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Lufthansa presents strong balance sheet for 2010

Group posts operating profit of 876 million euros / Net profit up to 1.1 billion euros / All business segments with operating profit / Shareholders to receive dividend payout of 60 cents per share

The Lufthansa Group has ended the 2010 business year with a strong balance sheet. The Group earned an operating profit of 876 million euros for 2010, which was equivalent to a more than fivefold increase of the previous year's figure of 130 million euros. The Group's net profit rose to 1.1 billion euros, which marked an increase of 1.2 billion euros. The figure includes a positive one-off tax effect of around 400 million euros from the financial restructuring of the Catering business segment. The Group therefore compensated the negative one-off effects on the result, such as the hard winter in January and December, the pilots' strike and the airspace lockdown for several days as a result of the volcano eruption on Iceland, better than could have been expected at the mid-year point. This was mainly due to a rise in demand and sales in international passenger traffic and freight traffic, as well as the successful implementation of cost reduction measures in all of the Group's business segments and the realization of synergy potentials within the Passenger Airline group. All of the business segments contributed to the Group's good result by posting operating profits. Lufthansa plans to let its shareholders share in the Group's success with a dividend payment of 60 cent per share. Chairman and CEO of Deutsche Lufthansa AG Christoph Franz described the year 2010 as an eventful and challenging, yet ultimately successful one and said speaking about the full-year figures: "We can be highly satisfied with this result; it shows that we have learned from the crises of the past. We maintained our financial and operational flexibility as well as our usual cost discipline and convincingly mastered the past year – not least thanks to a strong team performance by all of our staff and management on the ground and in the air. And most importantly, Lufthansa has widened the gap to its competitors. That makes us proud and spurs us on to perform even better in 2011."

During the past business year, the Lufthansa Group's largest business segment, the Passenger Airline Group, benefited particularly from the recovery in demand in long-haul traffic and the realization of synergy potentials within the airline group. The operating profit of 436 million euros included a substantial contribution from Lufthansa Passenger Airlines, which recorded an operating profit of 382 million euros. During the previous year, Lufthansa Passenger Airlines had posted an operating loss of 107 million euros. Cost reduction measures, for example the phasing out of the 50-seater fleet, which were implemented within the framework of the Climb 2011 programme to safeguard earnings, contributed to the improvement of the result. Lufthansa Passenger Airlines will continue with the Climb 2011 programme until the end of the year as planned. The taking into service of four A380 with the new First Class product, the introduction of the new European cabin on continental routes and the re-introduction of the on-board internet system “Flynet”, were just a few of the past year’s investments in Lufthansa’s on-board and ground products. SWISS tripled the previous year’s figure to record an operating profit of 298 million euros. The overall result of the Passenger Airline Group also included operating losses of 66 million euros from Austrian Airlines and 145 million euros from British Midland. Both airlines continue to consistently implement the introduced restructuring measures. Germanwings continued on its course of growth; however, the one-time special effects of the past year resulted in a negative operating result of 39 million euros.

Lufthansa Cargo increased its traffic revenue and benefited from strict cost management, higher prices and good competitive positioning, to record a higher than average success as a result of the economic recovery. The company posted a record result in 2010, closing the year with an operating profit of 310 million euros. As expected, the MRO business segment benefited from the economic recovery later than the Group’s other business segments. However, Lufthansa Technik was able to earn an annual operating profit of 268 million euros despite the decline in revenue it faced at the beginning of the year. The IT Services business segment also recorded a positive operating result at 10 million euros; however, Lufthansa Systems was only partially able to compensate the decline in revenue in this business segment. The company therefore plans to achieve a sustainable improvement of its revenue and result with the implementation of its “LSY Now!” programme. LSG Skychefs increased its operating profit in the Catering business segment to 76 million euros.

The Executive Board of the Lufthansa Group views the economic development of the current business year with confidence. The company expects a further increase in revenue and the operating result, and as things currently stand, the conditions for a dividend payout should also be fulfilled for this year. Christoph Franz emphasized that: “2011 will not be a walk in the park. The headwinds of competition are becoming rougher on the European routes and long-haul routes to Asia and the Americas. The German air traffic tax hits the German and European airlines, as well as their passengers, where it hurts. The fuel prices are at record levels. And we are not immune to the consequences of political unrest, terrorist attacks and natural disasters. The Lufthansa Group will face up to these challenges and maintain its successful course in 2011; after all, the past year has shown that we possess the necessary expertise.” The company currently expects its revenue and result to also develop positively in 2012. However, the conditions for this would be that the forecast economic developments come true and the Group's business is not affected by a disproportionately high increase in fuel prices or other unforeseeable events.

Annual figures 2010

During the year 2010, the Lufthansa Group generated revenues totalling 27.3 billion euros, a year-on-year increase of 22.6 per cent. The traffic revenue rose by 26.5 per cent to 22.3 billion euros. During the reporting period, the Group's operating income increased by altogether 20.4 per cent to 30.1 billion euros. The adjusted figures without the consolidation effects increased by 14.4 per cent (revenue), 16.2 per cent (traffic revenue) and 12.6 per cent (operating income).

Operating expenses rose by 16.7 per cent to 28.9 billion euros during the course of the year. One important reason for this, besides the consolidation effects, were the fuel costs, which rose by 1.5 billion euros to a total of 5.2 billion euros, equivalent to a year-on-year increase of 41.5 per cent, which was both price and volume related. The fees and charges were 21.8 per cent above the previous year's figure.

The Lufthansa Group posted an operating result of 876 million euros for the full year, which marked an increase of 746 million euros in comparison to the previous year's figure. The Group posted a result of 1.1 billion euros; the net loss for the previous year had stood at 34 million euros.

Lufthansa's capital expenditure during the reporting period totalled 2.3 billion euros, of which two billion euros were spent on the expansion and modernization of the fleet. Operating cash flow totalled 3.1 billion euros and the free cash flow (operating cash flow minus net investments) stood at 1.6 billion euros. At the close of the year, the Group's net debt stood at 1.6 billion euros. In comparison to the figure at the end of 2009, the positive development of business and portfolio measures saw the Group's equity ratio increase from 23.5 to 28.4 per cent.

Lufthansa Group		January-December 2010	2009*	Change
Revenue	€m	27,324	22,283	5,041
of which traffic revenue	€m	22,268	17,604	4,664
Profit from operating activities	€m	1,240	271	969
Operating result	€m	876	130	746
Adjusted operating margin**	In %	4.1	1.4	2.7 PP.
Group result	€m	1,131	-34	1,165
Capital expenditure	€m	2,273	2,405	-132
Cash flow	€m	3,075	1,991	1,084
Employees (as of 31 December 2010)		117,019	117,521	-
Earnings per share (diluted and undiluted)	€	2.47	-0.07	2.54

*) 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 financial statement for 2010 is available on the Internet at www.lufthansa.com/investor-relations. The press conference will be **broadcast live on the Internet at: http://konzern.lufthansa.com at 10:00 CET** Photographs will be available for download at: http://presse.lufthansa.com/de/mediathek/bildarchiv.html

For further press information contact:
Deutsche Lufthansa AG
Corporate Communications
Aage Duenhaupt / Gudrun Gorner
Tel: + 44 20 8750 3415   Fax: + 44 20 8759 1987
http://media.lufthansa.com