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28 May 2020



g.zohios@aklawfirm.gr

LEGAL BRIEFING – Corporate

by [George Zohios](#) – Partner

From Lufthansa to Aegean is state aid the appropriate solution? Should other airlines like Aegean follow suit?

There is no doubt that one of the sectors that was hit the most due to the COVID-19 outbreak was the aviation sector. Due to the dramatical profit decrease caused by border restrictions imposed by states, Lufthansa diagnosed its inability to look for capital endorsement from the financial markets. As a consequence, in order to handle its liquidity problems and to avoid a possible bankruptcy, the German Government decided to support the airline with a 9,8 bn Euros bailout. By this direct investment, the German Public will acquire, amongst others, 20% of Lufthansa's stake and in case of a hostile takeover, this percentage could rise to a blocking minority of 25% plus 1 share, essentially giving the German Government veto power. The Economic Stabilization Fund (WSF) gave its consent, as did Lufthansa's BoD. The only obstacle still remaining to be overcome, is the European Commission's approval under the State Aid Rules. The more viable the airline is considered to be, the sooner the Commission's approval will be granted.

Within this framework, Ryanair expressed its objection about said aid, pointing out its intention to appeal against this "illegal" state aid package on grounds of creating a monopoly market in favor of Lufthansa, and thus violating the antitrust regulation.

Focusing on Greece's main airline, i.e. Aegean, it does not have to follow Lufthansa's example in order to deal with its capital requirements.

That is based on the fact that, when the pandemic crisis arose, Aegean had some cash reserves to turn to. However, the aforementioned liquidity did not prove to be enough in order to assist the Greek Airline in coping with the COVID-19 economic crisis. Moreover, Aegean is a smaller-scale company compared to Lufthansa and their financial needs are not equivalent. Last, but not least, the financial measures that the Greek Government is planning to adopt in order to boost the tourism and the transportation sector (which are analyzed below), at this point, are considered to be the appropriate financial contribution for Aegean's comeback, as well.

In these circumstances, the Ministry of Economic, of Employment and of Infrastructure and Transportation announced today a support package regarding all the airline industry, including Aegean, of an amount of 115 m Euros. Said package is consisted of the following pillars:

- A cut in VAT on transportation of 24% to 13% commencing on 1 June this year and ending at the end of October;
- The payment of an additional offset amounting of 20 extra Euros of the ticket price per seat that will be granted to the airlines that fly regularly and are obliged to serve the public;
- The implementation of a special coefficient of 15% on the employees' salaries in the air transport sector, excluding them from the regular tax calculation, which is based on the scale of income;
- The subsidy of all the social contribution of the employers and employees who are not working and for all such duration;
- A reduction of 40% on the leases due till August; and
- The temporary suspension of employment contracts in conjunction with a special extraordinary compensation that will last till July.

Following the above announcement, Aegean made known to the public its intention to ask for a loan of 150 m Euros from the Business Warranty Fund for COVID-19, which will be covered with a state warranty by 80%.

