LUFTHANSA GROUP

PRESS RELEASE

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Lufthansa Group expects to increase unit revenues in the second quarter after a weak first quarter

- **Substantial market-wide capacity expansion in Europe lowers unit revenues and reduces first-quarter Adjusted EBIT to EUR -336 million**
- **Higher fuel costs burden quarterly earnings by around EUR 200 million**
- **Unit costs reduced in line with full-year forecast**
- **Lufthansa Cargo reports lower first-quarter earnings owing to weaker demand; Lufthansa Technik increases earnings for the period thanks to strong third-party business**
- **Lufthansa Group confirms its expectations of higher unit revenues in the second-quarter period**
- **Eurowings further cuts its planned capacity growth**
- **Full-year guidance for 2019 remains unchanged**

Following a weak first quarter of 2019 that resulted in an Adjusted EBIT for the period of EUR -336 million, Lufthansa expects to see substantially improved trends in the rest of the year. “Overcapacities, especially on short- and medium-haul European routes, substantially depressed our first-quarter earnings,” says Ulrik Svensson, Chief Financial Officer of Deutsche Lufthansa AG. “We are confident, though, that we will see a recovery in our unit revenues as early as the second quarter. Our confidence is based above all on our favorable booking levels for the months ahead.”

Total revenues for the Lufthansa Group for the first quarter of 2019 amounted to EUR 7.9 billion, a three-percent increase on the same period last year. First-quarter Adjusted EBIT amounted to EUR -336 million, substantially down on the EUR 52 million of the prior-year period. The key drivers of this earnings decline were a EUR 202 million increase in fuel costs and a deterioration in unit revenues in Europe. A continued reduction of unit costs could only partially offset the decline. The Adjusted EBIT margin for the period amounted to -4.3 percent (prior-year period: 0.7 percent). The Group’s net income declined to EUR -342 million (prior-year period: EUR -39 million).

The Lufthansa Group invested EUR 1.2 billion in the first quarter of 2019 (prior-year period: EUR 826 million), a large part of it in new more cost- and fuel-efficient aircraft. The higher investment volume for the period is attributable solely to prepayments on aircraft which will only be delivered in the coming years. Net financial debt rose to around EUR 5.8 billion (prior year: EUR 3.5 billion) as a result of the first-time adoption of the IFRS 16 accounting standard. Without this change, net financial debt would have remained at its prior-year level. With pension fund obligations included, the debt ratio – adjusted net debt in relation to adjusted EBITDA – stood at 2.4 (prior year: 1.8). This development, too, is attributable largely to the first-time application of IFRS 16. Adjusted free cash flow, which also includes the amortization of operating lease obligations shown in the financing cash flow, declined to EUR 178 million (prior-year period: EUR 800 million). In addition to the decline in earnings, the reduction was due primarily to the increase in investments and to higher tax payments relating to the improved earnings of the past few years.

Network Airlines
The Network Airlines of Lufthansa, SWISS and Austrian Airlines achieved an aggregate Adjusted EBIT of EUR -160 million (prior-year period: EUR 132 million). Adjusted EBIT margin amounted to -3.3 percent, a six-percentage-point decline from the 2.7 percent of the prior-year period. First-quarter unit revenues (adjusted for currency movements) declined 5.2 percent, owing mainly to the difficult European market situation. The long-haul business to and from Asia and North America showed much more encouraging trends. Unit costs (adjusted for fuel and currency influences) were reduced by 0.8 percent.

Eurowings
First-quarter Adjusted EBIT for Eurowings declined to EUR -257 million (prior-year period: EUR -212 million). Unit revenues (adjusted for currency movements) were 8.5 percent below their prior-year level, owing mainly to the high pricing pressures on short-haul routes, which account for a larger portion of total revenues at Eurowings than they do at the Network Airlines. Unit costs (adjusted for fuel and currency influences) were 7.2 percent below their prior-year levels. Eurowings benefited here from the absence in this year's results of the costs of integrating former Air Berlin aircraft, which had been incurred in the prior-year period. Further cost-reduction measures were also initiated that will reap their rewards later in the current year.

Aviation Services
The Group's MRO and catering businesses were able to raise their first-quarter earnings, but this was unable to fully offset the earnings decline in the logistics segment.

In the logistics field, Lufthansa Cargo saw its first-quarter earnings decline 67 percent to EUR 24 million (prior-year period: EUR 72 million), largely as a result of negative general market trends on the routes between Europe and Asia that Lufthansa Cargo was unable to exempt itself from.

First-quarter Adjusted EBIT for Lufthansa Technik was 17 percent above its 2018 level at EUR 125 million (prior-year period: EUR 107 million), owing mainly to substantially improved business trends in the engine overhaul sector.

The catering business of the LSG Group raised its first-quarter earnings to EUR 2 million (prior-year period: EUR 1 million). The Executive Board of Deutsche Lufthansa AG has resolved to make preparations for a formal sale process for the possible disposal of the LSG Group, in parts or as a whole. Whether this process culminates in such a sale is currently still open.

First-quarter Adjusted EBIT for Additional Businesses & Group Functions declined EUR 30 million to EUR -59 million (prior-year period: EUR -29 million), owing largely to higher IT investments.

Outlook
For 2019 as a whole, the Lufthansa Group still expects to report year-on-year revenue growth of a mid-single-digit percentage amount and an Adjusted EBIT margin of 6.5 to 8.0 percent. In comparison to the last guidance update, capacity growth at Eurowings is now expected at 0 percent (previously: 2 percent). Fuel costs at the Network Airlines are projected to be EUR 600 million above the previous year (previously: EUR 550 million). Adjusted EBIT in the “Other Businesses and Group Functions” segment is now expected to be EUR 100 million below the previous year (previously: EUR 150 million).

Further information
The Lufthansa Group’s 2019 First-Quarter Report will be published simultaneously with this press release on www.lufthansagroup.com/investor-relations at 07:00 CEST on 30 April 2019.

The Lufthansa Group		January to March		
		2019	2018	Δ
Total revenues	EUR m	7,890	7,640	+3%
of which traffic revenues	EUR m	5,857	5,785	+1%
EBIT	EUR m	-344	52	
Adjusted EBIT	EUR m	**-336**	**52**	
Net result	EUR m	-342	-39	
Earnings per share	EUR	-0.72	-0.08	
Balance sheet total	EUR m	42,761	37,838	+13%
Cash flow from operations	EUR m	1,558	1,737	-10%
Investments (gross)[1]	EUR m	1,236	826	+50%
Adjusted free cash flow	EUR m	**178**	**800**	**-78%**
Adjusted EBIT margin	in %	-4.3	0.7	-5.0 pts.
Employees as of 31 March		136,795	132,620	+4,175

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[1] Excluding equity acquisitions