

Press Release

Paderborn Lippstadt Airport sets course for corporate restructuring

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Area: Insolvency Administration

Dr Marc Cezanne, in his capacity as Managing Director of Flughafen Paderborn/Lippstadt GmbH, today filed an application with the Local Court of Paderborn for the opening of debtor-in-possession insolvency proceedings. This means that the company's restructuring concept, which has been drawn up in recent months and will create the basis for the local airport's future, is now set to be implemented. Mr Stefan Meyer from PLUTA has been appointed provisional insolvency monitor.

"A comprehensive corporate restructuring has become necessary, especially given the steep decline in aircraft movements due to the coronavirus pandemic," said Dr Cezanne. "Current passenger numbers are down 85% on the same period last year and we don't expect these to return to anything like pre-pandemic levels for some time."

Even before the current crisis, however, the airport was not bringing in enough revenue to cover operating and investment costs. The outflow of liquidity associated with the annual loss in 2019 was so high that it could not be compensated for by the municipal shareholders due to rules on state aid.

The consensus view is that the airport company will only be able to secure its future if its cost structures are aligned

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About PLUTA

PLUTA helps companies in legally and economically difficult situations. Since the company was founded in 1982, PLUTA has constantly grown. Today PLUTA has a staff of about 500 employees in Germany, Spain and Italy including more than 290 graduates in business economics and business management, attorneys, business lawyers, tax consultants, public auditors, certified accountants, economists, bankers, bookkeepers, engineers and insolvency administration specialists. Many of them own multiple qualifications what ensures practicable and economically sensible solutions. In particular, PLUTA provides support in restructuring companies affected by a crisis or insolvency and in continuing business operations, if necessary by involving restructuring experts in a responsible role. PLUTA is one of the top enterprises specialising in restructuring and turning around companies, as demonstrated by rankings and awards from INDat, JUVE, The Legal 500, Who's Who Legal, brandeins, and Focus. Further information at www.pluta.net

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with its expected revenues.

Airport to retain commercial airport status with air traffic control

The restructuring concept provides for Paderborn Lippstadt Airport retaining its commercial airport status with air traffic control and continuing to operate 24 hours a day. Given the low number of aircraft movements, however, it does not make commercial sense to keep aircraft handling capacity at its current level. A general reduction in aircraft handling capacity will significantly reduce costs. However, this does not mean that future scheduled flights will be turned away.

Once demand picks up again, it will be possible to gradually increase utilisation of the airport infrastructure up to its capacity limit of well over one million passengers a year.

Unfortunately, fewer aircraft movements inevitably means that cost structures will also have to be adjusted through significant and painful workforce cuts. Negotiations are therefore already ongoing with the works council to find redundancy solutions that will help to mitigate the impact. The unions have also been involved in the conclusion of a collective agreement to facilitate the introduction of 24-hour operations for the airport fire service – an essential part of the restructuring.

Restructuring expert appointed general agent

The Local Court of Paderborn approved the application for restructuring under debtor-in-possession proceedings. This was preceded by the appointment of an experienced



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restructuring expert as general agent for the airport. Bielefeld-based attorney Dr Yorck Streitböcker has assumed this role. With his support, management will be able to continue its restructuring efforts and put the company on a new financial footing during the debtor-in-possession proceedings. Specific substitute benefits paid by the Federal Employment Agency are one element of this and mean that the salaries of the 167 employees have already been guaranteed through to November inclusive.

Attorney Mr Stefan Meyer from the PLUTA law firm has been appointed provisional insolvency monitor by the competent Local Court of Paderborn. Mr Meyer will also advocate for the commercial airport's preservation in accordance with statutory provisions as a key infrastructural element in the East Westphalia-Lippe region in his first statement.

Financing concept in place

A financing concept for the restructuring costs associated with the debtor-in-possession insolvency is already in place. This provides for payments from shareholders, among other things. These are the districts of Paderborn, Soest, Gütersloh, Lippe, Hochsauerland and Höxter, the city of Bielefeld and the East Westphalian Chambers of Industry and Commerce in Bielefeld and Lippe. The shareholders are currently in discussion about the future ownership structure and the owners' contribution towards the restructuring costs.

"The debtor-in-possession insolvency proceedings and the restructuring undertaken as part of these will not have any negative effects on airline passengers or airport users.

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Rather, the restructuring measures will help to ensure that the region retains this important airport location for the long term. At the same time, the financial burden on the shareholders and thus the cities and municipalities will be considerably reduced," said Dr Streitbörger.

A distinction must be made between the one-off restructuring costs under the insolvency plan and ongoing operational costs. The latter will have to be reduced, as the European Commission has only approved operating aid of 2.5 million euros per year to date. Although an application has been filed to increase this aid to 5 million euros annually, even this amount will no longer be sufficient to cover ongoing losses given that these have again increased considerably due to the coronavirus pandemic. Therefore, even if the airport's shareholders were prepared to bear higher running costs, they would not be permitted to do so under rules on state aid. Cost savings are thus essential.

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