LUFTHANSA GROUP

PRESS RELEASE

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Lufthansa Group continues successful development in the first quarter of 2018

- **Adjusted EBIT improves slightly year-on-year to EUR 26 million**
- **Network Airlines and Lufthansa Cargo with significant margin improvements**
- **Lufthansa achieves its best first-quarter margin in ten years, SWISS posts new record result**
- **Eurowings result burdened by one-off integration costs**
- **Unit revenues increase; unit costs further decrease**
- **Full-year Adjusted EBIT guidance confirmed**

The Lufthansa Group continues its successful path in the first quarter of 2018, and has started well into the new year. The Group's Network Airlines increased their Adjusted EBIT margin significantly by 3.2 percentage points to 2.4 per cent in what is traditionally the weakest quarter for all airlines. Lufthansa Cargo achieved an even stronger Adjusted EBIT margin improvement: up 4.3 percentage points to 10.1 per cent. These improved earnings were largely offset, however, by significant one-off costs at Eurowings from its growth in the context of the Air Berlin insolvency. As Lufthansa Technik and "Others & Consolidation" showed earnings declining to the levels of earlier years, the total Adjusted EBIT – the main key performance indicator of the Lufthansa Group – increased only slightly by EUR 1 million to EUR 26 million for the first-quarter.

Despite new record numbers of passengers carried and historically high seat load factors, the total revenues of around EUR 7.6 billion (of which EUR 5.8 billion traffic revenues) for the first-quarter were broadly on previous-year level due to the first-time implementation of the new IFRS 15 accounting standard. Without this, first-quarter revenues would have been increased by 4.5 per cent. The net group result for the period improved by EUR 11 million to EUR -57 million.

Fuel costs for the first three months of 2018 virtually remained on prior-year level at EUR 1.2 billion (up 0.9 per cent) since volume growth and higher average prices were compensated by currency effects and successful hedging. Cumulative unit costs excluding fuel and currency factors for the passenger airlines were further reduced by 0.5 per cent (despite the added burden of the one-off costs at

Eurowings), thanks to particularly effective cost reductions at the Network Airlines. At the same time, first-quarter unit revenues excluding currency factors increased by 1.2 per cent.

“We remain well on track, and have achieved another good set of results for the first quarter 2018,” says Ulrik Svensson, Chief Financial Officer of Deutsche Lufthansa AG. “Despite incurring high one-off expenses at Eurowings, we again managed to steadily further reduce our unit costs while simultaneously investing in the quality of our product.”

Network Airlines
Adjusted EBIT for the Group’s Network Airlines – Lufthansa German Airlines, SWISS and Austrian Airlines – amounted to EUR 114 million in the first quarter of 2018, EUR 154 million above the prior-year result. The Network Airlines thus made a major contribution to the Group’s good first-quarter result. With a continued high demand, unit costs excluding fuel and currency factors were reduced by 1.9 per cent, while unit revenues excluding currency factors increased by 1.5 per cent. Lufthansa German Airlines raised its Adjusted EBIT by EUR 95 million to EUR 83 million and achieved its highest first-quarter Adjusted EBIT margin of the past ten years. SWISS improved its first-quarter Adjusted EBIT by EUR 64 million to a record EUR 99 million, implying an Adjusted EBIT margin of a good nine per cent and remaining the Group’s most profitable airline. Austrian Airlines saw its first-quarter Adjusted EBIT decline EUR 8 million to EUR -67 million following extensive flight cancellations on three days in the period as a result of works meetings related to wage negotiations.

“Our modernization is paying off,” Ulrik Svensson continues. “We are again in a position to grow our core business profitably. And we are able to grow in those areas where the quality is best for our customers and the costs are low. This is why we saw about a third more growth in first-quarter passenger numbers at our hub in Munich than in Frankfurt.”

The Eurowings Group
Eurowings is growing successfully. Despite a 28.8 per cent year-on-year increase in its first-quarter capacity, the airline’s unit revenues excluding currency factors were up 3.5 per cent. But with significant one-off costs from the integration of former parts of Air Berlin, first-quarter unit costs excluding fuel and currency factors were 7.6 per cent above their prior-year level. Adjusted EBIT for the Eurowings Group declined EUR 71 million to EUR -203 million. One-off expenses will continue to burden unit cost trends at Eurowings in the months ahead.

Aviation Services
Among the Group's Aviation Services companies, Lufthansa Cargo continued its positive development, almost doubling its first-quarter Adjusted EBIT to EUR 65 million (an increase of EUR 32 million). Adjusted EBIT for Lufthansa Technik was down EUR 34 million to EUR 103 million, amongst others due to a weak US dollar and an extraordinarily strong first quarter last year. LSG Group raised its first-quarter Adjusted EBIT slightly by EUR 3 million to EUR 1 million. In "Others & Consolidation", Adjusted EBIT for the first-quarter period declined EUR 83 million to EUR -54 million, which is the level seen in the years before 2017.

Key financial indicators
Operating cash flow remained broadly on its prior-year level. Pension fund provisions were up 8.3 per cent at EUR 5.5 billion, owing largely to the reduction of the discount rate from 2.0 to 1.9 per cent.

Net financial debt declined almost 30 per cent compared to the end of 2017 to EUR 2.1 billion, further strengthening the Group's financial stability. In view of this, the rating agency S&P recently raised its outlook for the Lufthansa Group's investment grade rating to 'positive'. The equity ratio decreased by four percentage points to 22.5 per cent, mainly due to the impact of the first time implementation of the new reporting standards and to the increase in pension provisions following the discount rate reduction.

Outlook for 2018 unchanged
Compared to its guidance of 15 March, the Lufthansa Group now expects an organic capacity growth of some 6 per cent for 2018. Due to this one-percentage-point reduction in capacity growth and a weakening of the US dollar, the guidance for fuel costs has been lowered by EUR 100 million. Annual fuel costs are now expected to increase by EUR 600 million in 2018 to EUR 5.8 billion. This cost increase can be largely offset by an improved operating performance. The guidance for 2018 thus remains unchanged for an Adjusted EBIT slightly below previous year's record level. Also unchanged is the guidance for a reduction in unit costs excluding fuel and currency factors by 1 to 2 per cent and a stable development of unit revenues excluding currency factors.

IFRS 15
The IFRS 15 'Revenue from Contracts with Customers' reporting standard was implemented for the first time in the 2018 first-quarter accounts and financial statements. Its implementation leads to changes in revenue and cost positions, especially at the Network Airlines and the Eurowings Group. To take one example, passenger-based fees and charges which were formerly accounted on both the income and the expenses side are now netted in the profit and loss account. This

reduces both income and expenses. But since EBIT is not affected, EBIT margin increases mathematically. Prior-year figures have not been restated.

Lufthansa Group		January to March		Change	Change
		2018	**2017**	reported	excl. IFRS 15
Total revenues	EUR m	7,640	7,691	-0.7%	+4.5%
of which traffic revenue	EUR m	5,785	5,808	-0.4%	+7.9%
EBIT	EUR m	27	16	+68.8%	
Adjusted EBIT	**EUR m**	**26**	**25**	**+4.0%**	
Adjusted EBIT margin	**in %**	**0.3%**	**0.3%**	**0 pts.**	
Net result	EUR m	-57	-68	+16.2%	
Gross investments[1)]	EUR m	714	755	-5.4%	
Operating cash flow	**EUR m**	**1,625**	**1,648**	**-1.4%**	
Employees as of 31 March		132,620	128,541	+4,079	
Earnings per share	EUR	-0.12	-0.15	+20.0%	

[1)] excluding cash-out from equity investments

Only the 2018 figures are stated in accordance with the new IFRS 15. Prior-year figures have not been restated.

The Lufthansa Group's interim report for the first quarter of 2018 will be published simultaneously with this press release, and will be available at https://investor-relations.lufthansagroup.com/en.html from 07:30 CEST on Thursday 26 April 2018.

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