

German airline Lufthansa approves capital increase

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Lufthansa was saved from bankruptcy last June by a German government bailout.

Europe's largest airline group Lufthansa, hit hard by the coronavirus pandemic, said Sunday it would seek to raise more than two billion euros

with a capital increase.

The German company said its executive board had agreed to a share issue from Wednesday and "the gross proceeds are expected to amount to 2.140 billion euros (\$2.51 billion)".

Lufthansa said the transaction, intended to improve its equity position and help repay state aid provided in the course of the pandemic, was underwritten by a syndicate of 14 banks.

"All members of the Executive Board of the company have also committed to participate in the capital increase and to exercise all subscription rights received in relation to their shares in full," it said.

Lufthansa, which also includes Austrian, Swiss and Brussels Airlines, was saved from bankruptcy last June by a German government bailout.

As travel restrictions eased and passengers returned, the group posted a net loss for the second quarter of this year of 756 million euros compared with 1.5 billion euros last year, when travel worldwide was halted by Covid-19.

However it said it still expected to operate at 40 percent of its pre-crisis capacity this year.

Earnings before interest, tax, depreciation and amortisation (EBITDA), a yardstick closely watched by analysts, was still severely negative in the second quarter, with the company registering a loss of about 400 million euros.

Chief financial officer Remco Steenbergen said last month the company was discussing with investors about how to raise the capital needed to pay down the state aid the group received, and acknowledged the final

figure would be "significantly less" than the three to four billion euros previously mooted.

The company is still gripped by a painful restructuring to slash costs that will include thousands of job cuts, with 30,000 already axed since the start of the coronavirus outbreak.

As part of the recovery plan, the airline has said it will slash its current fleet of 800 aircraft to 650 by 2023.

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