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The Lufthansa Group reports operating profit of EUR 578m after nine months

Lufthansa responds to economic slowdown by reducing growth in passenger traffic for 2012 from nine to three per cent

Deutsche Lufthansa AG generated a stable operating profit of EUR 578m in the first nine months of the current year, representing a drop of 5.6 per cent that brought the figure only just below that of last year. Revenue came to EUR 22.1bn and net profit for the period to EUR 288m. That this result was achieved despite strong headwinds and a difficult environment for the industry is remarkable in the opinion of Christoph Franz, Chairman of the Executive Board and CEO of Deutsche Lufthansa AG, who presented the Company results today in Frankfurt. “Many of our competitors are struggling to make figures that are not in the red at the end of the year. We, on the other hand, are expecting profits in the upper three-figure million euro range.” Talking about the future strategic direction of the Group he added, “We want to stay the number one in Europe for the long term, so we are building on our strengths and also reviewing many options, including unpopular ones. We are looking for profitable growth and to secure the future of our Company with a financial structure that enables us to invest in our business segments, in our fleet, in products for our customers and in our staff.” For the year ahead the Company is initially preparing for slower growth rates in passenger and freight traffic. This was the message from Stephan Gemkow, Member of the Executive Board and Chief Financial Officer at Deutsche Lufthansa AG. He added that the slowing economic growth is also being reflected in new bookings. Weaker growth of four per cent was adopted for the upcoming Lufthansa winter flight plan back in September. The Group is now also adjusting capacity growth in the passenger business for the full year 2012 from the nine per cent originally planned to three per cent. The remaining growth will be achieved mainly thanks to the larger aircraft being introduced in the ongoing fleet modernisation campaign and to the new seat generation on Lufthansa European routes. “Both help to cut unit costs even further and to make the airline more competitive,” said Gemkow.

The Group intends to keep managing capacities flexibly in cargo business as well. According to Gemkow, the course of business was difficult to predict and tough competition was making the market environment difficult enough, even before the night-flight ban. This challenge was also there to be overcome, however, as Christoph Franz emphasised: "To cut off Frankfurt, one of the biggest cargo airports in the world, from the global flow of goods night after night is to deal a cruel blow to Germany as a business and export location. Whether Germany can stay ahead of the game – and how – under these conditions is questionable at the moment.”

The stable result for the first three quarters of 2011 is due largely to the positive business performance in the first half of the year, when the Group held its ground well, despite the effects of the catastrophes in Japan and the unrest in the Middle East and North Africa. For the full year the Group is still anticipating an operating profit in the upper three-digit million Euro range. “We are still talking about a very substantial operating profit,” Gemkow underlined. Fluctuations in booking figures, high fuel prices and the rather abrupt imposition of the night-flight ban in Frankfurt were all examples of why it was difficult to give a more precise forecast, he explained.

The largest segment, the Passenger Airline Group, contributed a profit of EUR 169m to the Group's operating result for the first nine months of the year, EUR 49m less than a year ago. Of this, Lufthansa Passenger Airlines generated an operating profit of EUR 161m. Higher fuel costs and more fees and charges meant that the result was only slightly up on the previous year's, despite a considerable increase in capacity. SWISS was able to increase its operating result. It came to EUR 244m for the first three quarters. Austrian Airlines reduced its losses, achieving an operating result of EUR minus 34m. Due to the company's strong presence in the Middle East and North Africa, business at bmi suffered particularly badly from the effects of the political turmoil in the region. The weak economy in its British home market also depressed the result, so that bmi reported an operating loss of EUR 154m for the first nine months. The operating result at Germanwings was adversely affected by the high fuel price and above all by the air traffic tax. After nine months it came to EUR minus 23m.

In the Logistics segment Lufthansa Cargo earned an operating profit of EUR 173m even though the rapid growth rates of recent months could not be maintained. Lufthansa Technik recorded an operating profit of EUR 198m. As in the first half-year, the slight decline stems mainly from provisions for engine contracts. The IT Services segment put in an operating profit of EUR 12m, equal to last year's figure, thanks to a systematic restructuring programme at Lufthansa Systems. The Catering segment and LSG SkyChefs improved their operating result sharply to EUR 56m.

The first nine months of 2011 in figures

The Lufthansa Group's revenue for the first three quarters of 2011 was EUR 22.1bn, 9.6 per cent more than in the first nine months of last year. Traffic revenue improved by 11.9 per cent to EUR 18.4bn. Overall, the Group's operating income went up to EUR 23.9bn in the reporting period, an increase of 7.1 per cent.

Operating expenses rose by 8.4 per cent in the first three quarters to EUR 23.3bn. One of the main reasons was the EUR 913m rise in fuel costs, which came to EUR 4.8bn in total. This represents a price and volume-driven increase of 23.7 per cent. This figure already includes a positive hedging result of EUR 616m. Fees and charges were up 15.7 per cent on last year due to growth.

The Lufthansa Group generated an operating profit of EUR 578m, down by EUR 34m in comparison with last year. Net profit for the period amounted to EUR 288m. Last year the corresponding figure was EUR 524m. This includes a negative valuation effect from changes in the fair values of hedging transactions in line with IAS 39. Earnings per share came to EUR 0.63.

Lufthansa invested EUR 2bn in the reporting period. Of this sum, EUR 1.7bn went on expanding and modernising the fleet. Cash flow from operating activities came to EUR 2.2bn and free cash flow (cash flow from operating activities less net capital expenditure) to EUR 940m. At the end of the first nine months of 2011 the Group had net debt of EUR 1.6bn, which was the level at year-end 2010. The equity ratio also nearly matched the figure of 28.4 per cent at the end of 2010, coming in at 28.0 per cent as of the reporting date.

Lufthansa Group		Jan–Sep		Change
		2011	2010	
Total revenue	€m	22,138	20,193	9.6%
of which traffic revenue	€m	18,410	16,445	11.9%
Profit from operating activities	€m	649	869	-25.3%
Operating result	€m	578	612	-5.6%
Adjusted operating margin*	In %	3.0	3.5	-0.5 pp
Net profit/loss	€m	288	524	-45.0%
Capital expenditure	€m	1,996	1,760	13.4%
Cash flow from operatin activities	€m	2,193	2,425	-9.6%
Employees as of 30.09		120,110	116,838	-
Earnings per share	€	0.63	1.14	-0.51

*) Operating result plus write-backs of provisions, divided by revenue

The full interim report for the first nine months of 2011 is available on the internet at www.lufthansa.com/investor-relations. Photo material can be downloaded from http://presse.lufthansa.com/de/mediathek/bildarchiv.html.
The press conference will be broadcast live on the internet from 10 a.m.: http://konzern.lufthansa.com.

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