News

Frankfurt, 2 August 2017

# New alignment of the Lufthansa Group leads to significant profit improvement

**1st half-year 2017**

- **Best first half-year result in company's history**
- **Adjusted EBIT doubled to EUR 1.042 billion**
- **Revenues raised by EUR 1.9 billion to EUR 17.0 billion**
- **Free cash flow almost doubled to EUR 2.1 billion**
- **Net financial debt more than halved to EUR 1.1 billion**

**Outlook**

- **Adjusted EBIT guidance improved to "above previous year"**
- **Eurowings to break-even in 2017 - one year earlier than planned**
- **Lufthansa Cargo also to break-even in 2017**

The Lufthansa Group increased its total revenues by 12.7 percent to EUR 17.0 billion in the first six months of 2017 (prior-year period: EUR 15.0 billion). Traffic revenues were up by 14.2 percent to EUR 13.3 billion (prior-year period: EUR 11.6 billion). And the key earnings indicator Adjusted EBIT was roughly doubled to over EUR 1 billion (prior-year period: EUR 529 million), giving the Lufthansa Group its best-ever first half year earnings result.

The earnings performance is attributable primarily to strong demand and lower unit costs at the Group's passenger airlines. Unit costs excluding fuel and currency effect declined by 1.2 percent in the first half-period, and by 3.4 percent in the second quarter alone. Unit revenues at constant currency were raised by 0.5 percent, and by 1.8 percent in the second quarter. Load factors were up on their prior-year levels in all traffic regions, despite increased capacity. The Adjusted EBIT margin of 6.1 percent was a 2.6-percentage-point improvement on the prior-year period. Higher fuel costs burdened the result with EUR 223 million: at EUR 2.6 billion, first half-year fuel costs were 9.5% up on their prior-year level. All the Group's first half-year performance figures and fuel costs include the impact of the first-time consolidation of Brussels Airlines and of the aircraft wet-leased from Air Berlin.

"We have achieved the best first half-year result in our company's history," says Ulrik Svensson, Chief Financial Officer of Deutsche Lufthansa AG. "In addition to strong demand and a robust pricing environment, this is attributable to the fact that we achieved a further structural reduction in costs. Our hard work in cutting our costs is reaping its rewards. But we must continue these endeavors: this is the most important way that our margins can be improved sustainably."



**Tangible improvements in key financial indicators**

Net profit for the first half of 2017 amounted to EUR 672 million, a 56.6 percent improvement on the prior-year period (prior year: EUR 429 million). Cash flow from operating activities rose more than EUR 1 billion to EUR 3.2 billion. The increase was driven by the good result and more advance bookings for the third-quarter period. With capital expenditure basically unchanged at EUR 1.2 billion, free cash flow rose by 87.0 percent to EUR 2.1 billion (prior year: EUR 1.1 billion). Net financial debt was reduced by more than half – 57.8 percent – to EUR 1.1 billion (year-end 2016: EUR 2.7 billion). Pension obligations stood at EUR 8.1 billion as of 30 June 2017, some EUR 200 million below year-end 2016. The special contribution of EUR 1.6 billion into the new defined contribution pension scheme for the flight attendants of Lufthansa will now start in the third quarter and will continue in various installments until the end of the year.

"Our key financial performance indicators have been significantly improved further," Ulrik Svensson confirms. "Our free cash flow has almost doubled, and our net financial debt has been more than halved. Higher revenues and lower costs have enabled us to soundly finance the investments required for new aircraft and an attractive product. All of which is vitally important in keeping our company the number one in Europe."

**Network Airlines with higher results, especially in the second quarter**

The Network Airlines of the Lufthansa Group raised their total first half year revenues by just under EUR 700 million to EUR 11.1 billion, thanks to stronger demand in all traffic regions. The Network Airlines reported an Adjusted EBIT of EUR 757 million for the period (prior year: EUR 487 million). All airlines have lowered their unit cost compared to the same period last year. Lufthansa German Airlines and Austrian Airlines also saw their unit revenues increase.

Lufthansa German Airlines achieved a first half year Adjusted EBIT of EUR 569 million (prior year: EUR 361 million).

SWISS more than offset a decline in yields with a substantial increase in sales, and raised its Adjusted EBIT for the period to EUR 187 million (prior year: EUR 127 million).

Austrian Airlines improved its first half-year Adjusted EBIT to EUR 3 million (prior year: EUR -1 million).

**Point-to-Point Airlines**

The Group's Point-to-Point Airlines almost doubled their revenues for the first half-period to EUR 1.8 billion (prior year: EUR 0.9 billion). Their total earnings improved by EUR 58 million to EUR -77 million. Both Eurowings and Brussels Airlines posted a positive result for the second-quarter period.

"All our airlines were able to improve their load factors despite raising their capacities," Svensson adds. "This shows that our products are well received by our customers. As a result, our Network Airlines in particular made a substantial contribution to our improved overall earnings. We are also very satisfied with the developments at Eurowings, which now has every prospect of breaking even this year – earlier than anticipated."

**Aviation Services**

Lufthansa Cargo raised its constant currency yield by 9.3 percent, thanks to favorable trends in demand. The company reported a positive Adjusted EBIT for both the first and the second quarter, resulting in first half year earnings of EUR 78 million (prior year: EUR -45 million).

Lufthansa Technik improved its first half year Adjusted EBIT by 8.8 percent to EUR 222 million (prior year: EUR 204 million).

The LSG Group achieved an Adjusted EBIT of EUR 13 million for the first half-year period (prior year: EUR 24 million). The decline is primarily attributable to restructuring costs.

First half-year Adjusted EBIT for Additional Businesses and Group Functions amounted to EUR 41 million (prior year: EUR -50 million). The improvement was predominantly due to currency effects.

**Outlook**

"In view of our successful first half-year development and the better visibility into the important third-quarter period, we have raised our forecast for 2017," says Ulrik Svensson.

At the passenger airlines, the organic capacity growth in the second half-year is expected to be 4.7 per cent. From today's perspective, unit revenues at constant currency will be negative in the second half-year compared to the prior-year period. They are, however, expected to perform better than this in the third quarter. Unit costs excluding fuel and currency effects are expected to come down slightly in the second half-year.

The Lufthansa Group forecasts an Adjusted EBIT for 2017 above previous year. Fuel cost excluding Brussels Airlines for the second half of the year are projected EUR 100 million below the previous year

| **The Lufthansa Group** | | **January to June** | | **Change** | **Q2** | **Q2** |
|---|---|---|---|---|---|---|
| | | **2017** | **2016** | | **2017** | **2016** |
| Total revenue | EUR m | **16,951** | **15,042** | **+12.7%** | **9,260** | **8,126** |
| of which traffic revenue | EUR m | **13,293** | **11,637** | **+14.2%** | **7,485** | **6,402** |
| **EBIT** | **EUR m** | **1,031** | **518** | **+99.0%** | **1,015** | **567** |
| **Adjusted EBIT** | **EUR m** | **1,042** | **529** | **+97.0%** | **1,017** | **582** |
| Adjusted EBIT margin | | **6.1%** | **3.5%** | **+2.6 pts.** | **11.0%** | **7.2%** |
| Net profit for the period | EUR m | **672** | **429** | **+56.6%** | **740** | **437** |
| Capital expenditure | EUR m | **1,207** | **1,167** | **+3.4%** | | |
| **Cash flow from operating activities** | **EUR m** | **3,226** | **2,193** | **+47.1%** | | |
| Employees as of 30 June | | **128,472** | **122,799** | **+5,673** | | |
| Earnings per share | EUR | **1.43** | **0.92** | **+55.4%** | **1.58** | **0.94** |

The interim report for the first half of 2017 will be published simultaneously with this media release, and will be available at https://investor-relations.lufthansagroup.com/en.html from 07:30 CEST on Wednesday 2 August 2017.

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