LUFTHANSA GROUP

SHAREHOLDER INFORMATION ON THE ANNUAL RESULTS FOR 2018

KEY FIGURES LUFTHANSA GROUP[1]		2018	2017	Change in %
Revenue and result				
Total revenue	€m	35,844	35,579	1[2]
of which traffic revenue	€m	28,103	28,399	– 1[3]
Operating expenses	€m	35,466	35,355	0[4]
Adjusted EBITDA	€m	5,016	5,009	0
Adjusted EBIT	€m	2,836	2,969	– 4
EBIT	€m	2,974	3,297	– 10
Net profit/loss	€m	2,163	2,340	– 8
Key balance sheet and cash flow statement figures				
Total assets	€m	38,213	35,778	7
Equity ratio	%	25.1	25.5	– 0.4 pts
Net indebtedness	€m	3,489	2,884	21
Pension provisions	€m	5,865	5,116	15
Cash flow from operating activities	€m	4,109	5,368	– 23
Capital expenditure (gross)[5]	€m	3,757	3,474	8
Free cash flow	€m	250	2,117	– 88
Key profitability and value creation figures				
Adjusted EBITDA margin	%	14.0	14.1	– 0.1 pts
Adjusted EBIT margin	%	7.9	8.3	– 0.4 pts
EBIT margin	%	8.3	9.3	– 1.0 pts
ROCE	%	11.1	13.2	– 2.1 pts
Adjusted ROCE	%	10.6	11.9	– 1.3 pts
Lufthansa share				
Share price at year-end	€	19.70	30.72	– 36
Earnings per share	€	4.58	4.98	– 8
Proposed dividend per share	€	0.80	0.80	0
Traffic figures[6]				
Flights	number	1,228,920	1,128,745	9
Passengers	thousands	142,335	129,345	10
Available seat-kilometres	millions	349,489	322,875	8
Revenue seat-kilometres	millions	284,561	261,149	9
Passenger load factor	%	81.4	80.9	0.5 pts
Available cargo tonne-kilometres	millions	16,431	15,754	4
Revenue cargo tonne-kilometres	millions	10,907	10,819	1
Cargo load factor	%	66.4	68.7	– 2.3 pts
Employees				
Employees as of 31.12.	number	135,534	129,424	5
Average number of employees	number	134,330	128,856	4

1) The figures for 2017 and 2018 shown here and in the Annual Report include effects from the first-time application of new accounting standards and other accounting changes. Detailed explanations are provided on ↗ **p. 29f.** of the Annual Report. The chapter "Earnings, assets and financial position" (↗ **p. 29ff.**) also shows figures and their development without these effects, to facilitate comparison with the previous year's financial reporting.
2) Without IFRS 15 effect: 6%.
3) Without IFRS 15 effect: 7%.
4) Without IFRS 15 effect: 7%.
5) Without acquisition of equity investments.
6) Previous year's figures have been adjusted.

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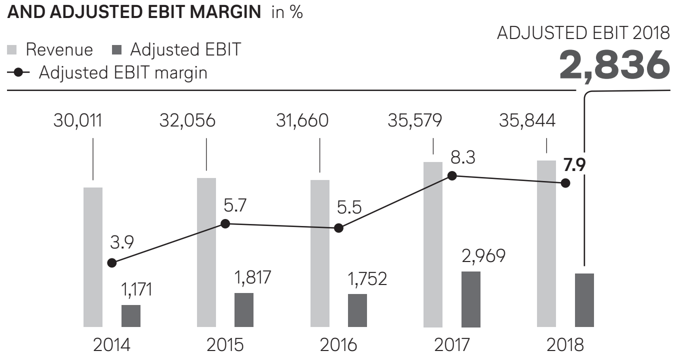
Course of business The Lufthansa Group again reported strong growth in 2018. The airlines in the Lufthansa Group carried a total of 142 million passengers, more than ever before. New highs were also achieved in terms of capacity, sales and passenger load factor.

Revenue increased by 6% after adjusting for the effects of first-time application of the accounting standard IFRS 15 (Revenue from Contracts with Customers). Adjusted EBIT for the Group saw a decline of 4% year-on-year to EUR 2,836m (previous year: EUR 2,969m). The Adjusted EBIT margin fell by 0.4 percentage points to 7.9%. On a like-for-like basis, adjusted for changes in the accounting, Adjusted EBIT came to EUR 2,714m and so was 9% down on the previous year. The cause of the earnings decline was losses at Eurowings, primarily in connection with high non-recurring expenses for integrating the aircraft acquired from Air Berlin into the fleet.

The earnings of Network Airlines and Aviation Services were up on the previous year, however. Considerable unit cost reductions and profitable growth at Network Airlines were more than able to compensate for higher fuel costs and other expenses due to irregularities in flight operations.

At year-end 2018, Lufthansa again had a strong balance sheet. Gearing of 1.8 remained significantly below the upper limit of the target corridor, which is 3.5. Its strong balance sheet enables the Group to keep on investing in its strategic development. As a result, a wide range of innovative products was introduced in the air and on the ground in 2018, supported by the ongoing modernisation of the fleet. Eurowings completed an important step towards consolidating the European market by integrating key parts of the former Air Berlin fleet. A new wage agreement signed with ground staff also ensures that long-term industrial relations remain settled.

DEVELOPMENT OF REVENUE, ADJUSTED EBIT in €m
AND ADJUSTED EBIT MARGIN in %



Revenue and income Traffic revenue fell by 1% on a reported basis to EUR 28,103m (previous year: EUR 28,399m). Adjusted for the offsetting of fees and charges in line with IFRS 15, traffic revenue was 7% higher than in the previous year. The increase is largely due to higher sales in the passenger business (+ 9%). Higher average prices in the airfreight business also contributed to revenue growth. This partly made up for the negative impacts of exchange rate movements. Other revenue rose by 8% to EUR 7,741m, particularly due to the reclassification of revenue from the AirPlus and LAT group because of the first-time application of IFRS 15 (previous year: EUR 7,180m). Without this effect, it would have gone up by 3%.

Revenue, which consists of traffic revenue plus other revenue, went up on a reported basis by 1% to EUR 35,844m (previous year: EUR 35,579m). Adjusted for the effects of the first-time application of IFRS 15, revenue was 6% higher year-on-year.

Other income fell on a reported basis by 18% to EUR 1,753m (previous year: EUR 2,150m). This resulted from the reclassification of travel management and training income to revenue in line with IFRS 15. Without this effect, other operating income would have been 2% below the previous year.

Expenses The cost of materials and services fell by 2% on a reported basis to EUR 18,669m (previous year: EUR 19,028m). Excluding the netting effect of IFRS 15, it rose by 10%. This includes non-recurring expenses at Eurowings for the technical integration of the aircraft acquired from Air Berlin. Fuel costs were the main driver of the increase, rising year-on-year by 16%. Fees and charges were 30% down on the previous year at EUR 4,457m due to the netting effect of IFRS 15 (previous year: EUR 6,357m). Without this effect, fees and charges rose by 6% and thus by less than traffic revenue.

Staff costs rose year-on-year by 2% to EUR 8,924m (previous year: EUR 8,723m). This was less than the rise in average staff numbers, which came to 4% primarily as a result of strong growth at Eurowings.

Depreciation and amortisation rose by 7% to EUR 2,180m (previous year: EUR 2,040m). Aircraft and reserve engines accounted for more than 80% of this.

Other operating expenses went up by 2%, largely due to higher outside staff and travel costs (EUR + 112m).

EXPENSES	**2018** in €m	2017 in €m	Change in %
Cost of materials and services	18,669	19,028	– 2
of which fuel	6,087	5,232	16
of which fees and charges	4,457	6,357	– 30
Staff costs [1]	8,924	8,723	2
Depreciation [2]	2,180	2,040	7
Other operating expenses [3]	5,693	5,564	2
Total operating expenses	**35,466**	**35,355**	**0**

[1] Without past service costs/settlement.
[2] Without impairment losses.
[3] Without book losses.

Earnings performance Adjusted EBIT down on a reported basis by 4% to EUR 2,836m (previous year: EUR 2,969m). The Adjusted EBIT margin fell by 0.4 percentage points to 7.9% (previous year: 8.3%). Adjusted for the effects of IFRS 15, the decline amounted to 0.8 percentage points. Without the accounting changes, Adjusted EBIT would have fallen by 9%.

Adjusted EBIT was EUR 138m lower than EBIT in the reporting year (previous year: EUR –328m), mainly because of income from changes in pension plans.

REVENUE AND ADJUSTED EBIT BY SEGMENT 2018

	Revenue in €m	Year-on-year change in %	Adjusted EBIT in €m	Year-on-year change in %
Network Airlines	22,719	5 [1]	2,429	6
Eurowings	4,230	19 [1]	– 231	
Logistics	2,713	7	268	2
MRO	5,918	10	425	2
Catering	3,217	0	115	74
Additional Businesses and Group Functions	633	42	– 189	– 45

[1] Without IFRS 15 effect.

The result from operating activities declined year-on-year by 11% to EUR 2,800m (previous year: EUR 3,140m). The result from equity investments of EUR 174m was 11% up on the previous year (previous year: EUR 157m). The financial result fell to EUR – 16m (previous year: EUR 18m).

Adjusted EBITDA, defined as Adjusted EBIT plus depreciation and amortisation, was stable year-on-year at EUR 5,016m (previous year: EUR 5,009m).

Earnings per share were also 8% down on the year at EUR 4.58 (previous year: EUR 4.98).

Dividend Shareholders should participate regularly in the Company's success. The long-term dividend policy provides for a regular dividend payout ratio of 10% to 25% of consolidated EBIT. In addition to the regular dividend payment, the dividend policy also allows for shareholders to participate in particularly positive performance of the Company by means of a special dividend or share buy-back.

For the financial year 2018, there was a net profit at Deutsche Lufthansa AG of EUR 339m. Following the transfer of EUR 41m from retained earnings, distributable profit comes to EUR 380m. In line with the dividend policy, the Executive Board and Supervisory Board will table a proposal at the Annual General Meeting on 7 May 2019 to distribute a dividend of EUR 0.80 per share to shareholders for the financial year 2018. This represents a total dividend of EUR 380m or 12.8% of EBIT for 2018.

Capital expenditure, cash flow, assets and financial position Capital expenditure (without spending on equity interests) rose in the financial year 2018 by 8% to EUR 3,757m (previous year: EUR 3,474m). Higher capital expenditure reflected the change in accounting for engine overhauls, which are now capitalised. EUR 470m of total capital expenditure related to engine overhaul events in the reporting year. Capital expenditure in 2018 would therefore have been EUR 3,287m without the effect from accounting changes.

The Group's cash flow from operating activities was 23% below the figure for the previous year at EUR 4,109m (previous year: EUR 5,368m).

This brought total net cash used for investing activities to EUR 3,859m (previous year: EUR 3,251m). After deducting this net cash used for investing activities, free cash flow for the financial year 2018 was positive at EUR 250m (previous year: EUR 2,117m).

The Group's total assets rose by 7% as of 31 December 2018 to EUR 38,213m (previous year: EUR 35,778m). Non-current assets were up by 11% at EUR 27,559m (previous year: EUR 24,749m). This accounts for 72% of total assets (previous year: 69%).

Shareholders' equity (including minority interests) went up year-on-year by 5% to EUR 9,573m (previous year: EUR 9,110m). The equity ratio fell slightly to 25.1% (previous year: 25.5%).

Outlook for the Lufthansa Group The Lufthansa Group will be focusing in 2019 on achieving sustainable quality growth. Therefore, the Group is further reducing the capacity growth for its airlines for the upcoming summer to 1.9%. Despite this, the Group expects to report mid-single-digit percentage annual revenue growth.

Cost reductions will make a sizeable contribution to offsetting the EUR 650m of additional costs that are expected to be incurred by the airlines owing to higher fuel costs. Overall, the Group expects to post an Adjusted EBIT margin for the year of between 6.5% and 8.0%. Eurowings is expected to achieve a breakeven Adjusted EBIT, which would be a substantial improvement on its 2018 earnings result.

Extract from the Annual Report for 2018.
For the complete Annual Report please visit our website at
www.lufthansagroup.com/investor-relations.