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Malev Goes Bankrupt Owing $130M to VEB

By The Moscow Times

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Hungary's state airline Malev stopped flying after 66 years on Friday, citing bankruptcy, amid debts to creditors that include 100 million euros ($130 million) owed to VEB.

The decision was prompted by a European Commission demand that Malev pay back state aid it had received between 2007 and 2010, the airline said in a press release. The sum in question amounts to 38 million forints ($171 million), equivalent to Malev's entire annual revenues.

Two aircraft were reportedly impounded by creditors. One airliner did not receive permission for take off at Ben Gurion Airport in Israel. The second was detained in Dublin.

Russian tour operators whose clients have tickets for the bankrupt airline's flights hope that Aeroflot will fly their clients to Budapest at discount rates, Russian Union of Travel Industry spokeswoman Irina Tyurina said.

Malev employed about 2,600 people and had a fleet of 22 passenger aircraft. In recent years, it has accounted for half of all flights and 40 percent of revenue at Budapest Airport.

In 2007, brothers Boris and Alexander Abramovich — both Russian entrepreneurs — acquired 49 percent of Airbridge Zrt, the company that owned Malev, as part of a Hungarian government privatization program. The new owners took on a commitment to raise the airline's capital to 50 million euros and return it to profit within a year, but VEB had to take over the Abramovichs' stake when their AirUnion alliance went bankrupt in 2009.

Malev was renationalized in 2010, with the Hungarian government buying back VEB's stake for 92.3 million euros. The airline still owes VEB another 100 million euros.

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