

Trends and Developments

Contributed by:

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Overview of the Austrian M&A Market

In 2025, the Austrian M&A market exhibited increasing signs of stabilisation. A total of 221 transactions were announced, reflecting a 9.8% decrease compared to the previous year. Despite the fall in deal activity, however, the overall transaction volume massively spiked by 292% to EUR19.6 billion. Therefore, contrary to the previous year, the Austrian M&A market again experienced multiple megadeals, which is in line with the global environment. However, contrary to global developments, the number of transactions and transaction volume in the Austrian M&A market excluding the mega deals suggests that while mergers and acquisitions remained dynamic, the average deal size was significantly smaller.

As in many other jurisdictions, numerous macro-economic factors impacted Austria's M&A activity in 2025, still including geopolitical tensions, high financing costs and increased regulatory scrutiny. All of this combined created a more complex and challenging investment environment. These elements led to greater caution among investors, resulting in a more selective approach to deal-making. Despite the broad incorporation of artificial intelligence (AI) tools into M&A deal structures, which facilitate various processes such as conducting due diligence, overall longer approval processes and increased due diligence requirements shaped the dynamics of the Austrian M&A market.

Following an analysis by PricewaterhouseCoopers of the global M&A industry trends in 2026, AI continues to have a strong impact on the global M&A market. The impact of AI undoubtedly is also present in the Aus-

trian M&A market. On the one hand, the process shifts from being time- and labour-intensive to being data-driven and faster-paced. This is because machine learning algorithms enable stakeholders to bypass traditional research mechanisms by systematically scanning available data, such as patent filings, press releases and web traffic, to identify targets that align with strategic goals. Furthermore, AI is revolutionising valuation and post-merger integration by quantifying previously intangible assets, such as brand strength and cultural compatibility, and by predicting the realisation rates of synergies. This technological integration enables M&A practitioners to shift their focus from administrative data processing to high-level strategic decision-making. However, it should be noted that the ever-rising investment in AI ties up financial resources in the short term, with the potential to facilitate transformation processes within market participants and acquire technological resources.

The majority of deals occurred in the industrial sector, which recorded the highest number of transactions, totalling 66. The five largest deals constituted almost 95% of the aggregate transaction volume, while the remaining 5% was distributed across 216 other M&A transactions. The mean transaction volume stood at EUR89 million, highlighting a concentration of larger deals within a specific subset of transactions.

The largest single transaction of 2025 was the merger of Borealis and Borouge and the acquisition of Nova Chemicals for EUR8.9 billion. This outbound megadeal represented a significant milestone in the Austrian M&A market, reflecting strategic considerations as a major driver behind M&A transactions.

Austrian market participants' activity in 2025 continued to be robust but selective in an environment that continues to be impacted by the Russian invasion of Ukraine and an increasingly volatile situation in the Middle East. There appears to be a cautious approach among investors, likely influenced by macroeconomic uncertainties and regulatory developments.

Strategic investors

In 2025, strategic investors continued to dominate Austria's M&A landscape, accounting for around 90% of all transactions with a total of 201 deals. This highlights an ongoing focus on acquisitions driven by long-term business objectives, such as market expansion, technological innovation and operational synergies. Despite evolving market conditions, the strong presence of strategic buyers underlines their commitment to sustainable growth and value creation.

Financial investors, including private equity and venture capital, slightly decreased their activity in 2025, with the number of deals falling from 25 to 20. This is consistent with global trends, as strategic acquisitions of companies or key technologies and portfolio streamlining remain the primary drivers of M&A transactions.

Strategic investors are expected to maintain their dominance in 2026. In industries undergoing digitalisation and sustainability transformations, companies are focusing on their core business and mitigating possible regulatory and geopolitical risks. However, if financing conditions improve, private equity investors could gain a stronger foothold and increase their share of transactions.

Sector dominance in the last year

In 2025, Austria's industrial sector led the market in terms of transaction volume with 66 deals. It was closely followed by the telecommunications, media and technology (TMT) sector, and consumer products and retail.

In terms of transaction values, the life sciences and chemicals sector, with a transaction volume of over EUR8.9 billion, and the financial services sector, with a transaction volume of over EUR8.4 billion, took the place of the usually strong TMT sector due to cross-

border mega-deals. These figures highlight the significance of global interest in Austria's M&A landscape.

The strength of the life sciences and chemicals and financial services sector is in alignment with global trends focusing on digital transformation and innovation. Companies in these sectors actively pursue acquisitions to strengthen their technological capabilities and maintain competitiveness in a global market. The numbers show that Austrian market participants are actively involved in this global trend, and benefit from using technology effectively for strategic purposes.

In 2026, technology and strategic investments are expected to rise, with particular emphasis on AI and digital infrastructure. Where in some sectors M&A deals will occur selectively, financial investors have large amounts of dry powder to invest in suitable, strategic investments. Thus, it is expected that the number of large deals will stay at a comparably high level.

Although outbound deals accounted for around 35% of the total number of transactions in 2025, they were the main driver of market value, accounting for 90% of the year's total volume. Austrian acquirers predominantly focused their high-volume investments on North America, particularly Canada, due to a few large-scale transactions. However, Germany remained the most frequent destination for strategic expansion within Europe. In contrast, inbound activity accounted for almost half of all deals measured by volume, but saw a significant decline in total value compared to the previous year. Meanwhile, the domestic market remained relatively quiet. The highlight of inbound activity was the strong demand for Austrian innovation. High-profile exits such as Frauscher Sensorteknik to Wabtec for EUR675 million and TTTech Auto to NXP for EUR603 million emphasise the ongoing strategic importance of Austrian high-tech companies to international conglomerates.

Recent Legal Changes

EU Listing Act package

Regulation (EU) 2024/2809, the central pillar of the EU Listing Act package, came into force on 4 December 2024. The EU Listing Act introduces an overhaul of the framework for European capital markets. Aimed

at reducing administrative burdens and making EU public markets more attractive, the EU Listing Act amends the Market Abuse Regulation (MAR) and the Prospectus Regulation. These changes are very important for M&A practitioners, as they directly affect long-standing issues in public takeovers and corporate transactions.

With respect to disclosure of information, the most significant change is the amendment to Article 17 MAR regarding the disclosure of inside information in protracted processes. Historically, the obligation to disclose inside information as soon as possible applied to intermediate steps of a transaction (eg, signing a term sheet or reaching a milestone in negotiations). This forced issuers to rely on the complex “delay of disclosure” mechanism to prevent premature leaks of information about deals, which posed severe consequences for those involved in the event of a leak. Under the new EU Listing Act, the disclosure obligation in protracted processes now attaches strictly to the final event or circumstances (eg, the signing of the definitive share purchase or merger agreement). While intermediate steps may still constitute inside information that is prohibited from being used, intermediate steps no longer trigger an immediate ad hoc disclosure obligation. This significantly mitigates the risk and compliance burden for persons involved in sensitive M&A negotiations.

Pre-deal communications have also been simplified. The EU Listing Act clarifies in its Recitals 64 et seq that the established market sounding regime pursuant to Article 11 MAR shall be considered an optional safe harbour rather than a mandatory set of rules. This provides greater flexibility when assessing investor appetite prior to announcing a transaction or a related capital increase. Furthermore, the administrative burden of maintaining insider lists has been reduced through a simplified, harmonised template, saving valuable time during fast-paced deal executions.

For M&A transactions utilising share consideration, the amended Prospectus Regulation offers further relief. The exemption threshold for admitting new, fungible shares to trading without publishing a prospectus has been increased from 20% to 30% of the shares already admitted to the same regulated market

over a 12-month period. This allows listed companies to execute larger share-for-share acquisitions or raise acquisition financing much faster and without the costs associated with prospectus approval.

Essentially, the EU Listing Act seems to provide the long-awaited practical relief that public M&A transactions require, allowing dealmakers to concentrate on executing transactions rather than navigating excessive regulatory obstacles.

EU CSDDD and its expected impact on M&A

The Directive (EU) 2024/1760 (Corporate Sustainability Due Diligence Directive – CSDDD) aims to transform corporate social responsibility from a voluntary initiative to a strict legal obligation. This EU directive needs to be transposed into Austrian law by 28 July 2028. The so-called EU Omnibus Package in February 2026 raised the thresholds to 5,000 employees and EUR1.5 billion in turnover. Nevertheless, the CSDDD is expected to have a large impact on many M&A transactions. Buyers with respective market power will likely pass on their due diligence obligations to smaller target companies, effectively making SMEs compliant in order to remain investable.

The CSDDD requires that the member states establish a framework so that companies integrate due diligence processes into their policies, carry out risk-based analyses of the activity chain and establish preventive measures and complaint mechanisms. Regarding enforcement, Article 29 CSDDD establishes a civil liability for damages resulting from breaches of duty. As is customary with EU legal acts, the respective sanctions shall be deterrent but proportionate. In the M&A context, this shifts the focus of due diligence from compliance with mere local regulations to a much broader global context. Among others, missing data on suppliers will increasingly become a deal-breaker, as buyers must also make sure that a functioning risk management system is in place.

Financially, the CSDDD directly impacts company valuation. Ongoing compliance costs increase operational expenditures and disproportionately reduce EBITDA and company value. One-off investments to remedy irregularities or provisions for fines are also deducted directly from the purchase price as debt-like

items, while valuation uncertainties may be reflected in earn-out models.

Contract drafting will lead to extended warranties and specific indemnities in share purchase agreements. Due to the long limitation periods for CSDDD liabilities, compensation periods of five to ten years are often required, which are often above standard M&A liability provisions. Ultimately, the value of a target is not only determined by its cash flows, but also by the integrity of its value chain, since supply chain risks now directly impact the purchase price and buyer liability.

Start-Up Promotion Act

The Start-Up Promotion Act, which came into force on 1 January 2024, introduced tax incentives for employee participation in start-ups to increase employee loyalty and, in particular, address the so-called “dry income problem”, which has arisen in cases where start-ups and young SMEs lacked liquidity and were therefore unable to provide monetary compensation for highly qualified employees. When this was compensated for by granting equity shares, immediate taxation resulted in an additional liquidity burden for the recipients, thus creating the dry income problem.

Under the new regulations, employees who acquire shares in a company within ten years of its founding – provided the company is of limited size (a maximum of 100 employees or annual revenue of up to EUR40 million, with no corporate affiliation) – can opt for special tax treatment. These shares must be transferable only with the employer’s consent (restricted transferability) and may be received either free of charge or for a maximum consideration equal to their nominal value.

This special tax treatment means that the shares are only considered as received at the time they are sold or in certain other special cases, such as a transfer back to the employer, termination of the employment relationship or the removal of the transfer restriction. Additionally, 75% of the income from the sale of the shares can be taxed as other compensation at a fixed tax rate of 27.5%, provided that the employment relationship has lasted for at least two years and the receipt occurs at least three years after the initial

issuance of the start-up employee participation to the employee.

EU Digitalisation Directive II

The digitalisation of the corporate environment is proceeding at a fast pace at both the national and EU levels. Directive (EU) 2025/25 (Digitalisation Directive II) marks a turning point for European company law, introducing significant simplifications to cross-border M&A practices.

A key objective of this framework is to reduce administrative obstacles by digitising processes within the EU single market. For legal practitioners, the introduction of the EU company certificate is particularly relevant as this serves as standardised proof of legal registration of the company that is valid throughout the EU single market and largely eliminates the need for costly apostilles or certifications.

At the same time, the digital EU power of attorney simplifies legal representation in multinational proceedings, as it is based on a uniform model and is recognised in all member states.

A further key technological pillar of the reform is the closer networking of the Business Register Interconnection System (BRIS), Beneficial Ownership Registers Interconnection System (BORIS) and Insolvency Registers Interconnection systems (IRI), which enables obtaining aggregated data via a single access point. This can significantly speed up the process of identification of target companies, title checks and the performance of compliance evaluation. The extension of disclosure requirements to private partnerships and corporate groups will also increase transparency of target companies.

Another key element is the principle that companies do not have to resubmit information that is already stored in a national register to authorities in other member states. This leads to significant time and cost savings when setting up acquisition vehicles or registering branches after a deal.

The European Commission forecasts that these measures will result in annual savings of around EUR437 million in administrative costs. Although member

states have until 31 July 2027 to implement the measures nationally, legal practitioners should already be considering incorporating the new instruments into their strategic planning to maximise efficiency gains in future cross-border transactions.

Grace Period Act

The Grace Period Act was introduced in Austria in 2024 to facilitate the transfer of businesses within families while increasing legal and planning security for successors. It allows natural persons to make an “accompanied business transfer” if they intend to transfer their business or company shares to relatives. The transferring person must declare in an application to the tax authorities that the business or company shares shall be transferred to one or more beneficiary relatives within two years of submitting the respective application.

As part of this process, a tax audit will be initiated for previously unexamined periods. The aim is to identify and minimise potential tax risks at an early stage.

Additionally, the law introduces simplifications in trade law, such as the electronic validation of company register entries during business registration. It also includes adjustments to labour protection laws, such as extended deadlines for certain reporting requirements following a business transfer.

Draft Corporate Leadership Positions Act (Gesellschaftsrechtliches Leitungspositionengesetz – CLPA)

A draft pending review for the issuance of a Corporate Leadership Positions Act (CLPA), as proposed by the Austrian Federal Ministry of Justice, aims to implement Directive (EU) 2022/2381, which mandates gender-balanced representation in the leadership bodies of listed companies. The primary objective of Directive (EU) 2022/2381 is to enforce the principle of equal opportunities and secure balanced gender representation at the top level of management by setting minimum targets. To this end, the Directive establishes a set of binding procedural requirements governing the selection of candidates for appointment or election as directors. These measures are designed to ensure that the recruitment process is transparent and merit based.

Key provisions of the CLPA draft include the following.

- In listed companies, the supervisory board must consist of at least 40% women and at least 40% men.
- If the management board of a listed company consists of more than two persons, it must include at least one woman. This requirement goes beyond the Directive, aiming to improve the historically low representation of women in executive positions.
- If the gender quota is not met, the appointment of supervisory board members is invalid (“empty seat rule”). Executive board members appointed in violation of the quota will not be registered in the company register.

Navigating the Austrian M&A landscape – the impact of the Industrial Strategy 2035

The Austrian federal government recently presented Austria’s Industrial Strategy 2035, which aims to strengthen specific chosen sectors. This will at the same time have a significant impact on the Austrian M&A landscape. Among other measures, EUR2.6 billion will be allocated to nine key technologies, ranging from AI and quantum photonics to green energy and life sciences. The government is attempting to create an environment conducive to corporate consolidation and private equity investment. The 117 individual measures will be accompanied by a large number of legal acts to ensure that the industrial strategy aligns with the budgetary framework.

Austria’s Industrial Strategy 2035’s emphasis on technological sovereignty directly intersects with Austria’s increasingly stringent Foreign Direct Investment (FDI) screening regime. M&A practitioners must now navigate mandatory FDI filings even for low-materiality deals within a very broad range of business sectors. However, on an EU level it is expected that regulations will move towards a more harmonised screening mechanism.

Furthermore, Austria’s Industrial Strategy 2035 prioritises a circular, climate-neutral economy, thereby elevating ESG criteria from a secondary compliance checkbox to a primary transactional hurdle. Driven by interlinked frameworks such as the EU Corporate Sustainability Reporting Directive (CSRD), target viability

and valuation now inherently depend on verifiable sustainability and supply chain data.

A main impact on M&A transactions under Austria's Industrial Strategy 2035 is the necessity to adopt a broader approach towards due diligence.

Rising numbers of insolvencies

According to a study by the Austrian creditors' protection association (KSV 1870), in 2025, a total of 6,810 companies in Austria had to file for insolvency, averaging 19 corporate bankruptcies per day. This continues the trend of an increasing number of insolvency cases. The main drivers of insolvency remain in the trade sector, the construction industry and the hospitality sector. In addition, there were 111 major insolvencies with liabilities exceeding EUR10 million. By comparison, there were only 86 such cases in 2024. However, the number of insolvencies with individual liabilities exceeding EUR200 million decreased from 11 cases in 2024 to four cases in 2025. It is also noteworthy that around half of all major insolvencies (liabilities exceeding EUR10 million) are directly related to the real estate sector – ie they are located in the construction or property/housing sectors.

Despite the slight increase in the number of insolvencies, total liabilities have decreased by 55% compared to 2024, reaching a total of EUR8.48 billion.

Furthermore, 54,600 creditors (+8.5% compared to 2024) and 21,900 employees (-26% compared to 2024) are affected.

The largest insolvency of 2025 was recorded by SIGNA Prime Capital Invest GmbH, with liabilities amounting to EUR870 million. This explains the massive decrease in liabilities compared to 2024, as the four largest insolvencies had liabilities of around EUR2 billion each.

For 2026, KSV 1870 expects similar developments, subject to possible changes in the economic environment. Economic researchers predict little to moderate growth, but Germany – Austria's most important trading partner – is likely to remain in a difficult situation, and there are no signs of a significant easing in cost pressures. Additionally, factors such as energy costs, consumer demand and geopolitical developments will continue to have a major impact on businesses' economic situation and, consequently, on insolvency trends in the coming year.

Looking to the Future

The Austrian M&A market in 2026 is poised for continued strategic growth despite economic and geopolitical uncertainties. M&A transactions may increase, especially due to an uptick in distressed M&A. Continued stability in interest rates could also drive increased investment activity, as it conveys stability to market participants.

The industrial and technology sectors are expected to maintain leadership in M&A transactions, supported by sustainability and digitalisation initiatives. Private equity activity may expand if capital costs decrease, and cross-border transactions could rise as companies seek international growth opportunities. Furthermore, a surge in divestitures and carve-outs is expected as companies optimise their portfolios amid economic challenges.

In summary, Austria's M&A market remains dynamic and adaptable, with strategic investments in key industries shaping its trajectory in 2026. While macro-economic pressures persist, sectors such as industrials, technology and healthcare are set to drive future deal activity.