LUFTHANSA GROUP

PRESS RELEASE

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Lufthansa Group adjusts its full year outlook

- **Long-haul business continues to be strong, particularly on Transatlantic and Asian routes**
- **Strength in long-haul only partly offsets yield pressure in Europe due to overcapacities**
- **Group committed to defend its leading position in competitive home markets**

The Executive Board of Lufthansa Group is revising its financial outlook for the full year 2019. Ongoing strong performance in long haul only partly offsets the price deterioration in Europe caused by market-wide overcapacities and aggressively growing low cost competitors. The Group now expects the Group's Adjusted EBIT margin to reach 5.5 to 6.5 percent (previously: 6.5 to 8.0 percent), resulting in Group Adjusted EBIT amounting to between EUR 2,000 and 2,400 million in 2019. The outlook factors in a fuel cost increase of EUR 550 million despite the recent decline of oil prices.

Yields in the European short-haul market, specifically in the Group's home markets, Germany and Austria, are affected by sustained overcapacities caused by carriers willing to accept significant losses to expand their market share. This is putting pressure on yields at the Network Airlines and Eurowings. Both will continue to vigorously defend their leading market positions while focusing on securing profitability at the same time. Network Airlines are now expected to reach an Adjusted EBIT margin of between 7 and 9 percent in 2019 (previously: 7.5 to 9.5 percent). For Eurowings, the Group projects an Adjusted EBIT margin between -4 and -6 percent in the full year (previously: around 0 percent). The Group expects the European market to remain challenging for the remainder of 2019.

At the Network Airlines, the long-haul business remains strong. The transatlantic route is generating particularly positive performance and demand on the Asian routes remains high. Strength in long haul, however, is being offset by price pressures in Europe where demand has become increasingly price sensitive, resulting in lower yields. Network Airlines are addressing these pressures by further reducing their capacity plans, especially for Winter 2019/2020 where they schedule only marginal expansion. Network Airlines' unit revenues are expected to

decline slightly on a currency-adjusted basis in the second quarter. In the full year, they are projected to decline at a low-single-digit percentage rate on a currency-adjusted basis.

At Eurowings, unit revenues are expected to decline significantly in the second quarter of 2019. In the full year, they are forecasted to decrease at a mid-single-digit rate. As the progress in streamlining the Eurowings cost base is also slower than expected, the Eurowings Management has resolved upon further turnaround measures which it will present shortly.

Lufthansa Cargo has responded to the weaker demand especially on routes between Europe and Asia by taking out three MD-11F freighters from the beginning of June onwards. Full year revenues at Lufthansa Cargo are now expected to remain at the prior year level, the segment's margin should reach 3 to 5 percent (previously: 7 to 9 percent).

In its financial accounts for the first half of 2019, the Group will also make a provision for tax risks of EUR 340 million. The provision relates to an open tax matter in Germany originating in the years between 2001 and 2005. Past judgments by the competent Fiscal Court and the Supreme Tax Court had confirmed the Company's legal opinion in principal. However, the Supreme Tax Court has recently repealed the case law established in prior years in a comparable case which led Lufthansa to reassess this tax risk.

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