

Brussels, 11 February 2009

Austrian Airlines: The Commission opens the formal investigation procedure regarding its sale to Lufthansa and plans of Austrian Government for its restructuring

The European Commission has today decided to open the formal investigation procedure into the privatisation and restructuring of Austrian Airlines whereby it will be taken over by Lufthansa. The Commission expresses doubts that the price to be paid by Lufthansa reflects the market price for what is being sold, that the Austrian State has acted as private investor and whether the restructuring plan as notified is in accordance with the Community framework for rescue and restructuring of firms in difficulty.

Following a privatisation procedure Lufthansa has been selected to buy the Austrian State's stake (41.56%) in Austrian Airlines. The deal comprises three elements:

- Lufthansa pays a purchase price of € 366.268,75
- the State receives a debtor warrant, which may lead to an additional payment
- the State pays a grant of € 500 million, which Lufthansa shall use for a capital increase in Austrian Airlines

The Commission has decided to open the investigative State aid procedure as it has doubts concerning existence of State aid and whether this State aid can be declared compatible with the common market. In particular, it doubts whether the price paid (including the debtor warrant) reflects the market price for Austrian Airlines at the time it was sold. And it has doubts also whether the sale was truly open, transparent and unconditional and whether the State really acted as a market economy investor.

With regard to the compatibility of the aid the Commission has doubts on whether the amount of the aid has been kept to a minimum and whether the restructuring plan submitted by Austria will restore the long-term viability of the company in the shortest possible time and without the need for additional aid in the future. Therefore, having examined this restructuring plan, the Commission questions certain elements of this plan and whether these meet the criteria for authorisation of restructuring aid as set out in the Commissions guidelines for rescue and restructuring of firms in difficulty. Furthermore, the Commission has doubts if the compensatory measures proposed are sufficient to remedy the market distortion of the aid vis-à-vis the competing airlines and whether Austrian Airlines and Lufthansa will contribute sufficiently to the restructuring.

Today's decision follows a separate but related Commission decision of 19 January 2009 whereby the Commission authorised a guarantee on a loan worth € 200 million of rescue aid for Austrian Airlines.