LUFTHANSA EXPECTS EUR500 MILLION PROFIT BOOST FROM BOARD OVERHAUL

News / Airlines

Lufthansa is stepping up its cost-cutting overhaul with a streamlined management structure it said will boost profit by EUR500 million (US$564 million) a year and provide a new boss for the Eurowings budget brand that has raised tensions in its long-running dispute with pilots.

The German airline, long known for a focus on business customers, is expanding budget operations as it battles the likes of Ryanair and easyJet on European short-haul routes, but parallel measures to cut costs have met determined resistance from pilots' union Vereinigung Cockpit.

The union and management's dispute has resulted in 13 strikes over 18 months, with a row over retirement benefits escalating as Lufthansa began its Eurowings expansion drive.

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The latest restructuring will result in the loss of about 150 management jobs from a total of 1,000 worldwide, the company said on Wednesday, with the **500 million euro** annual profit boost being realised fully in 2019.

Though the pilots' industrial action has cost Lufthansa about 100 million euros in the first half of the year, not including this month's two-day walkout, the company said it is optimistic that its strong summer would offset strike-related losses.

The company expects to achieve full-year adjusted earnings before interest and tax (EBIT) of more than 1.5 billion euros, it said, with CEO Carsten Spohr adding that the target includes strike costs from the first three quarters.

Under the new structure, which takes effect from 2016, **Lufthansa** will group together its hub airlines -- Lufthansa, Austrian, Swiss and Brussels -- under the oversight of executive board member Harry Hohmeister, who will move from his role as CEO of Swiss.

The Eurowings division will be represented on the management board by Karl Ulrich Garnadt, currently head of Lufthansa's German airlines. The German airlines division will cease to have its own board•.

"We want to create the best possible conditions for growth for Eurowings," Spohr said.

Although the duties have been reassigned, the group's five-member management board remains the same, with CEO Spohr in place, Simone Menne maintaining her finance role and Bettina Volkens heading personnel.

The contracts of Hohmeister and Volkens were also extended for five years, Lufthansa said.

The group's cargo, maintenance and catering divisions will continue to be managed separately, it said in a statement.

Lufthansa and Vereinigung Cockpit are due to resume talks on Thursday over pilots' early retirement benefits.

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