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Prices, extreme winter and strike burden Lufthansa first-quarter result for 2010

Group posts operating loss of 330 million euros / Lufthansa Cargo benefits from increase in demand and ends short-time work / Executive Board confirms positive full-year forecast

The Lufthansa Group has posted an operating loss of 330 million euros for the first three months of 2010; the figure is 286 million euros less than during the same period the previous year. After a crisis-related decline in demand in 2009, combined with a major slump in prices, the Passenger Airline Group and Logistics business segment were able to significantly improve traffic performance in the traditionally weak first quarter. However, the slump in prices continues to place a burden on the result of the Passenger Airline Group. An extreme winter, as well as the strike and the threat of further industrial action by the pilots' union, Vereinigung Cockpit, led to additional revenue losses and follow-up costs. Lufthansa Group posted a net loss of 298 million euros for the first quarter of 2010; the figure had stood at -267 million euros for the same period a year earlier.

Speaking at the presentation of the quarterly figures, Lufthansa Executive Board member and CFO Stephan Gemkow commented: "A recovery in demand is not enough to secure a good result, cost efficiency and increasing revenues even further are also absolute musts. We have laid the foundations in all business segments and introduced the corresponding measures to safeguard earnings. We remain convinced that Lufthansa shall emerge from the crisis a stronger Group."

The Passenger Airline Group business segment witnessed an increasing rise in traffic revenues during the first three months of the year. However, due to crisis-related lower prices, an extreme winter and the pilots union's strike at Lufthansa and Germanwings in February, the Passenger Airline Group recorded a heavy operating loss of 373 million euros. Lufthansa Passenger Airlines contributed a loss of 236 million euros to the negative operating result, Austrian Airlines contributed -66 million euros, bmi -45 million euros, Germanwings -34 million euros and also included was a contribution of one million euros from SWISS. All of the airlines in the Passenger Airline Group continue to implement measures to safeguard earnings in an attempt to adjust to the structural changes in the market. The Logistics business segment recorded a significant rise in revenue during the first three months of the year and posted an operating profit of 35 million euros thanks to increased sales, higher prices and strict cost management. Cost reduction measures continue to be applied; however, in view of the positive economic development in this business segment, the reduced working hours programmes have now been terminated at the German locations. Lufthansa MRO however recorded a decline in revenue for the first quarter. However, due to record date valuation changes in the previous year's result and the positive effects of measures to safeguard earnings, it still managed to post a higher operating result of 71 million euros. The highly challenging economic conditions also led to a decline in revenue in the IT Services business segment. However, at three million euros, the operating result was a positive one and even an improvement on the previous year's figure. The Catering business segment recorded a decline in demand and posted an operating loss of two million euros. Adjusted after the non-recurring effect of a court settlement concluded after arbitration proceedings, which had a positive effect on the previous year's result, the operating result for the quarter represented an improvement in comparison to the previous year.

Gemkow commented on the results of the individual business segments for the first quarter saying: "In terms of improving efficiency, all the business segments have now already achieved a lot and that is a strong performance by all of the employees; but we want to achieve even more here. With the second best first-quarter operating result in its history, Lufthansa Cargo in particular, has proven that strict cost management and global alignment do pay off." Gemkow was optimistic for the current business year saying: "The Executive Board of the Lufthansa expect a rise in revenue and a positive operating result for the Group." He added that the development of the business year to date had further strengthened its expectations of achieving a positive operating result higher than the previous year's. However, the condition for this would be that flight operations and operational developments in the other business segments are not disrupted by a repeated or prolonged regulatory ban on flights. He also identified additional risks in possible further industrial action, the development of the oil price and the consolidation of bmi and Austrian Airlines, which will continue to burden the result during the current business year.

First-quarter figures 2010

During the first three months of 2010, the Lufthansa Group generated revenues totalling 5.8 billion euros, equivalent to a year-on-year increase of 14.8 per cent. The traffic revenue rose by 20 per cent to 4.6 billion euros. During the reporting period, the Group's operating income increased by altogether 10.2 per cent to 6.4 billion euros.

Operating expenses rose by 14.8 per cent to 6.7 billion euros during the first quarter of the year. This was mainly due to the higher fuel costs which rose by 330 million euros; equivalent to a year-on-year increase of 44.7 per cent, which was both price and volume related. The fees and charges were 28.7 per cent above the previous year's figure.

The Group recorded an operating loss of 330 million euros for the first quarter, 286 million euros less than in the same period during the previous year. The decline can mainly be attributed to the negative developments in the Passenger Airline Group business segment. The Group posted a result of -298 million euros; during the same period last year, it stood at -267 million euros.

Lufthansa's capital expenditure during the reporting period totalled 534 million euros, of which 477 million euros were spent on the expansion and modernization of the fleet. Operating cash flow totalled 564 million euros, the free cash flow (operating cash flow minus net investments) stood at 278 million euros. At the close of the first quarter, the Group's net indebtedness stood at 2.3 billion euros. The Group's equity ratio increased to 24.2 per cent as a result of Amadeus IT Holding S.A. going public, the related sale of shares in the company and the revaluation of the stake held by the Lufthansa Group.

Lufthansa Group		January-March 2010	2009*	Change
Revenue	€m	5,758	5,015	743
of which traffic revenue	€m	4,576	3,813	763
Profit from operating activities	€m	-343	-64	-279
Operating result	€m	-330	-44	-286
Adjusted operating margin**	In %	-5.4	-0.6	-
Net profit/loss for the period	€m	-298	-267	-31
Capital expenditure	€m	534	664	-130
Cash flow	€m	564	708	-
Employees (as of 31 March)		117,732	106,840	-
Earnings per share (diluted and undiluted)	€	-0.65	-0.58	-0.07

*) Last year's figures have been partly restated in line with measurement changes required by IAS 39.
**) Operating result plus write back of provisions divided by revenue

The complete interim report for the first quarter of 2010 is available on the Internet at:
www.lufthansa.com/investor-relations

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