handles planning, procurement and project finance activities at group level, including those related to shipbuilding for its two shipyards. The structure of the Uljanik Group is as follows:



- (5) Uljanik Shipyard's sister company, 3 Maj Shipyard, received restructuring aid in the past which the Commission approved in June 2013 until December 2017¹. In the relevant decision (the "3 Maj Decision"), the Commission noted that the Uljanik Group was not included in Croatia's list of shipyards in difficulty set out in Croatia's Accession Treaty². The Uljanik Group had submitted an offer for its shares. 3 Maj Shipyard was due to remain an independent legal entity within the Uljanik Group, with its own financial reporting. To assist with the monitoring of the main conditions and obligations of the 3. Maj Decision, an independent trustee was appointed, which has been regularly reporting to the Commission. On its side, the Uljanik Group provided an own contribution free of aid to the restructuring of 3 Maj Shipyard which has come to an end in December 2017.

- (6) Therefore, the Croatian authorities submit that 3 Maj Shipyard's activities have been separated from Uljanik Shipyard and all activities within the Group have

¹ Commission Decision C(2013) 3556 final of 19.6.2013 in case SA.36143 (2013/HR) Restructuring of the shipbuilding company 3.Maj.

² OJ L 112, 24.4.2012 and OJ L 300, 9.11.2013

been closely monitored to prevent the restructuring aid being misused for the benefit of the Group or any of its subsidiaries.

- (7) The Croatian authorities indicated that Uljanik Shipyard has not received any rescue or restructuring aid in the past.

2.2. Economic and social significance

- (8) The Croatian authorities submit that within the segments of less complex vessels (e.g. bulk carriers, tankers, general cargo vessels), Uljanik Shipyard's market share is almost insignificant since between 2010 and 2015, there were around 500 to 1,000 orders globally and Uljanik Shipyard signed only 9 orders. Even for more complex vessels (e.g. dredgers, cable layers, cruise ships) for which annual orders of around 150 vessels were recorded per year, Uljanik Group averaged 2 contracts per year, resulting in a ca. 1.3% market share for the whole Group.
- (9) According to the Croatian authorities, Uljanik Shipyard plays a vital role in the economy of the County of Istria and its collapse would have severe consequences on the whole county. As set out in recitals (3) and (4), the Uljanik Group and Shipyard employ a significant proportion of the Istrian workforce and were they to cease trading, the unemployment rate of the county of Istria would almost double.
- (10) Furthermore, Uljanik Shipyard is located in the Jadranska Hrvatska region, which has a higher unemployment rate than the EU average. In the period 2007-2016 this region experienced a higher increase in the unemployment rate than the average increase in the EU-28 (an increase of 5 percentage points for Jadranska Hrvatska as compared to 1.4 percentage points for EU-28). Since Croatia's accession to the EU in 2013, the Jadranska Hrvatska region's unemployment rate has been persistently well above the EU average. In 2013, 2014, 2015 and 2016 the unemployment rate in Jadranska Hrvatska was 15%, 17.2%, 16.8% and 14.2 % respectively, while the EU-28 average was 10.9%, 10.2%, 9.4% and 8.6%.

2.3. Origin of the financial difficulties

- (11) Until the mid-2000s, Uljanik Shipyard primarily focused on simpler commercial vessels such as bulk carriers, chemical tankers and container vessels. However, as a result of the global financial crisis of 2007-08, Uljanik Shipyard has experienced financial difficulties resulting in operating losses and negative cash flows. This led to a shift in production towards more complex vessels for which Uljanik Shipyard proved to be unprepared. These complex vessels were mainly prototypes for which Uljanik Shipyard lacked the technical know-how to build, which resulted in delays, cost overruns and penalties for late delivery. Despite the difficult circumstances, Uljanik Shipyard successfully completed and delivered several complex vessels, which created a foundation for the shift in strategy towards building more complex and higher value added vessels.
- (12) According to the group's division of labour, it is Uljanik Group that enters into shipbuilding contracts with customers and receives advance payments from customers. It then subcontracts the construction of some of those ships to

Uljanik Shipyard for which the latter is remunerated by the group. Cost overruns and delays in delivery of the shipyards – which generate late delivery penalties charged by the customers – thus endanger the financial position of the group³. This also results in Uljanik Shipyard being continuously in debt to Uljanik Group for downpayments and advances received for building the ships subcontracted to the shipyard.

- (13) According to the financial data provided by Croatia, Uljanik Shipyard has been constantly loss making since at least 2012. By 31 December 2016 and until 30 September 2017 (unaudited data) Uljanik Shipyard had [...] * EBITDA of HRK [...] and HRK [...] million, with net finance costs of [...] and [...] million respectively. This means that its gross operating earnings (EBITDA) are [...]. Moreover, Uljanik Shipyard's equity was HRK [...] billion by 31 December 2016, [...] HRK [...] billion by 30 September 2017 (unaudited data).
- (14) Uljanik Shipyard's difficulties have in turn had knock-on effects on the Uljanik Group: whereas the Group still had falling but positive EBITDA and equity until the end of 2016, by September 2017 (non-audited figures), both indicators had turned negative. The audited figures for the entire year 2017 are not yet available to confirm the position at the third quarter of 2017. Also Croatia notes that the difficulties of the Uljanik Group are to a large extent due to the difficulties of Uljanik Shipyard. The Commission further notes that, as set out in recitals (5) and (6) the restructuring aid granted to 3 Maj Shipyard could not be diverted to support the Uljanik Group or Uljanik Shipyard and, in turn, given the legal and financial separation, 3 Maj Shipyard cannot be held to have contributed to their financial problems.
- (15) To illustrate Uljanik Shipyard's financial difficulties, the Croatian authorities provided a table, which is further assessed below (see recitals (50) and (51)), setting out the cash flows and liquidity needs of Uljanik Shipyard until the end of June 2018. The company is not expecting any operating revenues or cash inflow from current operations in the next six months, yet it has sizeable liabilities falling due in the same period, the bulk of which in January 2018, vis-à-vis creditors, including chiefly Uljanik Group in the amount of EUR 30.2 million, external suppliers and staff etc.

3. DETAILED DESCRIPTION OF THE MEASURE – A LOAN GUARANTEE

- (16) Croatia intends to provide Uljanik Shipyard with a state guarantee for a loan in the amount of EUR 96 million. The State guarantee was authorised on 11 January 2018, pursuant to the Budget Law and the Act on the Execution of the State Budget of the Republic of Croatia for 2018 by the Government of Croatia which gave authorisation to the Ministry of Finance and set out the main terms of the guarantee. According to those terms, the guarantee will be issued once the European Commission authorises it under the State aid rules.

³ By way of example, the Croatian authorities mentioned the instance of a [...] vessel for [...], for which Uljanik Group contracted ca [...] hours to Uljanik Shipyard while, for actual delivery, Uljanik Shipyard required nearly [...] hours.

* confidential information, business secrets

- (17) The loan will be granted by the Croatian Postal Bank and/or other banks to Uljanik Shipyard for a maximum period of six months and will bear an interest rate of 1-year EURIBOR + 400 basis points. The loan is to be used for servicing existing liabilities and debt and the payment of wages, overheads, suppliers and materials, needed for ships in Uljanik Shipyard's order book.
- (18) To ensure that none of the rescue aid for Uljanik Shipyard is unduly passed on to other group subsidiaries, in particular, 3 Maj Shipyard, the Croatian authorities have committed that Uljanik Shipyard will use the monitoring trustee service mechanism which has been set up for monitoring the restructuring plans of other Croatian shipyards. This service is aimed at ensuring transparency in the reporting of cash-flows and auditing the use of the rescue aid as well as commercial loans of Uljanik Shipyard. This service will be accessible to the Croatian authorities and the Commission.
- (19) Furthermore, the Croatian authorities indicated that they will set up an additional monthly liquidity monitoring mechanism for Uljanik Group. This will focus, in particular, on the use of the rescue aid. Uljanik Group will be obliged to provide transparent weekly liquidity plans, which will form the basis for liabilities and the drawdown of funds. The effective use of the funds will be subject to verification by and prior agreement of a chartered independent auditor. This auditor will certify that the funds are used to meet imperative liquidity needs of Uljanik Shipyard as determined in the prospective liquidity plan, and not for the acquisition of new businesses or assets.

4. PLANS OF THE CROATIAN AUTHORITIES AFTER THE RESCUE

- (20) Croatia commits to preparing a restructuring plan for Uljanik Shipyard and the Uljanik Group. The Decision of the Government authorising the issue of the State guarantee requires the management of the Uljanik Group and of Uljanik Shipyard to implement, within six months, all decisions of the General Assembly of the Uljanik Group and of the supervisory boards of the two companies which are necessary for the subsequent restructuring of the shipyard.
- (21) The restructuring plan will be subject to a subsequent and separate notification to the Commission after the Commission's decision on the rescue aid. To this end, calls for expression of interest to new potential investors in the Group were sent and, according to press reports, some of them have expressed interest in supporting and participating in the subsequent restructuring. The formal restructuring process has already begun, starting with a meeting of the General Assembly convened for 16 February 2018. However, at this stage no firm investment commitment has been made and, therefore, no capital inflow stemming from this source can be reasonably accounted for in the liquidity plan covering the six months to come.

5. ASSESSMENT OF THE MEASURE

- (22) The Commission first assesses whether the measure under scrutiny entails State aid to Uljanik Shipyard under Article 107(1) of the Treaty on the Functioning of the European Union (TFEU), and then whether such aid, if present, is lawful and compatible with the internal market.

5.1. Existence of State aid

- (23) Under Article 107(1) TFEU, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.
- (24) It follows that, for a measure to be qualified as State aid within the meaning of Article 107(1) TFEU, the following cumulative criteria must be met: (i) it must be granted by the State or through State resources and must be imputable to the State; (ii) it must confer an advantage upon an undertaking; (iii) it must be selective, i.e. favour certain undertakings or the production of certain goods; and (iv) it must distort or threaten to distort competition and it must affect trade between Member States.
- (25) The Commission notes that Croatia notified the measure under assessment as rescue aid under Article 107(1) TFEU and therefore considers that the said measure constitutes State aid within the meaning of this Article.

State resources and origin of the measure

- (26) The notified measure is to be directly issued by the Ministry of Finance, as authorised by the Government of Croatia pursuant to the Budget Law 2018, and it consists of a guarantee, covering the full amount of a EUR 96 million loan to be concluded between Uljanik Shipyard and one or several banks. If Uljanik Shipyard defaults on the repayment of the loan, the Ministry of Finance would be liable to repay the outstanding amount to the bank. The measure therefore involves State resources, and is imputable to the Croatian State.

Selective advantage to the beneficiaries

- (27) To be considered State aid, a measure must be selective in that it favours only certain undertakings and/or the production of certain goods. The measure at stake is selective, as it will be granted to one specific undertaking, i.e. Uljanik Shipyard.
- (28) Uljanik Shipyard is in financial distress and has serious liquidity problems, which, given the contractual and economic integration with Uljanik Group for shipbuilding activity of Uljanik Shipyard, impacts the position of the Group itself. It is reasonable to assume that no bank would have granted Uljanik Shipyard an unsecured loan at the planned interest rate (see recital (17)) without a State guarantee. Thus the State guarantee will allow Uljanik Shipyard to meet its urgent liquidity needs vis-à-vis external suppliers and the Uljanik Group at conditions that Uljanik Shipyard or Uljanik Group would not have been able to obtain on the market.
- (29) The measure is selective because undertakings in a comparable legal and factual situation, in the light of the objective pursued by that measure, within the shipyard sector, namely other shipyards in Croatia, such as *Victor Lenac* in Rijeka or *Inkobrod* (located on Korcula island), or in other sectors, are not eligible for this measure and thus did not receive the same advantage. The State guarantee therefore gives Uljanik Shipyard a selective economic advantage,

which, given in particular the relationship between the two entities described in recital (12), in turn benefits Uljanik Group. It follows that both Uljanik Shipyard and Uljanik Shipyard are beneficiaries of the aid.

Distortion of competition and effect on trade

- (30) If aid granted by a Member State strengthens the position of an undertaking compared to other undertakings competing in intra-Union trade, the latter must be regarded as affected by that aid.⁴
- (31) The present aid is likely to affect trade between Member States as Uljanik Shipyard is in competition with shipyards from other Members States of the European Union. Indeed, according to its order book and information provided by Croatia, the company is building vessels for several EU clients and has successfully participated in tenders for ships issued by EU-based and other undertakings. By granting Uljanik Shipyard access to liquidity at conditions which it would not otherwise obtain, the State guarantee is liable to improve the competitive position of Uljanik Shipyard in relation to its competitors in the internal market. It consequently distorts or threatens to distort competition and affects trade between Member States.

Conclusion on the existence of aid

- (32) In light of the above, the Commission concludes that the measure constitutes State aid under Article 107(1) TFEU and will therefore assess its lawfulness and compatibility with the internal market.

5.2. Lawfulness of the aid

- (33) The notified rescue aid in the form of a State guarantee is subject to the Commission raising no objections to the State aid before being put into effect, in line with the requirements of Article 108(3) TFEU. The State aid is therefore lawful.

5.3. Compatibility of the aid

- (34) Under Article 107(3)(c) TFEU, the Commission can authorise aid if it is granted to promote the development of certain economic sectors and if this aid does not adversely affect trading conditions to an extent contrary to the common interest. In view of the nature of the measure at stake, the Commission will assess whether the measure complies with the provisions on rescue aid laid down in the 2014 Rescue and Restructuring Guidelines ("R&R Guidelines")⁵.

⁴ See, in particular, judgment of 17 September 1980, *Philip Morris v Commission*, 730/79, ECLI:EU:C:1980:209, paragraph 11; judgment of 22 November 2001, *Ferring C-53/00*, EU:C:2001:627, paragraph 21; judgment of 29 April 2004, *Italy v Commission* EU:C:2004:234, paragraph 44.

⁵ Communication from the Commission – Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty, OJ C 249, 31.7.2014, p. 1

5.3.1. Eligibility

- (35) In order for an undertaking to be eligible for rescue aid, it must qualify as an undertaking in difficulty pursuant to section 2.2 of the R&R Guidelines. In particular, point 20 of the R&R provides that an undertaking is considered to be in difficulty when:
- (a) In the case of a limited liability company ..., where more than half of its subscribed share capital ... has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital.
- (36) It follows from the information provided by the Croatian authorities that Uljanik Shipyard qualifies as a firm in difficulty within the meaning of point 20(a) of the 2014 R&R Guidelines. It is a limited liability company and more than half of its subscribed share capital has disappeared as a result of accumulated losses (see recital (13)).
- (37) Point 22 of the R&R Guidelines establishes that a company belonging to or being taken over by a larger business group is not normally eligible for aid, except where it can be demonstrated that the company's difficulties are intrinsic and are not the result of arbitrary allocation of costs within the group, and that the difficulties are too serious to be dealt with by the group itself.
- (38) In this respect, as explained in recitals (11) and (12), the financial difficulties faced by Uljanik Shipyard are caused both by external economic causes and business choices. In addition as explained in recital (14) Uljanik Shipyard's mother company, Uljanik Group is itself on the verge of being considered in difficulty within the meaning of the R&R Guidelines, and is therefore unable to solve the problems of Uljanik Shipyard.
- (39) Therefore, the Commission concludes that, although Uljanik Shipyard belongs to a larger business group, the conditions of point 22 of the R&R Guidelines are not met.
- (40) On this basis, the Commission concludes that the conditions of section 2.2 of the R&R Guidelines are met and therefore concludes that Uljanik Shipyard is eligible to receive rescue aid.

5.3.2. Contribution to an objective of common interest

- (41) Under point 38(a) of the R&R Guidelines, in assessing whether the rescue aid can be declared compatible with the internal market, the Commission will consider whether the State aid contributes to a well-defined objective of common interest in accordance with Article 107(3) TFEU. In this respect, the Member State must provide clear evidence showing that the aid prevents social hardship or addresses a market failure.
- (42) Under point 44 of the R&R Guidelines, this can be demonstrated in particular by showing that:

- (a) the unemployment rate in the region or regions concerned (at NUTS level II) is either (i) higher than the Union average, persistent and accompanied by difficulty in creating new employment in the region or regions concerned, or (ii) higher than the national average, persistent and accompanied by difficulty in creating new employment in the region(s) concerned;
- (43) As stated in recital (10), Uljanik Shipyard is located in the Jadranska Hrvatska region, where the unemployment rate has been persistently higher than the EU average. This demonstrates that there have been difficulties in creating new employment in the region. In 2015 and 2016 the unemployment rate in Jadranska Hrvatska was 16.8% and 14.2 % respectively, while the EU average amounted to 9.4% and 8.6%.
- (44) In view of the above, the Commission concludes that the information provided by Croatia demonstrates that points 38(a) and 44(a) of the R&R Guidelines are met and, therefore, the aid contributes to an objective of common interest.

5.3.3. *Appropriateness*

- (45) Under point 38(c) of the R&R Guidelines, the Commission will not consider an aid measure to be compatible if other less distortive measures allow an achievement of the same objective. In this respect, rescue aid must fulfil the conditions laid down in point 55 of the R&R Guidelines:
- (a) it must consist of temporary liquidity support in the form of loan guarantees or loans;
 - (b) the financial cost of the loan or, in the case of loan guarantees, the total financial cost of the guaranteed loan, including the interest rate of the loan and the guarantee premium, must be set at a rate not less than the reference rate set out in the Reference Rate Communication⁶ for weak undertakings offering normal levels of collateralisation (currently 1-year IBOR plus 400 basis points);
 - (c) except as otherwise specified in point (d) below, any loan must be reimbursed and any guarantee must come to an end within a period of not more than six months after disbursement of the first instalment to the beneficiary;
 - (d) the Member State must undertake to communicate to the Commission, not later than six months after the rescue aid measure has been authorised or, in the case of non-notified aid, not later than six months after disbursement of the first instalment to the beneficiary: (i) proof that the loan has been reimbursed in full and/or that the guarantee has been terminated; or (ii) a restructuring plan as set out in section 3.1.2 of the R&R Guidelines if the beneficiary qualifies as an undertaking in difficulty (and not only faces acute liquidity needs); or (iii) a liquidation

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

plan setting out in a substantiated way the steps leading to the liquidation of the beneficiary within a reasonable time frame without further aid.

- (e) Rescue aid may not be used to finance structural measures, such as acquisition of significant businesses or assets, unless they are required during the rescue period for the survival of the beneficiary.
- (46) In the case at hand, the measure is a State guarantee on a loan of EUR 96 million that Uljanik Shipyard will use to meet its urgent liquidity needs. Croatia has made the commitment that the total financial cost of the guaranteed loan will not be less than the reference rate for weak undertakings offering normal levels of collateralisation in accordance with the Reference Rate Communication, in particular not less than 1-year EURIBOR + 400 basis points.
- (47) Croatia commits that the loan guarantee will come to an end within six months after the disbursement of the first instalment to Uljanik Shipyard. Croatia also undertakes to communicate to the Commission, not later than six months after the rescue aid measure has been authorised: (i) proof that the guarantee has been terminated; or (ii) a restructuring plan as set out in section 3.1.2 of the R&R Guidelines; or (iii) a liquidation plan setting out in a substantiated way the steps leading to the liquidation of the beneficiary within a reasonable time frame without further aid. Finally, Croatia committed that Uljanik Shipyard will not use the rescue aid to finance structural measures but to meet urgent liquidity needs under strict conditions of monitoring of drawdowns on the loan, as described in recitals (18) and (19).
- (48) In view of the information provided by Croatia, the Commission concludes that the conditions laid down in points 38(c) and 55 of the R&R Guidelines is met and therefore the form of the aid allows rescuing Uljanik Shipyard in the least distortive way.

5.3.4. Proportionality of the aid / aid limited to the minimum

- (49) Under point 38(e) of the R&R Guidelines, aid must not exceed the minimum needed to achieve the objective of common interest. As specified in point 60 of the R&R Guidelines rescue aid must be restricted to the amount needed to keep the beneficiary in business for six months. In determining that amount, the Commission takes into account the outcome of the formula set out in Annex I of the R&R Guidelines. The Commission will authorise any aid exceeding the result of that calculation only if it is duly justified by the provision of a liquidity plan setting out the beneficiary's liquidity needs for the coming six months.
- (50) Based on the financial reports of Uljanik Shipyard recorded in 2016, i.e. the year before notifying the aid, the outcome of the application of the formula, does not match the notified aid amount. Therefore, in line with point 60 of the R&R Guidelines, the Croatian authorities provided a liquidity plan setting out Uljanik Shipyard's liquidity needs for the coming six months.
- (51) The liquidity plan appears to be based on reasonable assumptions. As noted in recital (19), Uljanik Shipyard will not use the rescue aid to finance structural

measures. Furthermore, the plan details plausible items of costs stemming from normal operations of the shipyard and shows that the guaranteed loan amount does not exceed Uljanik Shipyard's expected liquidity shortfall for the next six months.

- (52) It follows that the planned rescue aid is proportionate.

5.3.5. *Negative effects*

- (53) Under point 38(f) of the R&R Guidelines, the negative effects of the aid on competition and trade between Member States must be sufficiently limited, so that the overall balance of the measure is positive.
- (54) Under points 70 and 71 of the R&R Guidelines, aid can be granted to undertakings in difficulty in respect of only one restructuring operation. Therefore, where less than 10 years have elapsed since rescue aid, restructuring aid or temporary restructuring support were granted to the beneficiary in the past (including any such aid granted before the entry into force of the R&R Guidelines and any non-notified aid) or the restructuring period came to an end or implementation of the restructuring plan was halted – whichever occurred the latest –, the Commission will not authorise further aid (the 'one time, last time' principle).
- (55) Furthermore, pursuant to point 74 of the R&R Guidelines, where a business group has received rescue aid, restructuring aid or temporary restructuring support, the Commission will normally not allow further rescue or restructuring aid to the group itself or any of the entities belonging to the group unless 10 years have elapsed since the aid was granted or the restructuring period came to an end or implementation of the restructuring plan was halted, whichever occurred the latest.
- (56) However, point 74 provides that, where an entity belonging to a business group has received rescue aid, restructuring aid or temporary restructuring support, the group as a whole as well as the other entities of the group remain eligible for rescue or restructuring aid (subject to compliance with the other provisions of these guidelines), with the exception of the earlier beneficiary of the aid. Member States must demonstrate that no aid will be passed on from the group or other group entities to the earlier beneficiary of the aid.
- (57) In that regard, as stated in recital (5), one of Uljanik Group's subsidiaries, 3 Maj Shipyard, received restructuring aid in 2013 which, according to the Croatian authorities, was completed in December 2017. That restructuring aid was monitored in compliance with the terms of the Commission's 2013 decision on the restructuring of 3. Maj so that none of that aid was passed on to the group or its other subsidiaries, which includes, in particular, Uljanik Shipyard.
- (58) As mentioned in recital (14), Uljanik Group may itself soon be considered as being in difficulty within the meaning of the R&R Guidelines and thus also unlikely to have access to market finance at the planned terms of the rescue aid and may also indirectly benefit from the rescue aid. However, there is no indication that Uljanik Group itself has received rescue aid, restructuring aid or temporary restructuring support in the past 10 years.

- (59) Furthermore, a monitoring trustee will also audit the use of the rescue aid made available to Uljanik Shipyard. The trustee's reports will be available to the Commission and to the Croatian authorities so that they may verify that the aid has not been diverted to the benefit of 3. Maj Shipyard (see recitals (18) and (19)).
- (60) In light of these commitments, the Commission concludes that the 'one time, last time' principle is respected.

5.3.6. Conclusion on the compatibility of the aid

- (61) In the light of the findings above, the Commission concludes that the planned State guarantee meets the compatibility conditions of the R&R Guidelines. The Commission therefore considers the rescue aid compatible with the internal market.
- (62) In addition, the Commission reminds Croatia of its obligation to submit annual reports to the Commission, in accordance with point 131 of the R&R Guidelines and to inform the Commission within six months at the latest as to how its commitment mentioned in recital (47) has been implemented. The Commission may also ask Croatia to provide on demand any report on the use to which the rescue aid is put.

6. CONCLUSION

The Commission has accordingly decided not to raise objections to the notified aid on the ground that it is compatible with the internal market pursuant to Article 107(3)(c) of the Treaty on the Functioning of the European Union.

Yours faithfully
For the Commission

Margrethe VESTAGER
Member of the Commission