



IN A DIFFICULT ECONOMIC ENVIRONMENT LUFTHANSA GROUP ACHIEVES ADJUSTED EBIT OF 2 BILLION EUROS

News / Airlines, Finance



Corona crisis: Drastic cuts in Lufthansa Group flight operations / numerous special relief flights planned and carried out

Due to entry restrictions in many countries and a collapse in demand, the Lufthansa Group was forced to make drastic cutbacks in its flight operations. Air Dolomiti conducted its last flight for the time being yesterday, 18 March. Today the last regular scheduled flight of Austrian Airlines landed in Vienna. With the exception of special flights, Austrian Airlines is suspending its flight operations until 28 March. Brussels Airlines will not be offering any regular flights in the period from 21 March to 19 April.

Lufthansa is discontinuing its long-haul operations in Munich and will initially only offer long-haul flights from Frankfurt. SWISS will offer only three weekly long-haul flights a week to Newark (USA) in addition to a substantially reduced short- and medium-haul schedule. Lufthansa's short-haul program will also be substantially reduced further, and only Lufthansa CityLine services will be operated from Munich. From the hubs in Frankfurt, Munich and Zurich, only a few European metropolitan areas will be served. The relief flight schedule runs until April 19 and only provides for a total of about five percent of the

originally planned program. Around 700 of the Lufthansa Group's 763 aircraft will be temporarily parked.

In order to bring as many people as possible back home quickly, Lufthansa Group airlines are also operating numerous special relief flights around the world. This is also possible due to the unparalleled support and solidarity of the crews as well as ground staff, who at a moment's notice volunteered their assistance.

In close consultation with the governments of their home countries and on behalf of tour operators, Lufthansa Group airlines are currently offering around 140 special relief flights. More than 20,000 passengers are thus flying home with Lufthansa, Eurowings, SWISS, Austrian Airlines, Brussels Airlines and Edelweiss. The figures alone include the special flights that were firmly planned until yesterday. Numerous other special flights will follow in the next few days.

In addition, the Lufthansa Group is making every effort to ensure that supply chains in Germany and Europe do not come to a standstill. Lufthansa Cargo continues to fly its regular programme, except for cancellations to mainland China, keeping the entire freighter fleet in the air. This currently consists of seven Boeing 777Fs, six MD11Fs and four 777Fs from Aerologic. In addition, the company is currently examining the possibility of using passenger aircraft without passengers as pure cargo aircraft in order to further increase cargo capacity.

Carsten Spohr, Chairman of the Executive Board of Deutsche Lufthansa AG: "The spread of the coronavirus has placed the entire global economy and our company as well in an unprecedented state of emergency. At present, no one can foresee the consequences. We have to counter this extraordinary situation with drastic and sometimes painful measures. At the same time, we must live up to the special responsibility that airlines bear in their home countries. We are doing everything we can to bring as many passengers as possible home on relief flights. In addition, we are doing our utmost to help ensure that supply chains for many thousands of businesses do not break down by mobilising additional capacity for air freight transport. The longer this crisis lasts, the more likely it is that the future of aviation cannot be guaranteed without state aid. In view of the massive impact of the Corona crisis, today's publication of our results for the past financial year is unfortunately sidelined."

The most important key figures of the 2019 annual financial statements have already been reported in an ad hoc announcement on 13 March. At 2.0 billion euros, the adjusted EBIT of the Lufthansa Group was in line with the forecast despite considerable charges. The main drivers for the decline were a 600 million euro increase in fuel costs and a noticeable economic slowdown, especially in the Group's home markets. Earnings development was also impacted by high price pressure in the European market due to overcapacity and the weakening of the global airfreight market. Lufthansa Group revenue in 2019 rose by 2.5 per cent to 36.4 billion euros (previous year: 35.5 billion euros). The adjusted EBIT margin was 5.6 per cent (previous year: 8.0 per cent). Consolidated net profit fell by 44 per cent to 1.2 billion euros (previous year: 2.2 billion euros).

Unit revenues of the passenger airlines in the Group fell by 2.5 per cent in 2019, adjusted for exchange rate effects, in particular due to the overcapacity in the Lufthansa Group's home markets. At the same time, unit costs adjusted for fuel and currency effects were reduced by 1.5 per cent in 2019, the fourth year in succession. In 2019, the Lufthansa Group invested 3.6 billion euros (previous year: 3.8 billion euros), a large part of which in new aircraft. Adjusted free cash flow fell to 203 million euros (previous year: 288 million euros) due to lower profits and higher tax payments. Return on capital employed (adjusted ROCE) after taxes decreased to 6.6 percent (prior year: 10.8 percent).

At year-end, interest-bearing net liabilities amounted to 4.3 billion euros. Including lease liabilities of 2.4 billion euros recognized for the first time as a result of the application of IFRS 16, net debt thus amounted to around 6.7 billion euros (prior year: 3.5 billion euros). Pension liabilities rose by 14 percent to 6.7 billion euros (previous year: 5.9 billion euros), mainly due to the lower interest rate used to discount pension obligations, which fell to 1.4 percent (previous year: 2.0 percent).

In order to secure its strong financial position, the Lufthansa Group has raised additional funds of around 600 million euros in recent weeks. In actuarial terms, the Group thus has liquidity of around 4.3 billion euros. In addition, there are unused credit lines of around 800 million euros. Further funds are currently being raised. Among other things, the Lufthansa Group will use aircraft financing for this purpose.

"The Lufthansa Group is financially well equipped to cope with an extraordinary crisis situation such as the current one. We own 86 per cent of the Group's fleet, which is largely unencumbered and has a book value of around 10 billion euros. In addition, we have decided to propose to the Annual General Meeting that the dividend payment be suspended, and we are proposing short-time working in our home markets," said Ulrik Svensson, Chief Financial Officer of Deutsche Lufthansa AG.

The Lufthansa Executive Board also decided yesterday to waive 20 per cent of its basic remuneration in 2020.

19 MARCH 2020

ARTICLE LINK:

<https://connect.50skyshades.com/news/finance/in-a-difficult-economic-environment-lufthansa-group-achieves-adjusted-ebit-of-2-billion-euros>