



1ST INTERIM REPORT

January – March 2019

Adjusted EBIT for the Lufthansa Group falls to EUR -336m in first quarter 2019 | High capacity growth across the sector in Europe leads to lower unit revenues | Higher fuel costs reduce earnings by around EUR 200m | Lower unit costs only partly offset additional costs | Forecast for the full year remains unchanged



The Lufthansa Group

KEY FIGURES LUFTHANSA GROUP

		Jan – Mar 2019	Jan – Mar 2018	Change in %
Revenue and result				
Total revenue	€m	7,890	7,640	3
of which traffic revenue	€m	5,857	5,785	1
Operating expenses	€m	8,734	8,103	8
Adjusted EBITDA	€m	321	582	-45
Adjusted EBIT	€m	-336	52	
EBIT	€m	-344	52	
Net profit/loss	€m	-342	-39	-777
Key balance sheet and cash flow statement figures				
Total assets	€m	42,761	37,838	13
Equity	€m	9,742	8,134	20
Equity ratio	%	22.8	21.5	-1.3 pts
Net indebtedness	€m	5,830	2,090	179
Pension provisions	€m	6,179	5,541	12
Cash flow from operating activities	€m	1,558	1,737	-10
Capital expenditure (gross) ¹⁾	€m	1,236	826	50
Adjusted free cash flow	€m	178	800	-78
Key profitability figures				
Adjusted EBITDA margin	%	4.1	7.6	-3.5 pts
Adjusted EBIT margin	%	-4.3	0.7	-5.0 pts
EBIT margin	%	-4.4	0.7	-5.1 pts
Lufthansa share				
Share price at the quarter-end	€	19.57	25.94	-6
Earnings per share	€	-0.72	-0.08	-800
Traffic figures				
Flights	number	262,492	253,514	4
Passengers	thousands	29,384	28,493	3
Available seat-kilometres	millions	79,500	74,778	6
Revenue seat-kilometres	millions	61,899	58,237	6
Passenger load factor	%	77.9	77.9	0.0 pts
Available cargo tonne-kilometres	millions	4,049	3,730	9
Revenue cargo tonne-kilometres	millions	2,543	2,622	-3
Cargo load factor	%	62.8	70.3	-7.5 pts
Employees				
Employees as of 31 Mar	number	136,795	132,620	3

¹⁾ Without acquisition of equity investments.

Date of publication: 30 April 2019.

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Course of business

Difficult market environment and higher fuel costs burden earnings for the Lufthansa Group in first quarter 2019

- Market environment in Europe characterised by overcapacities, intensive competition and correspondingly high pricing pressure on short-haul routes in first quarter 2019
- Previous year comparison burdened by strong first quarter last year, following the departure of Air Berlin from the market and the corresponding capacity gap
- Revenue up 3% on previous year, primarily due to higher traffic
- Adjusted EBIT down to EUR -336m (previous year: EUR 52m), particularly due to lower unit revenues and higher fuel costs that could not be fully compensated by lower unit costs; Adjusted EBIT margin falls by 5.0 percentage points to -4.3% (previous year: 0.7%)
- Earnings down in all segments apart from MRO and Catering
- Cash flow from operating activities decreases by 10%; Adjusted free cash flow down by 78%
- Adjusted net debt/Adjusted EBITDA up on year-end 2018 by 0.6 points to 2.4 points, mainly due to first-time application of IFRS 16, Leases
- Equity ratio down by 2.3 percentage points on year-end 2018; net indebtedness up by 67%, due to first-time application of IFRS 16

Significant events

Ulrik Svensson confirmed as CFO for another three years

- Supervisory Board of Deutsche Lufthansa AG makes an decision ahead of schedule on 13 March 2019 to renew the contract with Ulrik Svensson for three more years until 31 December 2022

Fleet renewal continues

- Supervisory Board of Deutsche Lufthansa AG approves on 13 March 2019 the purchase of 40 state-of-the-art aircraft for airlines in the Lufthansa Group
- 20 Boeing 787-9s and 20 more Airbus A350-900s will primarily replace four-engined aircraft in the Lufthansa Group's long-haul fleets, so significantly reducing current costs; new aircraft due for delivery between the end of 2022 and 2027
- Furthermore, six of the 14 A380s are also to be sold back to Airbus and will leave the fleet in 2022 and 2023

Events after the reporting period

Sale process for LSG group is being prepared

- The Executive Board of Deutsche Lufthansa AG decides to prepare for the formal sale process regarding a potential disposal of LSG group in full or in part
- It has not yet been finalised whether the LSG group will be sold in full or in part at the end of the process

Standard & Poor's raises investment grade rating for Deutsche Lufthansa AG

- On 15 April 2019 the rating agency Standard & Poor's lifted the investment grade rating for Deutsche Lufthansa AG by one notch from BBB- to BBB with stable outlook
- Standard & Poor's mentions strong operating performance and further improvements to the financial profile as key reasons

Financial performance

- Net assets, financial and earnings position is affected by newly applicable accounting standards, particularly IFRS 16, Leases
- Payment obligations from contracts previously classified as operating leases are discounted at the corresponding incremental borrowing rate and recognised as lease liabilities; right-of-use assets are recognised as assets in the same amount
- First-time application of IFRS 16 adopts modified retrospective approach; comparative figures for financial year 2018 therefore not adjusted
- More information can be found in the [Notes, p. 17ff.](#)

EARNINGS POSITION

REVENUE, INCOME AND EXPENSES

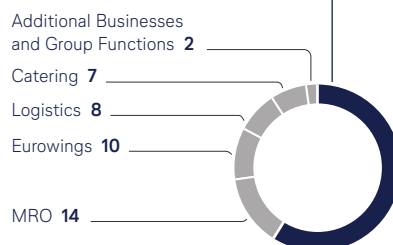
	Jan – Mar 2019 in €m	Jan – Mar 2018 in €m	Change in %
Traffic revenue	5,857	5,785	1
Other revenue	2,033	1,855	10
Total revenue	7,890	7,640	3
Other operating income	503	512	-2
Total operating income	8,393	8,152	3
Cost of materials and services	4,553	4,084	12
of which fuel	1,423	1,221	17
of which raw materials, consumables and supplies and purchased goods	977	855	17
of which fees and charges	1,045	1,022	2
of which external services MRO	486	410	19
Staff costs	2,241	2,104	7
Depreciation and amortisation	657	530	24
Other operating expenses	1,283	1,385	-7
Total operating expenses	8,734	8,103	8
Result from equity investments	5	3	67
Adjusted EBIT	- 336	52	
Total reconciliation EBIT	-8	-	
EBIT	- 344	52	

EXTERNAL REVENUE SHARE OF THE BUSINESS SEGMENTS

in % (as of 31 Mar 2019)

NETWORK AIRLINES

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Revenue and operating income increase

- Traffic revenue rises by 1%; positive volume and exchange rate effects compensate for lower pricing
- Other revenue up by 10%, largely due to higher external revenue in MRO segment
- Revenue and operating income both 3% higher than last year

Operating expenses up on last year

- Operating expenses up by 8% in total
- Cost of materials and services up by 12%
 - Fuel costs increase by 17% due to exchange rates, volumes and prices; fuel hedging only offsets fraction of increase
 - Expenses for other raw materials, consumables and supplies up by 17%, especially due to growth in MRO segment
 - External MRO costs up by 19% due to capacity bottlenecks in group-internal maintenance
- Staff costs up by 7%, especially due to larger staff numbers, pay increases and exchange rate effects
- Depreciation and amortisation up by 24%; 18 percentage points, which amounts to EUR 95m, are due to amortisation of right-of-use assets in line with IFRS 16
- Accounting changes resulting from IFRS 16 reduce lease expenses within the cost of materials and services and other operating expenses by EUR 103m

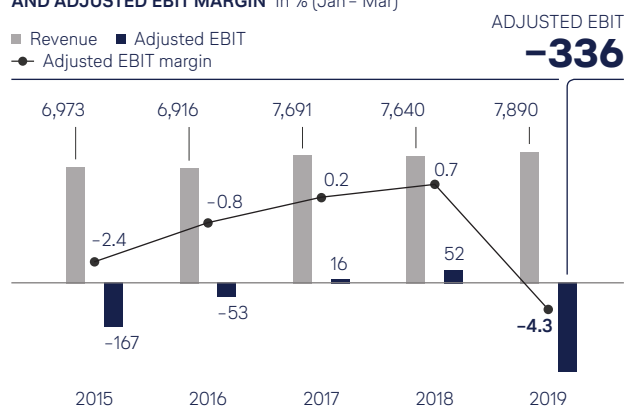
RECONCILIATION OF RESULTS

in €m	Jan - Mar 2019		Jan - Mar 2018	
	Income statement	Reconciliation Adjusted EBIT	Income statement	Reconciliation Adjusted EBIT
Total revenue	7,890	-	7,640	-
Changes in inventories and work performed by entity and capitalised	151	-	136	-
Other operating income	377	-	381	-
of which book gains	-	-5	-	-4
of which write-ups on capital assets	-	-20	-	-
of which badwill	-	-	-	-
Total operating income	8,418	-25	8,157	-4
Cost of materials and services	-4,553	-	-4,084	-
Staff costs	-2,241	-	-2,106	-
of which past service costs/settlement	-	-	-	2
Depreciation	-667	-	-532	-
of which impairment losses	-	10	-	1
Other operating expenses	-1,306	-	-1,386	-
of which impairment losses on assets held for sale	-	-	-	-
of which expenses incurred from book losses	-	23	-	1
Total operating expenses	-8,767	33	-8,108	4
Profit/loss from operating activities	-349	-	49	-
Result from equity investments	5	-	3	-
EBIT	-344	-	52	-
Total amount of reconciliation Adjusted EBIT	-	8	-	-
Adjusted EBIT	-	-336	-	52
Depreciation and amortisation	-	657	-	530
Adjusted EBITDA	-	321	-	582

Earnings down year-on-year

- Adjusted EBIT falls to EUR -336m due to above-average growth in operating expenses as a proportion of revenue (previous year: EUR 52m)
- IFRS 16 has positive effect of EUR 8m on Adjusted EBIT
- Adjusted EBIT margin falls by 5.0 percentage points to -4.3% (previous year: 0.7%)
- EBIT down accordingly to EUR -344m (previous year: EUR 52m)
- Net profit/loss for the period amounts to EUR -342m (previous year: EUR -39m)

DEVELOPMENT REVENUE, ADJUSTED EBIT in €m (Jan - Mar)
AND ADJUSTED EBIT MARGIN in % (Jan - Mar)



FINANCIAL POSITION

Fleet renewal leads to higher capital expenditure

- Gross capital expenditure (without acquisition of equity investments) increases by 50% to EUR 1,236m due to down payments on orders for wide-bodied aircraft (previous year: EUR 826m)

Cash flow from operating activities and Adjusted free cash flow decrease

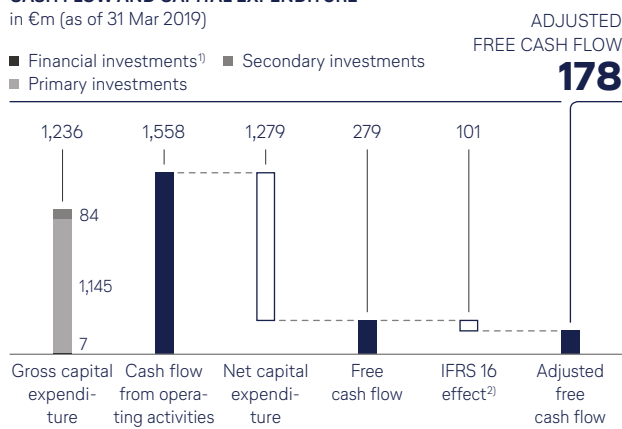
- Cash flow from operating activities down by 10%, mainly due to lower profit before income taxes and higher tax payments in connection with the increased earnings in the previous year; this more than offset positive effects of higher depreciation and amortisation from first-time application of IFRS 16 and higher cash inflows from accounting changes not recognised in profit or loss
- Adjusted free cash flow (free cash flow adjusted for effects of IFRS 16) down by 78% to EUR 178m (previous year: EUR 800m)
 - Lease payments are shown as payments of capital and interest within cash flow from financing activities, in accordance with IFRS 16
 - Adjusted free cash flow reflects the cash outflow for leases (capital payments) that is shown in cash flow from financing activities; comparative figure is restated for the interest portion of lease expenses shown in cash flow from operating activities (EUR 10m)

Financing activities result in cash outflow

- The balance of financing activities was a net cash outflow of EUR 136m (increase of 39%, previous year: cash outflow of EUR 98m)
- This includes outflows to repay IFRS 16 lease liabilities and corresponding interest payments of EUR 113m

CASH FLOW AND CAPITAL EXPENDITURE

in €m (as of 31 Mar 2019)



¹⁾ Without acquisition of equity investments.

²⁾ Capital payments of operating lease liabilities within cash flow from financing activities.

Liquidity down on the previous year's level

- Cash and cash equivalents down year-on-year by 12% to EUR 1,240m (previous year: EUR 1,401m); holdings of current securities down by 32% to EUR 2,078m (previous year: EUR 3,071m); total liquidity down by 26% to EUR 3,318m (previous year: EUR 4,472m)

Adjusted net debt/Adjusted EBITDA up

- Adjusted net debt/Adjusted EBITDA up by 0.6 points to 2.4 points; 0.5 points of this are due to accounting changes pursuant to IFRS 16

NET ASSETS

Total assets up on year-end 2018

- Total assets increase by 12% on year-end 2018 to EUR 42,761m (31 December 2018: EUR 38,213m)
- Non-current assets up by 13% to EUR 31,066m (31 December 2018: EUR 27,559m), particularly due to IFRS 16 effect of EUR 2,343m
- Current assets up by 10% to EUR 11,695m (31 December 2018: EUR 10,654m), primarily due to seasonally higher receivables
- Non-current provisions and liabilities up by 20% to EUR 14,864m (31 December 2018: EUR 12,425m)
 - IFRS 16 effect comes to EUR 2,356m
 - Pension liabilities up by 5% to EUR 6,179m (31 December 2018: EUR 5,865m), essentially because of interest-rate-related measurement effects, without effect on profit and loss
- Current provisions and liabilities up by 12% to EUR 18,155m (31 December 2018: EUR 16,215m), mainly for seasonal reasons due to higher liabilities from unused flight documents
- Shareholders' equity increases by 2% on the year-end to EUR 9,742m (31 December 2018: EUR 9,573m), particularly because of measurement effects from derivatives, without effect on profit or loss, due to higher fuel prices and the rise in the US dollar against the euro

Equity ratio and net indebtedness deteriorate

- Equity ratio down by 2.3 percentage points compared with year-end 2018 to 22.8% (31 December 2018: 25.1%); 1.3 percentage points of the decline is due to accounting changes according to IFRS 16
- Net indebtedness up by 67% to EUR 5,830m (31 December 2018: EUR 3,489m); net indebtedness would have been stable without effect of IFRS 16

Business segments

NETWORK AIRLINES BUSINESS SEGMENT

KEY FIGURES

		Jan - Mar 2019	Jan - Mar 2018	Change in %
Revenue	€m	4,814	4,728	2
of which traffic revenue	€m	4,379	4,276	2
Operating expenses	€m	5,159	4,765	8
Adjusted EBITDA	€m	245	497	-51
Adjusted EBIT	€m	-160	128	
EBIT	€m	-160	132	
Adjusted EBIT margin	%	-3.3	2.7	-6.0 pts
Segment capital expenditure	€m	959	571	68
Employees as of 31. Mar		52,220	51,005	2
Flights	number	192,946	185,637	4
Passengers	thousands	21,842	21,151	3
Available seat-kilometres	millions	65,495	61,997	6
Revenue seat-kilometres	millions	50,931	48,255	6
Passenger load factor	%	77.8	77.9	-0.1 pts
Yields	€ cent	8.6	8.9	-3.0 ¹⁾
Unit revenue (RASK)	€ cent	7.5	7.7	-3.2 ²⁾
Unit costs (CASK) excluding fuel	€ cent	6.0	6.0	0.7 ³⁾

¹⁾ Exchange rate-adjusted change: -5,0%

²⁾ Exchange rate-adjusted change: -5,2%.

³⁾ Exchange rate-adjusted change: -0,8%.

- Traffic revenue up by 2% due to volumes and exchange rates
- Revenue and operating income also up by 2%
- Constant currency unit revenues down by 5.2%, primarily due to market-wide overcapacities in Europe, which led to high pricing pressure in this region
- Operating expenses 8% higher than last year, particularly due to higher fuel and MRO expenses
- Constant currency unit costs excluding fuel down by 0.8%, particularly due to efficiency gains from fleet renewal and productivity improvements
- Adjusted EBIT down accordingly to EUR -160m (previous year: EUR 128m)
- Adjusted EBIT margin decreases by 6.0 percentage points

TRENDS IN TRAFFIC REGIONS

Network Airlines

	Net traffic revenue external revenue		Number of passengers		Available seat-kilometres		Revenue seat-kilometres		Passenger load factor	
	Jan - Mar 2019 in €m	Change in %	Jan - Mar 2019 in thousands	Change in %	Jan - Mar 2019 in millions	Change in %	Jan - Mar 2019 in millions	Change in %	Jan - Mar 2019 in %	Change in pts
Europe	1,708	-1	16,427	2	18,542	6	12,934	4	69.8	-1.1
America	1,414	2	2,432	4	23,600	3	19,038	5	80.7	1.5
Asia/Pacific	878	8	1,651	4	16,113	5	13,328	5	82.7	-0.4
Middle East/ Africa	379	8	1,332	12	7,240	16	5,631	13	77.8	-2.0
Total	4,379	2	21,842	3	65,495	6	50,931	6	77.8	-0.1

Lufthansa German Airlines¹⁾

KEY FIGURES		Jan - Mar 2019	Jan - Mar 2018	Change in %
Revenue	€m	3,385	3,340	1
Operating expenses	€m	3,614	3,347	8
Adjusted EBITDA	€m	163	355	-54
Adjusted EBIT	€m	-102	107	
EBIT	€m	-101	111	
Employees as of 31 Mar		34,945	34,283	2
Flights	number	129,589	125,723	3
Passengers	thousands	14,977	14,688	2
Available seat-kilometres	millions	45,233	43,387	4
Revenue seat-kilometres	millions	35,118	33,914	4
Passenger load factor	%	77.6	78.1	-0.5 pts

¹⁾ Including regional partners.

- Fleet renewal continues; three new Airbus A320neos, a new A320ceo and two new A350s went into service
- Steps to improve operating stability are still being implemented consistently; the number of reserve aircraft was increased, for example, and a buffer zone was built into flight timetables; punctuality improved year-on-year
- Quality offensive is acknowledged; Lufthansa German Airlines was voted ATW Airline of the Year by the specialist magazine Air Transport World
- Revenue up by 1% particularly due to volumes; operating income up by 2%
- Operating expenses up year-on-year by 8%; active cost management partly offsets increase in fuel and MRO costs
- Adjusted EBIT down accordingly to EUR -102m (previous year: EUR 107m)

SWISS¹⁾

KEY FIGURES		Jan - Mar 2019	Jan - Mar 2018	Change in %
Revenue	€m	1,109	1,061	5
Operating expenses	€m	1,108	1,015	9
Adjusted EBITDA	€m	138	174	-21
Adjusted EBIT	€m	40	93	-57
EBIT	€m	40	94	-57
Employees as of 31 Mar		10,214	9,633	6
Flights	number	36,694	34,545	6
Passengers	thousands	4,347	4,126	5
Available seat-kilometres	millions	14,761	13,471	10
Revenue seat-kilometres	millions	11,799	10,613	11
Passenger load factor	%	79.9	78.8	1.1 pts

¹⁾ Including Edelweiss Air.

- Modernisation of the first Airbus A340 aircraft complete
- Refurbished SWISS check-in areas in Terminal 1 at Zurich Airport opened; new desk concept, waiting areas and information panels in SWISS design heighten travel experience for passengers in all travel classes
- Revenue up year-on-year by 5% particularly due to volumes and exchange rates; operating income up by 4%
- Operating expenses up by 9%, particularly because of higher fuel costs
- Adjusted EBIT falls accordingly by 57%

Austrian Airlines



KEY FIGURES		Jan - Mar 2019	Jan - Mar 2018	Change in %
Revenue	€m	382	396	-4
Operating expenses	€m	503	488	3
Adjusted EBITDA	€m	-56	-31	-81
Adjusted EBIT	€m	-99	-73	-36
EBIT	€m	-99	-73	-36
Employees as of 31 Mar		7,061	7,089	0
Flights	number	28,754	27,471	5
Passengers	thousands	2,664	2,482	7
Available seat-kilometres	millions	5,591	5,230	7
Revenue seat-kilometres	millions	4,082	3,797	8
Passenger load factor	%	73.0	72.6	0.4 pts

- New strategy programme #DriveTo25 starts successfully; focus on process improvements, digitalisation and core business
- Revenue down by 4% year-on-year, mainly due to greater competition from low-cost carriers in Vienna; operating income down by 3%
- Operating expenses up by 3%; lower fees and charges partly make up for higher fuel and MRO costs
- Adjusted EBIT down correspondingly by 36% on the previous year

EUROWINGS BUSINESS SEGMENT



KEY FIGURES

		Jan - Mar 2019	Jan - Mar 2018	Change in %
Revenue	€m	805	793	2
of which traffic revenue	€m	785	764	3
Operating expenses	€m	1,107	1,048	6
Adjusted EBITDA	€m	-138	-124	-11
Adjusted EBIT	€m	-257	-212	-21
EBIT	€m	-256	-214	-20
Adjusted EBIT margin	%	-31,9	-26,7	-5,2 pts
Segment capital expenditure	€m	40	190	-79
Employees as of 31 Mar		9,466	9,273	2
Flights	number	69,546	67,877	2
Passengers	thousands	7,542	7,342	3
Available seat-kilometres	millions	14,005	12,781	10
Revenue seat-kilometres	millions	10,968	9,982	10
Passenger load factor	%	78.3	78.1	0.2 pts
Yields	€ cent	7.2	7.7	-6.5 ¹⁾
Unit revenue (RASK)	€ cent	6.0	6.4	-6.1 ²⁾
Unit costs (CASK) excluding fuel	€ cent	6.1	6.5	-5.9 ³⁾

¹⁾ Exchange rate-adjusted change: -7,0%.

²⁾ Exchange rate-adjusted change: -8,5%.

³⁾ Exchange rate-adjusted change: -7,2%.

- The Scope programme brings further improvements to operating stability; all operating processes on the ground and in the air reviewed and many measures initiated; Eurowings is one of the most punctual airlines in Europe in the first quarter of 2019
- Disposal of Luftfahrtgesellschaft Walter (LGW) agreed; disposal and other steps taken reduce operating complexity and strengthen efficiency
- Long-haul tourist routes to be expanded; first flights from Frankfurt starting in autumn 2019; additional flights to be offered from Munich
- Traffic revenue up by 3%, primarily due to volumes
- Revenue and operating income both up by 2%
- Constant currency unit revenues down year-on-year by 8.5%, primarily due to market-wide overcapacities in Europe that led to high pricing pressure in this region
- Operating expenses up by 6% due to volumes and higher fuel costs
- Constant currency unit costs without fuel down year-on-year by 7.2%, primarily due to absence of last year's integration expenses
- Adjusted EBIT falls accordingly by 21%
- Adjusted EBIT margin declines by 5.2 percentage points

TRENDS IN TRAFFIC REGIONS

Eurowings

	Net traffic revenue external revenue		Number of passengers		Available seat-kilometres		Revenue seat-kilometres		Passenger load factor	
	Jan - Mar 2019 in €m	Change in %	Jan - Mar 2019 in thousands	Change in %	Jan - Mar 2019 in millions	Change in %	Jan - Mar 2019 in millions	Change in %	Jan - Mar 2019 in %	Change in pts
Short-haul	545	-3	6,741	2	8,384	6	6,285	6	75.0	0.3
Long-haul	240	17	801	13	5,621	16	4,682	15	83.3	-0.4
Total	785	3	7,542	3	14,005	10	10,967	10	78.3	0.2

LOGISTICS BUSINESS SEGMENT

KEY FIGURES

		Jan - Mar 2019	Jan - Mar 2018	Change in %
Revenue	€m	616	641	- 4
of which traffic revenue	€m	577	602	- 4
Operating expenses	€m	623	586	6
Adjusted EBITDA	€m	61	98	- 38
Adjusted EBIT	€m	24	72	- 67
EBIT	€m	19	72	- 74
Adjusted EBIT margin	%	3.9	11.2	- 7.3 pts
Segment capital expenditure	€m	135	16	744
Employees as of 31 Mar		4,504	4,356	3
Available cargo tonne-kilometres	millions	3,351	3,076	9
Revenue cargo tonne-kilometres	millions	2,103	2,142	- 2
Cargo load factor	%	62.8	69.6	- 6.8 pts

- Cooperation with Cathay Pacific expanded by adding routes between Europe and Hong Kong
- Renewal of freighter fleet continues; two new Boeing 777F aircraft were integrated into the fleet of Lufthansa Cargo in spring 2019; another new B777F was contributed to AeroLogic; two MD11 freighters to be taken out of operation by year-end 2019
- Focus remains on improvements to efficiency and cost structures, which are ongoing
- Traffic revenue down by 4% due to pricing, especially due to declining yields on the Asia and America route, and lower load factors
- Revenue also down by 4%; total operating income 3% below last year
- Operating expenses up by 6%; volume-related increase in cost of materials and services, partly due to taking over belly capacities of Brussels Airlines; higher depreciation as a result of capital expenditure on three new B777F freighters and IFRS 16 effects
- Adjusted EBIT falls accordingly by 67%

TRENDS IN TRAFFIC REGIONS

Lufthansa Cargo

	Net traffic revenue external revenue		Available cargo tonne-kilometers		Revenue cargo tonne-kilometres		Cargo load factor	
	Jan - Mar 2019 in €m	Change in %	Jan - Mar 2019 in millions	Change in %	Jan - Mar 2019 in millions	Change in %	Jan - Mar 2019 in %	Change in pts
Europe	53	10	216	37	77	- 3	35.5	- 14.7
America	234	- 9	1,500	9	957	1	63.8	- 5.4
Asia/Pacific	241	- 6	1,315	3	903	- 8	68.6	- 8.4
Middle East/Africa	49	23	319	17	167	26	52.4	3.9
Total	577	- 4	3,351	9	2,103	- 2	62.8	- 6.8

MRO BUSINESS SEGMENT

KEY FIGURES

		Jan - Mar 2019	Jan - Mar 2018	Change in %
Revenue	€m	1,728	1,473	17
of which with companies of the Lufthansa Group	€m	622	518	20
Operating expenses	€m	1,659	1,429	16
Adjusted EBITDA	€m	174	136	28
Adjusted EBIT	€m	125	107	17
EBIT	€m	126	107	18
Adjusted EBIT margin	%	7.2	7.3	0.1 pts
Segment capital expenditure	€m	76	34	124
Employees as of 31 Mar		24,979	23,091	14

- New client contracts signed with a total volume of EUR 645m for 2019 and subsequent years
- Number of aircraft serviced under exclusive contracts up on year-end 2018 by 1% to 5,185
- Establishment of AVIATION DataHub, an independent digital platform enabling airlines, manufacturers and companies from the MRO industry to collect, merge and process their technical and flight operating data
- Revenue up year-on-year by 17% due to higher volumes, buoyed by strong demand for engine maintenance and positive exchange rate effects; total income up by 16%
- Operating expenses also up 16% year-on-year due to growth, particularly due to higher costs of materials
- Adjusted EBIT up correspondingly by 17%

CATERING BUSINESS SEGMENT

KEY FIGURES

		Jan - Mar 2019	Jan - Mar 2018	Change in %
Revenue	€m	765	722	6
of which with companies of the Lufthansa Group	€m	167	155	8
Operating expenses	€m	778	735	6
Adjusted EBITDA	€m	31	16	94
Adjusted EBIT	€m	2	1	100
EBIT	€m	3	1	200
Adjusted EBIT margin	%	0.3	0.1	0.2 pts
Segment capital expenditure	€m	17	10	70
Employees as of 31 Mar		35,732	34,950	2

- Renewal of contract with airBaltic at its hub in Riga, Latvia; continuation of existing, industry-leading hybrid service model
- Position as leading in-flight service supplier to United Airlines strengthened with renewals at ten airports in the USA and Germany and new acquisition in South Korea
- Lounge management for Japan Airlines in Frankfurt acquired, thus confirming the collaboration in the lounge business that was started in New York in 2018
- Revenue and total income both up by 6%, especially due to exchange rates and volumes, as well as price increases, mainly in North America
- Operating expenses also up by 6%, primarily driven by exchange rates and volumes
- Adjusted EBIT up correspondingly by 100%

ADDITIONAL BUSINESSES AND GROUP FUNCTIONS

KEY FIGURES

		Jan - Mar 2019	Jan - Mar 2018	Change in %
Operating income	€m	624	613	2
Operating expenses	€m	684	643	6
Adjusted EBITDA	€m	-33	-16	-106
Adjusted EBIT	€m	-59	-29	-103
EBIT	€m	-58	-30	-93
Segment capital expenditure	€m	17	10	70
Employees as of 31 Mar		9,894	9,945	-1

- Operating income up 2% year-on-year
- Operating expenses 6% higher, particularly due to rising IT expenses in Group Functions and the modernisation of the IT system environment at AirPlus
- Adjusted EBIT falls accordingly by 103%

Opportunities and risk report

The opportunities and risks for the Group described in detail in the Annual Report 2018 have materialised or developed as follows:

- Expectations for global economic growth in 2019 have weakened further in recent months. This trend is driven by slower growth in global trade and a stagnation of industrial production, particularly in the euro zone, Japan and China.
- The Lufthansa Group counters the ever increasing threat of cyberattacks with a cybersecurity strategy, which will lead to greater resilience against potential attacks.
- The Lufthansa Group monitors the political developments surrounding Brexit and in recent months has increasingly initiated preparations for a no-deal exit by the United Kingdom.

Taking all known circumstances into account, no risks have currently been identified that either on their own or as a whole could jeopardise the continued existence of the Lufthansa Group.

Forecast

The forecast for the development of Group revenues and earnings in the financial year 2019 remains unchanged compared with the information in the Annual Report 2018. Lufthansa Group continues to assume mid-single-digit revenue growth for the financial year 2019 and an Adjusted EBIT margin of between 6.5% and 8.0%.

In contrast to the original forecast, capacity growth at Eurowings is now expected to be 0% (previously: 2%). Fuel costs for Network Airlines are anticipated to increase by EUR 600m year-on-year (previously: EUR 550m year-on-year increase). The Group now anticipates the results for Additional Businesses and Group Functions to decrease by around EUR 100m year-on-year (previously: EUR 150m year-on-year decrease).

Further details can be found in the [Annual Report 2018](#), starting on p. 75.

Consolidated income statement

January – March 2019

CONSOLIDATED INCOME STATEMENT		
in €m	Jan – Mar 2019	Jan – Mar 2018 ¹⁾
Traffic revenue	5,857	5,785
Other revenue	2,033	1,855
Total revenue	7,890	7,640
Changes in inventories and work performed by entity and capitalised	151	136
Other operating income ²⁾	377	381
Cost of materials and services	-4,553	-4,084
Staff costs	-2,241	-2,106
Depreciation, amortisation and impairment ³⁾	-667	-532
Other operating expenses ⁴⁾	-1,306	-1,386
Profit/loss from operating activities	-349	49
Result of equity investments accounted for using the equity method	-4	1
Result of other equity investments	9	2
Interest income	12	9
Interest expenses	-55	-50
Other financial items	-25	-25
Financial result	-63	-63
Profit/loss before income taxes	-412	-14
Income taxes	77	-16
Profit/loss after income taxes	-335	-30
Profit/loss attributable to minority interests	-7	-9
Net profit/loss attributable to shareholders of Deutsche Lufthansa AG	-342	-39
Basic/diluted earnings per share in €	-0.72	-0.08

¹⁾ Previous year's figures have been adjusted.

²⁾ This includes EUR 7m (previous year: EUR 18m) from the reversal of write-downs on receivables.

³⁾ This includes EUR 0m (previous year: EUR 1m) for the recognition of write-downs on receivables.

⁴⁾ This includes EUR 25m (previous year: EUR 24m) for the recognition of loss allowances on receivables.

Statement of comprehensive income

January – March 2019

STATEMENT OF COMPREHENSIVE INCOME		
in €m	Jan – Mar 2019	Jan – Mar 2018 ¹⁾
Profit/loss after income taxes	- 335	- 30
Other comprehensive income		
Other comprehensive income with subsequent reclassification to the income statement		
Differences from currency translation	42	- 32
Subsequent measurement of financial assets at fair value without effect on profit and loss	10	- 4
Subsequent measurement of hedges – cash flow hedge reserve	603	- 207
Subsequent measurement of hedges – costs of hedging	173	20
Other comprehensive income from investments accounted for using the equity method	1	1
Other expenses and income recognised directly in equity	16	1
Income taxes on items in other comprehensive income	- 190	47
	655	- 174
Other comprehensive income without subsequent reclassification to the income statement		
Revaluation of defined-benefit pension plans	- 333	- 520
Subsequent measurement of financial assets at fair value	3	- 1
Other expenses and income recognised directly in equity	-	-
Income taxes on items in other comprehensive income	163	83
	- 167	- 438
Other comprehensive income after income taxes	488	- 612
Total comprehensive income	153	- 642
Comprehensive income attributable to minority interests	- 10	3
Comprehensive income attributable to shareholders of Deutsche Lufthansa AG	143	- 639

¹⁾ Previous year's figures have been adjusted.

Consolidated balance sheet as of 31 March 2019

CONSOLIDATED BALANCE SHEET - ASSETS			
in €m	31 Mar 2019	31 Dec 2018 ¹⁾	31 Mar 2018 ¹⁾
Intangible assets with an indefinite useful life ²⁾	1,384	1,381	1,362
Other intangible assets	510	512	481
Aircraft and reserve engines	17,900	16,776	15,613
Repairable spare parts for aircraft	2,194	2,133	1,885
Property, plant and other equipment	4,150	2,221	2,170
Investments accounted for using the equity method	672	650	579
Other equity investments	225	246	233
Non-current securities	30	41	34
Loans and receivables	511	512	473
Derivative financial instruments	1,083	828	424
Deferred charges and prepaid expenses	112	118	9
Effective income tax receivables	36	10	15
Deferred tax assets	2,259	2,131	1,963
Non-current assets	31,066	27,559	25,241
Inventories	960	968	882
Contract assets	316	234	227
Trade receivables and other receivables	6,180	5,576	5,889
Derivative financial instruments	545	357	645
Deferred charges and prepaid expenses	294	217	251
Effective income tax receivables	63	58	68
Securities	2,078	1,735	3,071
Cash and cash equivalents	1,242	1,500	1,558
Assets held for sale	17	9	6
Current assets	11,695	10,654	12,597
Total assets	42,761	38,213	37,838

¹⁾ Previous year's figures have been adjusted.

²⁾ Including goodwill.

CONSOLIDATED BALANCE SHEET – SHAREHOLDERS' EQUITY AND LIABILITIES

in €m	31 Mar 2019	31 Dec 2018 ¹⁾	31 Mar 2018 ¹⁾
Issued capital	1,217	1,217	1,206
Capital reserve	343	343	263
Retained earnings	6,581	4,555	5,352
Other neutral reserves	1,840	1,185	1,256
Net profit/loss	- 342	2,163	- 39
Equity attributable to shareholders of Deutsche Lufthansa AG	9,639	9,463	8,038
Minority interests	103	110	96
Shareholders' equity	9,742	9,573	8,134
Pension provisions	6,179	5,865	5,541
Other provisions	511	537	643
Borrowings	7,232	5,008	5,913
Contract liabilities	22	22	43
Other financial liabilities	139	137	125
Advance payments received, deferred income and other non-financial liabilities	49	51	55
Derivative financial instruments	128	222	253
Deferred tax liabilities	604	583	491
Non-current provisions and liabilities	14,864	12,425	13,064
Other provisions	856	925	872
Borrowings	1,895	1,677	762
Trade payables and other financial liabilities	6,132	5,764	5,749
Contract liabilities from unused flight documents	5,798	3,969	5,560
Other contract liabilities	2,382	2,316	2,278
Advance payments received, deferred income and other non-financial liabilities	463	388	421
Derivative financial instruments	165	393	164
Effective income tax obligations	464	783	834
Current provisions and liabilities	18,155	16,215	16,640
Total shareholders' equity and liabilities	42,761	38,213	37,838

¹⁾ Previous year's figures have been adjusted.

Consolidated statement of changes in shareholders' equity as of 31 March 2019

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Issued capital	Capital reserve	Fair value measurement of financial instruments	Currency differences	Revaluation reserve (due to business combinations)	Other neutral reserves	Total other neutral reserves	Retained earnings	Net profit/loss	Equity attributable to shareholders of Deutsche Lufthansa AG	Minority interests	Total shareholders' equity
in €m												
As of 1 Jan 2018	1,206	263	605	264	236	326	1,431	3,449	2,340	8,689	103	8,792
Capital increases/reductions	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	2,340	-2,340	-	-	-
Dividends to Lufthansa shareholders/ minority interests	-	-	-	-	-	-	-	-	-	-	-13	-13
Transactions with minority interests	-	-	-	-	-	-	-	-	-	-	-	-
Consolidated net profit/loss attributable to Lufthansa shareholders/ minority interests	-	-	-	-	-	-	-	-	-39	-39	9	-30
Other expenses and income recognised directly in equity	-	-	-44	-32	-	4	-72	-437	-	-509	-3	-512
Hedging results reclassified from non-financial assets to acquisition costs	-	-	-103	-	-	-	-103	-	-	-103	-	-103
As of 31 Mar 2018	1,206	263	458	232	236	330	1,256	5,352	-39	8,038	96	8,134
As of 31 Dec 2018	1,217	343	237	388	236	324	1,185	4,555	2,163	9,463	110	9,573
Restatement IFRIC 23	-	-	-	-	-	-	-	33	-	33	-	33
As of 1 Jan 2019	1,217	343	237	388	236	324	1,185	4,588	2,163	9,496	110	9,606
Capital increases/reductions	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	2,163	-2,163	-	-	-
Dividends to Lufthansa shareholders/ minority interests	-	-	-	-	-	-	-	-	-	-	-17	-17
Transactions with minority interests	-	-	-	-	-	-	-	-	-	-	-	-
Consolidated net profit/loss attributable to Lufthansa shareholders/ minority interests	-	-	-	-	-	-	-	-	-342	-342	7	-335
Other expenses and income recognised directly in equity	-	-	655	42	-	23	720	-170	-	550	3	553
Hedging results reclassified from non-financial assets to acquisition costs	-	-	-65	-	-	-	-65	-	-	-65	-	-65
As of 31 Mar 2019	1,217	343	827	430	236	347	1,840	6,581	-342	9,639	103	9,742

Consolidated cash flow statement

January – March 2019

CONSOLIDATED CASH FLOW STATEMENT		
in €m	Jan – Mar 2019	Jan – Mar 2018 ¹⁾
Cash and cash equivalents 1 Jan	1,434	1,218
Net profit/loss before income taxes	- 412	- 14
Depreciation, amortisation and impairment losses on non-current assets (net of reversals)	647	531
Depreciation, amortisation and impairment losses on current assets (net of reversals)	22	16
Net proceeds on disposal of non-current assets	18	- 3
Result of equity investments	- 5	- 3
Net interest	44	41
Income tax payments/reimbursements	- 377	- 45
Significant non-cash-relevant expenses/income	- 1	14
Change in trade working capital	1,481	1,390
Change in other assets/shareholders' equity and liabilities	141	- 190
Cash flow from operating activities	1,558	1,737
Capital expenditure for property, plant and equipment and intangible assets	- 1,229	- 820
Capital expenditure for financial investments	- 7	- 6
Additions/loss to repairable spare parts for aircraft	- 80	- 147
Proceeds from disposal of non-consolidated equity investments	-	1
Proceeds from disposal of consolidated equity investments	-	-
Cash outflows for acquisitions of non-consolidated equity investments	- 25	- 7
Cash outflows for acquisitions of consolidated equity investments	-	- 12
Proceeds from disposal of intangible assets, property, plant and equipment and other financial investments	36	19
Interest income	15	13
Dividends received	11	12
Net cash from/used in investing activities	- 1,279	- 947
Purchase of securities/fund investments	- 443	- 837
Disposal of securities/fund investments	100	340
Net cash from/used in investing and cash management activities	- 1,622	- 1,444
Capital increase	-	-
Transactions by minority interests	-	-
Non-current borrowing	742	75
Repayment of non-current borrowing	- 847	- 136
Dividends paid	- 17	- 13
Interest paid	- 14	- 24
Net cash from/used in financing activities	- 136	- 98
Net increase/decrease in cash and cash equivalents	- 200	195
Changes due to currency translation differences	6	- 12
Cash and cash equivalents 31 Mar²⁾	1,240	1,401
Securities	2,078	3,071
Liquidity	3,318	4,472
Net increase/decrease in liquidity	149	703

¹⁾ Previous year's figures have been adjusted.

²⁾ The difference between the bank balances and cash-in-hand shown in the statement of financial position comes from fixed-term deposits of EUR 2m with terms of four to twelve months (previous year: EUR 157m).

Notes

1 Standards applied and changes in the group of consolidated companies

The consolidated financial statements of Deutsche Lufthansa AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking account of interpretations by the IFRS Interpretations Committee (IFRIC) as applicable in the European Union (EU). This interim report as of 31 March 2019 has been prepared in condensed form in accordance with IAS 34.

In preparing the interim financial statements, the standards and interpretations applicable as of 1 January 2019 have been applied. The interim financial statements as of 31 March 2019 have been prepared using the same accounting policies as those on which the preceding consolidated financial statements as of 31 December 2018 were based. The standards and interpretations mandatory from 1 January 2019 onwards, particularly IFRS 16, Leases, and IFRS 23, Uncertainty over Income Tax Treatments, had the following effects on the Group's net assets, financial and earnings position.

IFRS 16

IFRS 16 was initially applied using the modified retrospective approach, in accordance with the transitional provisions of IFRS 16. The comparative figures for the financial year 2018 were therefore not adjusted.

As of 1 January 2019, payment obligations from contracts previously classified as operating leases are discounted using the incremental borrowing rate and recognised as lease liabilities. The discount rate is generally calculated using incremental borrowing rates for the specific lease terms and currencies, unless the implicit interest rate on which the lease payments are based is available. All lease payments are divided into redemption payments and interest expenses. The interest expense is recognised in profit or loss over the term of the lease. The right-of-use asset is depreciated over the lease term or the useful life of the leased item, whichever is shorter.

The right-of-use asset corresponds at initial application to the lease liability, adjusted for any prepaid lease instalments. Initial direct costs are not included in the measurement of the right-of-use asset when the standard is applied for the first time. For the initial application of IFRS 16 hindsight was used. The Lufthansa Group has opted not to apply IFRS 16 to intangible assets and to account for individual leases ending in 2019 in accordance with the rules on exemptions for short-term leases. Payments under leases with a term of no more than twelve months beginning after 31 December 2018, and leases in which the leased asset is of minor value, have been recognised in profit or loss at the payment date in line with this choice. For contracts that include non-lease components alongside lease components, these components are separated except in the case of asset classes that are not material.

In the course of transitioning to IFRS 16, right-of-use assets of EUR 2.0bn and lease liabilities of the same amount were recognised on 1 January 2019. The operating leases as of 31 December 2018 were reconciled with the opening amount of the lease liabilities in the statement of financial position as of 1 January 2019 as follows:

RECONCILIATION LEASE LIABILITIES

in €m	2019
Obligations from contracts classified as operating leases as of 31 December 2018 ¹⁾	2.739
Current leases	10
Leases on assets of minor value	338
Concluded contracts with right-of-use assets not yet acquired	126
Other	18
Discounting of incremental borrowing rate at the first application of IFRS 16	289
Lease liabilities newly accounted due to IFRS 16 as of 1 January 2019	1.958
Existing finance lease liabilities as of 31 December 2018	596
Total lease liabilities	2.554

¹⁾ Adjusted value.

The weighted average incremental borrowing rate used to calculate the lease liabilities as of 1 January 2019 was 1.95%.

The right-of-use asset is presented under the same item of property, plant and equipment as would have been used if the underlying asset had been purchased. The right-of-use assets recognised relate to the following types of assets:

RIGHT OF USES AND LEASE LIABILITIES		
in €m	31 Mar 2019	1 Jan 2019
Aircraft and reserve engines		
Right-of-use assets – aircraft and reserve engines	455	401
Right-of-use assets – from former finance leases according to IAS 17	550	579
Property, plant and other equipment		
Right-of-use assets – land and property	1.869	1.531
Right-of-use assets – technical equipment	–	–
Right-of-use assets – other equipment, operating and office equipment	19	19
Right-of-use assets – from former finance leases according to IAS 17	87	93
Total right-of-use assets	2.980	2.623
of which first-time application due to IFRS 16	2.343	1.951
Non-current borrowings		
Lease liabilities newly accounted due to IFRS 16	1.959	1.599
Existing lease liabilities from finance leases	480	497
Current borrowings		
Lease liabilities newly accounted due to IFRS 16	397	359
Existing lease liabilities from finance leases	97	99
Total lease liabilities	2.933	2.554
of which first-time application due to IFRS 16	2.356	1.958

In terms of property, the Group mainly leases airport infrastructure, including lounges, offices and hangars, as well as other office buildings and warehouse space. In addition, the Group leases aircraft, vehicles and other operating and office equipment. The additional right-of-use assets recognised in line with IFRS 16 led to additional depreciation of EUR 95m and additional interest expenses of EUR 12m, due to the accrued interest on lease liabilities for the leases classified as operating leases until 2018. Foreign currency measurement for the lease liabilities capitalised resulted in an expense of EUR 6m. On the other hand, the cost of materials and services and other operating expenses declined by EUR 103m due to the absence of lease expenses following the first-time application of IFRS 16.

IFRIC 23

IFRIC 23 is applicable to financial years beginning on or after 1 January 2019; early application is allowed.

In the past, the Lufthansa Group has only recognised claims against tax authorities when a cash inflow was considered to be virtually certain. Following the transition to IFRIC 23, the claims will be recognised as soon as the cash inflow is deemed to be probable. The effect of the change on retained earnings was EUR 33m.

2 Notes to the income statement, statement of financial position, cash flow statement and segment reporting

TRAFFIC REVENUE BY AREA OF OPERATIONS

	2019	Europe ¹⁾	North America ¹⁾	Central and South America ¹⁾	Asia/Pacific ¹⁾	Middle East ¹⁾	Africa ¹⁾
in €m							
Network Airlines	4,493	3,017	769	94	432	118	63
Lufthansa German Airlines	3,076						
SWISS ²⁾	1,074						
Austrian Airlines	343						
Eurowings ²⁾	787	709	36	1	12	4	25
Logistics	577	300	66	24	162	6	19
Total	5,857						

¹⁾ Traffic revenue is allocated according to the original location of sale.

²⁾ Disclosure of traffic revenue, including belly revenue; this is reported in the segment reporting in the reconciliation column.

TRAFFIC REVENUE BY AREA OF OPERATIONS

	2018	Europe ¹⁾	North America ¹⁾	Central and South America ¹⁾	Asia/Pacific ¹⁾	Middle East ¹⁾	Africa ¹⁾
in €m							
Network Airlines	4,394	3,038	686	103	404	111	52
Lufthansa German Airlines	3,016						
SWISS ²⁾	1,030						
Austrian Airlines	348						
Eurowings ²⁾	789	717	25	1	10	5	31
Logistics	602	329	61	24	168	6	14
Total	5,785						

¹⁾ Traffic revenue is allocated according to the original location of sale.

²⁾ Disclosure of traffic revenue, including belly revenue; this is reported in the segment reporting in the reconciliation column.

OTHER OPERATING REVENUE BY AREA OF OPERATIONS

	2019	Europe ¹⁾	North America ¹⁾	Central and South America ¹⁾	Asia/Pacific ¹⁾	Middle East ¹⁾	Africa ¹⁾
in €m							
MRO	1,106	526	259	66	189	40	26
MRO services	951						
Other operating revenue	155						
Catering	598	99	312	40	115	17	15
Catering services	508						
Revenue from in-flight sales	34						
Other services	56						
Network Airlines	158	130	10	1	12	2	3
Eurowings	3	3	-	-	-	-	-
Logistics	29	18	10	-	-	1	-
Additional Businesses and Group Functions	139	105	7	5	17	4	1
IT services	45						
Travel management	71						
Other	23						
Total	2,033						

¹⁾ Traffic revenue is allocated according to the original location of sale.

OTHER OPERATING REVENUE BY AREA OF OPERATIONS

	2018	Europe ¹⁾	North America ¹⁾	Central and South America ¹⁾	Asia/Pacific ¹⁾	Middle East ¹⁾	Africa ¹⁾
in €m							
MRO ²⁾	955	450	232	33	167	35	38
MRO services	842						
Other operating revenue	113						
Catering	567	99	272	40	133	14	9
Catering services	488						
Revenue from in-flight sales	28						
Other services	51						
Network Airlines	167	134	13	2	13	3	2
Eurowings	8	5	1	-	-	-	2
Logistics	30	16	12	-	-	2	-
Additional Businesses and Group Functions	128	105	4	3	15	1	-
IT services ²⁾	43						
Travel management	68						
Other	17						
Total	1,855						

¹⁾ Traffic revenue is allocated according to the original location of sale.

²⁾ Adjustment due to changed classification of three Lufthansa Systems companies.

ASSETS HELD FOR SALE

in €m	31 Mar 2019	31 Dec 2018	31 Mar 2018
Assets			
Aircraft and reserve engines	15	7	-
Financial assets	-	-	-
Other assets	2	2	6

3 Seasonality

The Group's business activities are mainly exposed to seasonal effects via the Network Airlines and Eurowings segments. As such, revenue in the first and fourth quarters is generally lower, since people travel less, while higher revenue and operating profits are normally earned in the second and third quarters.

4 Contingencies and events after the reporting period**CONTINGENT LIABILITIES**

in €m	31 Mar 2019	31 Dec 2018
From guarantees, bills of exchange and cheque guarantees	1,015	988
From warranty contracts	201	218
From providing collateral for third-party liabilities	47	45
	1,263	1,251

Provisions for other contingent liabilities were not made because it was not sufficiently probable that they would be necessary. The potential financial effect of these provisions on the result would have been EUR 54m in total (as of 31 December 2018: EUR 55m).

At the end of March 2019 there were order commitments of EUR 18.4bn for capital expenditure on property, plant and equipment, including repairable spare parts, and for intangible assets. Order commitments as of 31 December 2018 came to EUR 13.8bn.

Sale process for LSG group is being prepared

- The Executive Board of Deutsche Lufthansa AG decides to prepare for the formal sale process regarding a potential disposal of LSG group in full or in part
- It has not yet been finalised whether the LSG group will be sold in full or in part at the end of the process

Standard & Poor's raises investment grade rating for Deutsche Lufthansa AG

- On 15 April 2019 the rating agency Standard & Poor's lifted the investment grade rating for Deutsche Lufthansa AG by one notch from BBB- to BBB with stable outlook
- Standard & Poor's mentions strong operating performance and further improvements to the financial profile as key reasons

5 Financial instruments and financial liabilities

FINANCIAL INSTRUMENTS

The following tables show financial assets and liabilities held at fair value by level in the fair value hierarchy. The levels are defined as follows:

Level 1: Financial instruments traded on active markets, the quoted prices for which are taken for measurement unchanged.

Level 2: Measurement is made by means of valuation methods with parameters derived directly or indirectly from observable market data.

Level 3: Measurement is made by means of valuation methods with parameters not based exclusively on observable market data.

As of 31 March 2019, the fair value hierarchy for assets and liabilities held at fair value was as follows:

FAIR VALUE HIERARCHY OF ASSETS AS OF 31 MAR 2019

in €m	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	282	320	-	602
Financial derivatives classified as held for trading	-	19	-	19
Securities	282	301	-	583
Derivative financial instruments which are an effective part of a hedging relationship	-	1,609	-	1,609
Financial assets at fair value through other comprehensive income	-	1,513	-	1,513
Equity instruments	-	18	-	18
Debt instruments	-	1,495	-	1,495
Total assets	282	3,442	-	3,724

FAIR VALUE HIERARCHY OF LIABILITIES AS OF 31 MAR 2019

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	-	-59	-	-59
Derivative financial instruments which are an effective part of a hedging relationship	-	-234	-	-234
Total liabilities	-	-293	-	-293

As of 31 December 2018, the fair value hierarchy for assets and liabilities held at fair value was as follows:

FAIR VALUE HIERARCHY OF ASSETS AS OF 31 DEC 2018

in €m	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	278	29	-	307
Financial derivatives classified as held for trading	-	27	-	27
Securities	278	2	-	280
Derivative financial instruments which are an effective part of a hedging relationship	-	1,158	-	1,158
Financial assets at fair value through other comprehensive income	15	1,470	-	1,485
Equity instruments	15	15	-	30
Debt instruments	-	1,455	-	1,455
Total assets	293	2,657	-	2,950

FAIR VALUE HIERARCHY OF LIABILITIES AS OF 31 DEC 2018

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	-	-29	-	-29
Derivative financial instruments which are an effective part of a hedging relationship	-	-586	-	-586
Total liabilities	-	-615	-	-615

The fair values of interest rate derivatives correspond to their respective market values, which are measured using appropriate mathematical methods, such as discounting expected future cash flows. Discounting takes market standard interest rates and the residual term of the respective instruments into account. Forward currency transactions and swaps are individually discounted to the reporting date based on their respective futures rates and the appropriate interest rate curve. The market prices of currency options and the options used to hedge fuel prices are determined using acknowledged option pricing models.

The fair values of debt instruments also correspond to their respective market values, which are measured using appropriate mathematical methods, such as discounting expected future cash flows.

Discounting takes market standard interest rates and the residual term of the respective instruments into account.

The carrying amount for cash, trade receivables and other receivables, trade payables and other liabilities is assumed to be a realistic estimate of fair value.

FINANCIAL LIABILITIES

The following table shows the carrying amounts and market values for individual classes of financial liabilities. Market values for bonds are equal to the listed prices. The market values for other types of financial liability have been calculated using the applicable interest rates for the remaining term to maturity and repayment structures at the reporting date based on available market information (Reuters).

FINANCIAL LIABILITIES

in €m	31 Mar 2019		31 Dec 2018	
	Carrying amount	Market value	Carrying amount	Market value
Bonds	1,008	1,037	1,007	1,026
Liabilities to banks	1,817	1,864	1,957	1,984
Leasing liabilities ¹⁾	2,933	-	596	581
Other liabilities	3,369	3,324	3,125	3,083
Total	9,127	6,225	6,685	6,674

¹⁾ Disclosure of market value is not required starting with introduction of IFRS 16.

6 Earnings per share

		31 Mar 2019	31 Mar 2018
Basic/diluted earnings per share	€	-0.72	-0.08
Consolidated net profit/loss	€m	-342	-39
Weighted average number of shares		475,210,728	471,259,542

7 Issued capital

A resolution passed at the Annual General Meeting on 29 April 2014 authorised the Executive Board until 28 April 2019, subject to approval by the Supervisory Board, to increase the Company's issued capital by up to EUR 29,000,000 by issuing new registered shares to employees (Authorised Capital B) for payment in cash. Existing shareholders' subscription rights are excluded.

A resolution passed at the Annual General Meeting held on 29 April 2015 authorised the Executive Board pursuant to Section 71 Paragraph 1 No. 8 Stock Corporation Act (AktG) to purchase treasury shares until 28 April 2020. The authorisation is limited to 10% of current issued capital. According to the resolution of the Annual General Meeting held on 29 April 2015, the Executive Board is also authorised to purchase treasury shares by means of derivatives and to conclude corresponding derivative transactions.

A resolution passed at the Annual General Meeting on 29 April 2015 authorised the Executive Board until 28 April 2020, subject to approval by the Supervisory Board, to increase the Company's issued capital by up to EUR 561,160,092 by issuing new registered shares on one or more occasions for payment in cash or in kind (Authorised Capital A). In certain cases, the shareholders' subscription rights can be excluded with the approval of the Supervisory Board.

B Segment reporting

Segmentation has been changed compared with the financial statements as of 31 December 2018. Part of the Lufthansa Systems group is managed by the Lufthansa Technik group as of financial year 2019 and so has been allocated to the MRO segment. The figures for the previous year have been adjusted accordingly.

SEGMENT INFORMATION FOR THE REPORTING SEGMENTS January - March 2019

	Network Airlines	Eurowings	Logistics	MRO	Catering	Total reportable operating segments	Additional Businesses and Group Functions	Recon- ciliation	Group
in €m									
External revenue	4,652	789	606	1,106	598	7,751	139	-	7,890
of which traffic revenue	4,379	785	577	-	-	5,741	-	116	5,857
Inter-segment revenue	162	16	10	622	167	977	63	-1,040	-
Total revenue	4,814	805	616	1,728	765	8,728	202	-1,040	7,890
Other operating income	179	61	18	57	13	328	422	-247	503
Operating income	4,993	866	634	1,785	778	9,056	624	-1,287	8,393
Operating expenses	5,159	1,107	623	1,659	778	9,326	684	-1,276	8,734
of which cost of materials	2,884	695	419	992	324	5,314	66	-827	4,553
of which staff costs	1,045	158	104	409	308	2,024	219	-2	2,241
of which depreciation and amortisation	405	119	37	49	29	639	26	-8	657
of which other operating expenses	825	135	63	209	117	1,349	373	-439	1,283
Results of equity investments	6	-16	13	-1	2	4	1	-	5
of which result of investments accounted for using the equity method	6	-16	4	-1	2	-5	-	1	-4
Adjusted EBIT¹⁾	-160	-257	24	125	2	-266	-59	-11	-336
of which reconciliation items	-	1	-5	1	1	-2	1	-7	-8
Impairment losses/gains	20	-	-9	1	1	13	1	-4	10
Effects from pension provisions	-	-	-	-	-	-	-	-	-
Results of disposal of assets	-20	1	4	-	-	-15	-	-3	-18
EBIT	-160	-256	19	126	3	-268	-58	-18	-344
Other financial result									-68
Profit/loss before income taxes									-412
Capital employed ²⁾	10,079	2,220	1,986	5,506	1,533	21,324	1,793	-133	22,984
of which from investments accounted for using the equity method	32	133	58	300	143	666	6	-	672
Segment capital expenditure	959	40	135	76	17	1,227	17	17	1,261
of which from investments accounted for using the equity method	-	-	-	16	-	16	-	-	16
Number of employees at end of period	52,220	9,466	4,504	24,979	35,732	126,901	9,894	-	136,795

¹⁾ For detailed reconciliation from EBIT to Adjusted EBIT see [table reconciliation of results, p. 3](#), in the interim management report.

²⁾ The capital employed results from total assets adjusted for non-operating items (deferred taxes, positive market values, derivatives) less non-interest bearing liabilities (including trade payables and liabilities from unused flight documents).

SEGMENT INFORMATION FOR THE REPORTING SEGMENTS January - March 2018 ¹⁾									
	Network Airlines	Eurowings	Logistics	MRO	Catering	Total reportable operating segments	Additional Businesses and Group Functions	Recon- ciliation	Group
in €m									
External revenue	4,562	795	633	955	567	7,512	128	-	7,640
of which traffic revenue	4,276	764	602	-	-	5,642	-	143	5,785
Inter-segment revenue	166	-2	8	518	155	845	67	-912	-
Total revenue	4,728	793	641	1,473	722	8,357	195	-912	7,640
Other operating income	160	56	12	60	13	301	418	-207	512
Operating income	4,888	849	653	1,533	735	8,658	613	-1,119	8,152
Operating expenses	4,765	1,048	586	1,429	735	8,563	643	-1,103	8,103
of which cost of materials	2,555	667	400	809	306	4,737	52	-705	4,084
of which staff costs	990	139	102	379	283	1,893	212	-1	2,104
of which depreciation and amortisation	369	88	26	29	15	527	13	-10	530
of which other operating expenses	851	154	58	212	131	1,406	366	-387	1,385
Results of equity investments	5	-13	5	3	1	1	1	1	3
of which result of investments accounted for using the equity method	4	-13	5	2	1	-1	-	2	1
Adjusted EBIT²⁾	128	-212	72	107	1	96	-29	-15	52
of which reconciliation items	4	-2	-	-	-	2	-1	-1	-
Impairment losses/gains	-	-	-	-	-	-	-1	-	-1
Effects from pension provisions	-	-2	-	-	-	-2	-	-	-2
Results of disposal of assets	4	-	-	-	-	4	-	-1	3
EBIT	132	-214	72	107	1	98	-30	-16	52
Other financial result									-66
Profit/loss before income taxes									-14
Capital employed ³⁾	7,871	1,748	1,135	4,317	1,250	16,321	3,151	-187	19,285
of which from investments accounted for using the equity method	54	115	54	243	127	593	6	-20	579
Segment capital expenditure	571	190	16	34	10	821	10	14	845
of which from investments accounted for using the equity method	-	-	-	7	-	7	-	-	7
Number of employees at end of period	51,005	9,273	4,356	23,091	34,950	122,675	9,945	-	132,620

¹⁾ Adjusted.

²⁾ For detailed reconciliation from EBIT to Adjusted EBIT see **table reconciliation of results, p. 3**, in the interim management report.

³⁾ The capital employed results from total assets adjusted for non-operating items (deferred taxes, positive market values, derivatives) less non-interest bearing liabilities (including trade payables and liabilities from unused flight documents).

9 Related party disclosures

As stated in the consolidated financial statements 2018 in [Note 49 \(Annual Report 2018, p. 181 ff.\)](#) the segments in the Lufthansa Group render numerous services to related parties within the scope of their ordinary business activities and also receive services from them. These extensive supply and service relationships take place unchanged on the basis of market prices. There have been no significant changes in comparison with the reporting date. The contractual relationships with the group of related parties described in the [Remuneration report 2018 \(Annual Report 2018, p. 84 ff.\)](#) and in the consolidated financial statements 2018 in [Note 50 \(Annual report 2018, p. 184\)](#) also still exist unchanged, but are not of material significance for the Group.

10 Published standards that have not yet been applied

Amendments published by the IASB for financial years beginning after 1 January 2019 currently have no effect on the presentation of the net assets, financial and earnings position. Further information on the amendments are shown in the consolidated financial statements 2018 in [Note 2 "New international accounting standards in accordance with IFRS and interpretations" \(Annual Report 2018, p. 106 ff.\)](#).

Declaration by the legal representatives

We declare that to the best of our knowledge and according to the applicable accounting standards for interim reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Frankfurt, 29 April 2019
The Executive Board



Carsten Spohr
Chairman of the Executive Board
and CEO



Thorsten Dirks
Member of the Executive Board
Eurowings



Harry Hohmeister
Member of the Executive Board
Chief Commercial Officer
Network Airlines



Detlef Kayser
Member of the Executive Board
Airline Resources &
Operations Standards



Ulrik Svensson
Member of the Executive Board
Chief Financial Officer



Bettina Volkens
Member of the Executive Board
Corporate Human Resources
and Legal Affairs

Credits

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The latest financial information on the internet:

 www.lufthansagroup.com/investor-relations

Striving for excellence – We aim to be the number one for our customers, shareholders and employees. Our airlines are consistently positioned in the premium segment. Please find out what premium means for the Lufthansa Group in our online Annual Report:  www.lufthansagroup.com/ar

Financial calendar 2019

- 7 May** Annual General Meeting
- 30 Jul** Release of Interim Report January – June 2019
- 7 Nov** Release of Interim Report January – September 2019

Disclaimer in respect of forward-looking statements

Information published in the 1st Interim Report 2019, with regard to the future development of the Lufthansa Group and its subsidiaries consists purely of forecasts and assessments and not of definitive facts. Its purpose is exclusively informational, and can be identified by the use of such cautionary terms as “believe”, “expect”, “forecast”, “intend”, “project”, “plan”, “estimate”, “anticipate”, “can”, “could”, “should” or “endeavour”. These forward-looking statements are based on discernible information, facts and expectations available at the time that the statements were made. They are therefore subject to a number of risks, uncertainties and factors, including, but not limited to, those described in disclosures, in particular in the Opportunities and risk report in the Annual Report. Should one or more of these risks occur, or should the underlying expectations or assumptions fail to materialise, this could have a significant effect (either positive or negative) on the actual results.

It is possible that the Group’s actual results and development may differ materially from the results forecast in the forward-looking statements. Lufthansa does not assume any obligation, nor does it intend, to adapt forward-looking statements to accommodate events or developments that may occur at some later date. Accordingly, it neither expressly nor conclusively accepts liability, nor gives any guarantee, for the actuality, accuracy and completeness of this data and information.

Note

Unless stated otherwise, all change figures refer to the corresponding period from the previous year. Due to rounding, some of the figures may not add up precisely to the stated totals, and percentages may not precisely reflect the absolute figures.