

Relief for Lufthansa after top shareholder backs rescue deal

June 24 2020, by Yann Schreiber



Employees of German airline Lufthansa hit the streets to encourage shareholders to back a bailout plan

Lufthansa's top shareholder on Wednesday said he would back a nine billion euro government rescue package, removing the threat of a last-minute veto that could have plunged the German airline into bankruptcy.

"I will vote for the agreement," German billionaire Heinz Hermann Thiele told the Frankfurter Allgemeine Zeitung newspaper on the eve of an extraordinary general meeting at which investors will decide on the fate of the coronavirus-hit giant.

Chief executive Carsten Spohr has warned that "the future of the company" is at stake after the pandemic throttled Lufthansa's usual flood of passengers to a trickle for several months this year.

Spohr will address the online meeting set to begin at 1000 GMT, urging investors to back the plan he hammered out over weeks of talks with ministers and the European Commission.

The nine billion euro (\$10 billion) plan includes the state claiming a 20 percent stake.

Thiele, who made his fortune in the rail and auto industries and owns 15.5 percent of Lufthansa's stock, had repeatedly voiced scepticism about the deal, to the dismay of Lufthansa management, employees and unions.

But in the interview with the Frankfurt newspaper, Thiele said insolvency had to be avoided even if he still had doubts about the bailout.

"It is in the interest of all Lufthansa employees that management can quickly begin talks about the necessary restructuring," he said.

Even with the government aid, Lufthansa said it will have to slash some

22,000 full-time jobs as travel demand is expected to stay below pre-pandemic levels for years.

Lufthansa shares jumped more than 15 percent by 2000 GMT in after-hours trading as investors welcomed Thiele's turnaround.

Low turnout

Given that shareholders representing just 38 percent of the capital have registered to participate Thursday, Thiele held the power to singlehandedly torpedo the deal.

The 79-year-old's motivations for building up his own stake in Lufthansa remain murky.

"I will continue to exert influence on the development of Lufthansa," he told the FAZ, declining to elaborate.

Lufthansa's board warned shareholders ahead of the meeting that insolvency was "unavoidable" if the deal fell through.

Bracing for the worst-case scenario, Spohr on Sunday said it was "prepared" to keep flight operations going even if the vote goes against the board.

Before launching insolvency protection procedures, bosses would "use the time to talk over alternatives with the government," he added.

The powerful Verdi union welcomed Thiele's green light.

"This ends an existential threat for almost 140,000 employees globally and their families," it said in a statement.

"Other shareholders must now follow Thiele's example and agree to the rescue package."

Heavy weather

Lufthansa's climb out of the coronavirus storm promises to be long and arduous as countries emerge from lockdown and air travel slowly resumes.

By September, the group expects its timetable to remain 60 percent below levels seen before the pandemic.

Further into the future, around 100 of Lufthansa's present fleet of 763 aircraft will likely be surplus to requirements.

Elsewhere in the group, Vienna granted subsidiary Austrian Airlines aid totalling 450 million euros, while Swiss and Edelweiss received loans totalling 1.2 billion euros from Bern.

Talks continue with the Belgian government over Brussels Airlines, which plans to shed 1,000 jobs.

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