

# German government moves to rescue Lufthansa bailout

22 June 2020, by Michelle Fitzpatrick



The clock is ticking down to a shareholders meeting Thursday

The German government leapt into action Monday to rescue a proposed nine-billion-euro (\$10.1 billion) coronavirus bailout for Lufthansa that has run into resistance from a billionaire shareholder.

Economy Minister Peter Altmaier and Finance Minister Olaf Scholz met for crunch talks with Lufthansa representatives and rail industry tycoon Heinz Hermann Thiele, the company's top shareholder whose scepticism could torpedo the deal.

The clock is ticking as Lufthansa shareholders are voting Thursday on the rescue plan, which would see Berlin take a 20-percent stake in the company.

Speaking to reporters in Berlin after the meeting, Scholz said it had been "a friendly discussion".

He said the suggested bailout was a "good, carefully considered proposal" that had already won the backing of Lufthansa's supervisory board and the European Commission.

"I think that will also play a role in the shareholders' assessment," Scholz said.

Altmaier separately told reporters that the bailout "could help save tens of thousands of jobs and support Lufthansa through these difficult times".

Like rival airlines, Lufthansa was plunged into crisis after efforts to contain the coronavirus pandemic brought air travel to a near standstill for several months, with the recovery expected to be slow.

The group is fast running out of cash and has grown increasingly nervous as the extraordinary general meeting draws closer.

With shareholders representing just 38 percent of Lufthansa's capital registered to participate in the meeting, two-thirds backing will be needed to approve the plan rather than a simple majority if turnout were higher.

In a letter to employees on Sunday, Lufthansa CEO Carsten Spohr said the company had made "extensive preparations" should the deal fall through.

## Job fears

German billionaire Thiele has in recent weeks built up a 15-percent stake in Lufthansa, making him the group's largest single shareholder.

Thiele told the Frankfurter Allgemeine Zeitung daily last week that "not all the possibilities were exhausted" in bosses' talks with Berlin.

Thiele in particular objects to the state taking a stake in Lufthansa, and has pointed out that Air France-KLM received state aid in the form of loans rather than government shareholdings.

If shareholders reject the rescue package, the Lufthansa group—which also includes Swiss,

Austrian and Brussels Airlines—could be forced to launch insolvency proceedings.

In his letter, Spohr said Lufthansa would continue to "discuss options with the government" until the very last moment and vowed to do everything necessary to avoid grounding the fleet again.

"Our goal of course remains to avoid insolvency and all its consequences," Spohr wrote, adding that he felt a great responsibility towards Lufthansa's 138,000 employees.

To ease some of the uncertainty, Spohr said Lufthansa was taking the unprecedented step of paying employees their June salaries several days early.

Even if the bailout is approved, Lufthansa has warned it may have to cut around 22,000 full-time jobs as travel demand is expected to stay below pre-pandemic levels for years.

Germany's powerful Verdi union on Monday urged shareholders to back the government rescue, warning that bankruptcy proceedings could destroy the public's trust in Lufthansa.

"With the help of the state, jobs can be saved and incomes protected," said Verdi vice president Christine Behle.

Shares in Lufthansa closed 3.2 percent lower at 9.85 euros Monday, the first day the firm was trading on the mid-sized MDax index after coronavirus-related losses edged it out of the prestigious DAX 30.

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