

Lufthansa posts record annual loss, sees long recovery

March 4 2021, by Yann Schreiber With Hui Min Neo In Berlin



Europe's biggest airline said it expects to book an operating loss again

German flag carrier Lufthansa said Thursday it lost a record 6.7 billion euros (\$8.1 billion) in 2020, as the coronavirus pandemic wiped out demand for travel and left aircraft grounded.

Europe's biggest airline said it expects to book an operating loss again in 2021, although smaller than last year, as capacity runs at only 40-50 percent of pre-pandemic levels for the full year.

Underlining the long road to recovery, it added that capacity will climb to 90 percent of 2019's level only in "the middle of the decade".

After borders slammed shut as governments scrambled to halt the first wave of the Covid-19 crisis, the airline faced an [uncertain future](#).

In June, it was offered a lifeline by the German government, which pumped in nine billion euros for a 25 percent stake.

"The past year was the most challenging in the history of our company—for our customers, our employees and our shareholders," said Lufthansa chief executive Carsten Spohr.

In the airline's home base, demand is sluggish with work from home orders curtailing lucrative business travel while official warnings are in place against leisure tourism in many countries worldwide.

Across Europe, restrictions are also in place as governments continue to battle rising infection numbers.

Lufthansa is currently flying about 20 percent of its capacity, with little improvement expected in the next one to two months.

But it expects demand to pick up again in the summer with a vaccination rollout progressing and more capacity for tests available.

"Internationally recognised digital vaccination and test certificates must replace travel bans and quarantine," Spohr stressed, repeating calls by other airline bosses.

Headwinds

Lufthansa, which includes subsidiaries Swiss, Austrian, Brussels Airlines and Eurowings, operated only 31 percent of its overall capacity last year.

Revenues sank 63 percent to 13.6 billion euros for 2020, compared to 36.4 billion euros in 2019.

The [operating loss](#) came in at 5.5 billion euros, while a year ago, the airline's comparative adjusted earnings before interest and tax stood in the black at 2.0 billion euros.

Although it has put much of its staff on curtailed hours and brought its headcount down from a pre-pandemic 141,000 to 110,000 currently, another 10,000 jobs are still on the line.

Over the last months, it has done deals with unions representing pilots and ground crew so as to head off forced redundancies until March 2022.

Pilots agreed to short hour arrangements and corresponding salary cuts while ground staff signed on to giving up bonuses and pay raises to save their jobs.

The group's current fleet of 800 aircraft will be slashed to 650 by 2023.

Lufthansa's woes mirror those of its competitors elsewhere.

Industry group IATA, which represents 290 major airlines worldwide, warned last week that global air passenger traffic will recover more slowly than expected this year because [coronavirus](#) variants have created strong headwinds.

The International Air Transport Association now estimates that traffic will reach between 33 and 38 percent of the levels recorded in 2019.

Its previous 2021 forecast was for traffic to reach 51 percent of the levels seen before the coronavirus pandemic struck.

© 2021 AFP

Citation: Lufthansa posts record annual loss, sees long recovery (2021, March 4) retrieved 23 April 2024 from <https://techxplore.com/news/2021-03-lufthansa-annual-loss-recovery.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.