



## State aid: Commission approves €550 million German State-guaranteed loan to compensate airline Condor for damage caused by coronavirus outbreak

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The European Commission has found a State-guaranteed €550 million public loan in favour of German charter airline Condor to be in line with EU State aid rules. The measure aims at partly compensating the airline for the damage suffered due to the coronavirus outbreak.

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: *"This State-guaranteed €550 million loan will allow Germany to compensate Condor, operating in the particularly hard hit aviation sector, for part of the damage suffered due to the coronavirus outbreak. We cooperate with Member States to find workable solutions to support companies in these difficult times, in line with EU rules."*

Germany notified to the Commission an aid measure to partly compensate charter airline Condor for the damage suffered due to the cancellation or re-scheduling of its flights as a result of the imposition of travel restrictions introduced by Germany and by many destination countries to limit the spread of the coronavirus.

The support will take the form of a State-guaranteed €550 million public loan granted via the German development bank Kreditanstalt für Wiederaufbau (KfW).

The exact damage suffered by Condor as a result of the outbreak will be quantified after the coronavirus crisis, based on the airline's operating accounts for the year 2020. The method used to quantify the damage will be subject to the Commission's prior approval. Furthermore, should the German public support exceed the damage actually suffered by Condor due to the coronavirus outbreak a claw-back mechanism will be activated. In other words, all the public support received by Condor in excess of the actual damage suffered will have to be returned to Germany. The risk of the State aid exceeding the damage is therefore excluded.

The Commission assessed the measure under Article [107\(2\)\(b\)](#) of the Treaty on the Functioning of the European Union (TFEU), which enables the Commission to approve State aid measures granted by Member States to compensate specific companies or specific sectors (in the form of schemes) for damage directly caused by exceptional occurrences.

The Commission considers that the coronavirus outbreak qualifies as an exceptional occurrence, as it is an extraordinary, unforeseeable event having a significant economic impact. As a result, exceptional interventions by the Member States to compensate for the damage linked to the coronavirus outbreak are justified.

The Commission found that the German measure will compensate part of the damage suffered by Condor that is directly linked to the coronavirus outbreak. It also found that the measure is proportionate, as the foreseen compensation does not exceed what is necessary to make good the damage.

The Commission therefore concluded that the measure is in line with EU State aid rules.

### Background

Condor is a German charter airline, serving 126 destination worldwide, with a focus on leisure travel.

Due to the entry into liquidation of its parent company, the Thomas Cook Group, in 2019, Condor faced liquidity shortages and had to write off significant claims against other Thomas Cook Group companies, which Condor was no longer able to collect. On [14 October 2019](#), the Commission approved Germany's plans to grant a €380 million rescue loan to Condor.

Since the start of the coronavirus outbreak, Condor, as many other companies in the aviation sector, has suffered a significant reduction of its services, resulting in high operating losses.

Financial support from EU or national funds granted to health services or other public services to tackle the coronavirus situation falls outside the scope of State aid control. The same applies to any public financial support given directly to citizens. Similarly, public support measures that are available to all companies such as for example wage subsidies and suspension of payments of corporate and value

added taxes or social contributions do not fall under State aid control and do not require the Commission's approval under EU State aid rules. In all these cases, Member States can act immediately.

When State aid rules are applicable, Member States can design ample aid measures to support specific companies or sectors suffering from the consequences of the coronavirus outbreak in line with the existing EU State aid framework. On 13 March 2020, the Commission adopted a [Communication on a Coordinated economic response to the COVID-19 outbreak](#) setting out these possibilities.

In this respect, for example:

- Member States can compensate specific companies or specific sectors (in the form of schemes) for the damage suffered due and directly caused by exceptional occurrences, such as those caused by the coronavirus outbreak. This is foreseen by Article 107(2)(b) TFEU.
- State aid rules based on Article 107(3)(c) TFEU enable Member States to help companies cope with liquidity shortages and needing urgent rescue aid.
- This can be complemented by a variety of additional measures, such as under the de minimis Regulation and the General Block Exemption Regulation, which can also be put in place by Member States immediately, without involvement of the Commission.

In addition to the existing possibilities already foreseen by existing EU State aid rules, on 19 March 2020, the Commission adopted a State aid [Temporary Framework](#) to enable Member States to use the full flexibility foreseen under State aid rules to support the economy in the context of the coronavirus outbreak. It was [amended on 3 April 2020](#).

The Temporary Framework, based on Article 107(3)(b) TFEU, recognises that the entire EU economy is experiencing a serious disturbance. To remedy that, the Temporary Framework provides for the following types of aid: (i) Direct grants, selective tax advantages and advance payments; (ii) State guarantees for loans taken by companies from banks; (iii) Subsidised public loans to companies; (iv) Safeguards for banks that channel State aid to the real economy; (v) Public short-term export credit insurance; (vi) Support for coronavirus related research and development (R&D); (vii) Support for the construction and upscaling of testing facilities; (viii) Support for the production of products relevant to tackle the coronavirus outbreak; (ix) Targeted support in the form of deferral of tax payments and/or suspensions of social security contributions; (x) Targeted support in the form of wage subsidies for employees.

The Temporary Framework will be in place until the end of December 2020. With a view to ensuring legal certainty, the Commission will assess before that date if it needs to be extended.

The non-confidential version of the decision will be made available under the case number SA.56867 in the [State Aid Register](#) on the Commission's [competition](#) website once any confidentiality issues have been resolved. New publications of State aid decisions on the internet or in the Official Journal are listed in the State Aid Weekly e-News.

More information on the temporary framework and other action the Commission has taken to address the economic impact of the coronavirus pandemic can be found [here](#).

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