



Lufthansa Group



Press and Analyst Conference

Carsten Spohr, Group CEO
Simone Menne, Group CFO

Frankfurt/M., 12 March 2015

Agenda



- **Operative highlights 2014**
- **Financial development 2014 and forecast 2015**
- **Strategic outlook**
- **Q&A Session**

Key financial figures 2014

<i>in m Euro</i>	<i>FY 2014</i>	<i>vs. py</i>
Revenue	30,011	-0.1%
Operating Profit	954	+36.5%
Operating Margin	3.2%	+0.9pts.
Net income (IFRS)	55	-82.4%
Local GAAP (HGB)	-732	--
Dividend	0.00	-100.0%
Gross Invest	2,777	+11.1%



Strong portfolio of profitable businesses

Operating profit per segment

Lufthansa Group

954 m EUR (+255 m EUR)

Passenger Airline Group

553 m EUR
(+40 m EUR)



MRO

392 m EUR
(-12 m EUR)



Catering

100 m EUR
(-5 m EUR)



Logistics

100 m EUR
(+21 m EUR)



IT

37 m EUR
(+1 m EUR)



Lufthansa Group continues to consistently approach challenges

7to1 - Our Way Forward: Seven fields of action, one goal





Lufthansa Group

Simone Menne

– Member of the Executive Board and CFO –

Forecast of c. 1 bn EUR operating profit was reached

FY and Q4 2014 at a glance

Lufthansa Group (in m EUR)	FY 2014	FY 2013	vs. PY
Total revenue	30,011	30,027	-0.1%
of which traffic revenue	24,388	24,568	-0.7%
Operating result	954	699	+36.5%
One-off items*	224	345	--
Normalized operating result	1,178	1,044	+12.8%
Net income	55	313	-82.4%

	FY 2014	FY 2013	vs. PY
Operating cash flow	1,977	3,290	-39.9%
Net invest	2,274	1,983	+14.7%
Free cash flow	-297	1,307	--

	FY 2014	FY 2013	vs. PY
Equity ratio	13.2%	21.0%	-7.8pts.
Net financial debt (excl. pensions)	3,418	1,695	+101.7%
Pension provisions	7,231	4,718	+53.3%

* adjusted for one-off items in m EUR:

FY 2013: 245 / 100; Q4 2013: 78 / 70 restructuring / project costs

FY 2014: 62 / 162; Q4 2014: 32 / 37 restructuring / project costs

	Q4 2014	Q4 2013	vs. PY
	7,387	7,260	+1.7%
	5,928	5,904	+0.4%
	105	36	+191.7%
	69	148	--
	174	184	-5.4%
	-427	66	--

Passenger Airline KPIs	FY 2014	Q4 2014
No. of flights	-2.6%	-3.8%
ASK (capacity)	+2.1%	+1.7%
RPK (volume)	+2.4%	+1.6%
SLF (load factor)	+0.3pts.	0.0pts.
Yield (pricing)	-3.1%	-1.7%
RASK (unit revenue)	-2.8%	-1.7%
CASK** (unit costs)	-3.8%	-2.0%

** adjusted for one-off items in m EUR (Passenger Airlines):

FY 2013: 116 / 100; Q4 2013: 15 / 70 restructuring / project costs

FY 2014: 41 / 162; Q4 2014: 19 / 37 restructuring / project costs

Fuel and depreciation benefit offset by higher fees and currency effects

Operating costs and revenues

Lufthansa Group (in m EUR)	FY 2014	vs. PY	
Total revenue	30,011	-0.1%	
Other operating income	1,886	-1.7%	
Total operating income	31,897	-0.2%	

Operating expenses	30,943	-1.0%	
Non-fuel operating expenses	24,192	+0.2%	+0.8% excl. one-offs +2.2% excl. one-offs & D&A
Cost of materials and services	17,283	-1.2%	
Fuel expenses	6,751	-5.1%	
Fees and charges	5,265	+1.9%	
Staff costs	7,338	-0.4%	+2.2% excl. one-offs
Scheduled depreciation	1,413	-16.7%	+3.9% excl. D&A change
Other operating expenses	4,909	+4.8%	

Operating result	954	+36.5%	+12.8% excl. one-offs
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Q4 2014	vs. PY	
7,387	+1.7%	
538	+4.5%	
7,925	+1.9%	

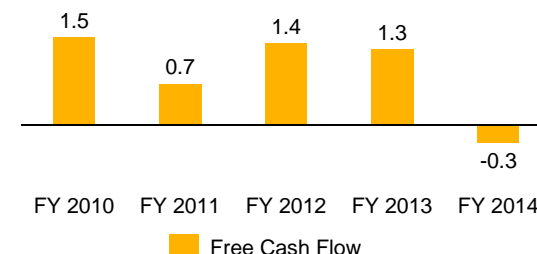
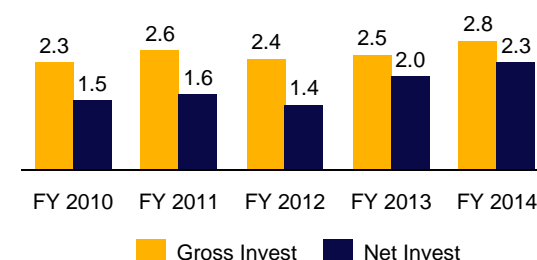
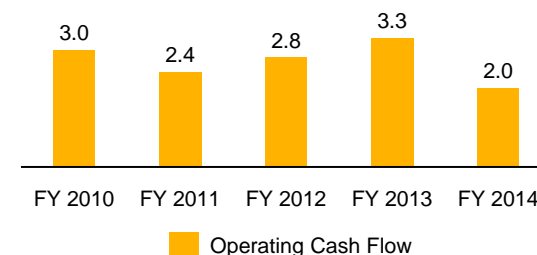
7,820	+1.0%	
6,249	+2.9%	+4.3% excl. one-offs +5.8% excl. one-offs & D&A
4,281	+2.1%	
1,571	-5.7%	
1,287	+3.5%	
1,883	-0.7%	+1.8% excl. one-offs
366	-14.5%	+6.7% excl. D&A change
1,290	+5.5%	

105	+191.7%	-5.4% excl. one-offs
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Cash flow reduced due to working capital and higher investments

Cash flow statement

Lufthansa Group (in m EUR)	FY 2014	vs. PY
EBT (earnings before income taxes)	180	-366
Depreciation & amortisation (incl. D&A for non-current assets)	1,508	-231
Net proceeds from disposal of non-current assets	140	+151
Result from equity investments	-121	+3
Net interest	279	-67
Income tax payments/reimbursements	-220	-127
Non-cash changes in measurement of financial derivatives	413	+333
Change in working capital	-202	-1,009
Operating cash flow	1,977	-1,313
Capital expenditure (net)	-2,274	-291
Free cash flow	-297	-1,604
Cash and cash equivalents as of 31.12.2014*	828	-579
Current securities	1,785	-1,361
Total Group liquidity*	2,613	-1,940

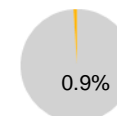
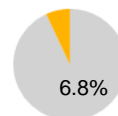
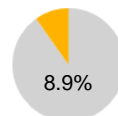
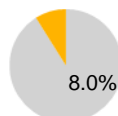
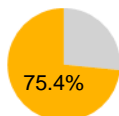


* Excluding fixed-term deposits with terms of three to twelve months (125 m EUR)

Aviation Services show good performance

Segment Overview FY14

Share of
LH Group's
external revenue



FY 2014 vs. FY 2013 in EUR m	Passenger Airline Group	Logistics	MRO	Catering	IT Services	Others & Consolidation
Revenue vs. PY in %	23,320 -0.8%	2,435 -0.3%	4,337 +3.8%	2,633 +4.7%	646 +0.9%	-3,360 +0.0%
Operating result vs. PY in m EUR	553 +40	100 +21	392 -12	100 -5	37 +1	-228 +210
	normalized * +102 m EUR incl. +360 m EUR from lower D&A	incl. -9 m EUR from higher D&A				normalized * +27 m EUR

in EUR m	Lufthansa Passenger Airlines	SWISS	Austrian Airlines
Total revenue vs. PY in %	17,098 -1.2%	4,241 +0.4%	2,069 +0.0%
Operating result vs. PY in m EUR	252 -30	289 +63	10 -15
	normalized * +32 m EUR incl. +238 m EUR from lower D&A	incl. +84 m EUR from lower D&A	incl. +38 m EUR from lower D&A

* normalized means excluding project and restructuring cost

Weak pricing on long-haul routes, but record volumes achieved

Operating KPIs of Passenger Airline Group

Total	FY '14	Q4 '14
Number of flights	-2.6%	-3.8%
ASK	+2.1%	+1.7%
RPK	+2.4%	+1.6%
SLF	+0.3pts.	+0.0pts.

Yield	-3.1%	-1.7%
Yield ex currency	-2.8%	-3.3%
RASK	-2.8%	-1.7%
CASK* incl. fuel	-3.8%	-2.0%
RASK ex currency	-2.5%	-3.3%
CASK* ex currency ex fuel	-2.6%	-0.2%

Europe	FY '14	Q4 '14
ASK	+0.1%	-3.2%
RPK	+1.5%	-1.2%
SLF	+1.0pts.	+1.5pts.
Yield	-2.2%	-0.4%
Yield ex currency	-2.2%	-1.4%
RASK	-0.9%	+1.7%
RASK ex currency	-0.8%	+0.6%

Americas	FY '14	Q4 '14
ASK	+6.8%	+7.5%
RPK	+4.8%	+5.3%
SLF	-1.6pts.	-1.8pts.
Yield	-2.7%	+1.6%
Yield ex currency	-2.3%	-1.0%
RASK	-4.5%	-0.6%
RASK ex currency	-4.2%	-3.1%


Asia/Pacific	FY '14	Q4 '14
ASK	+1.9%	+2.6%
RPK	+2.2%	+1.6%
SLF	+0.3pts.	-0.7pts.
Yield	-4.5%	-4.7%
Yield ex currency	-3.7%	-6.5%
RASK	-4.3%	-5.5%
RASK ex currency	-3.5%	-7.3%

Mid East / Africa	FY '14	Q4 '14
ASK	-6.1%	-1.6%
RPK	-3.2%	-1.7%
SLF	+2.3pts.	-0.1pts.
Yield	-4.3%	-6.3%
Yield ex currency	-3.7%	-7.8%
RASK	-1.4%	-6.3%
RASK ex currency	-0.8%	-7.8%

* adjusted for one-off items

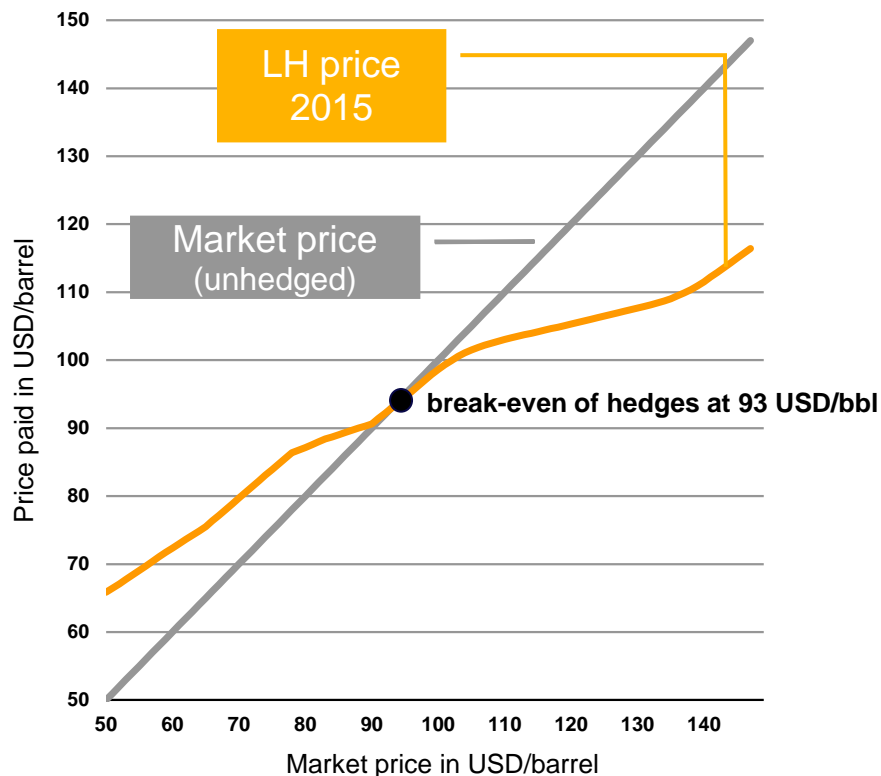
Trading assumptions for 2015 unchanged

Trading assumptions FY 2015

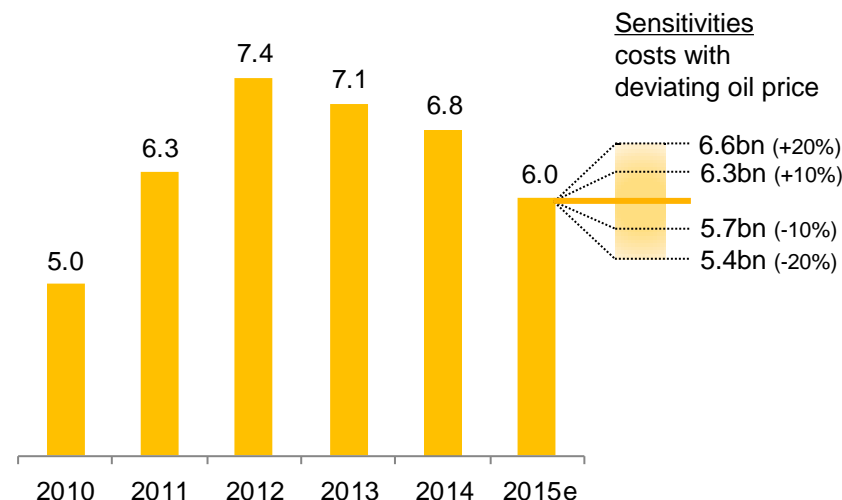
	Full Year 2015 assumptions	Explanation
No. of flights	further reduction	Fleet rollover: Continue to phase out small, non-efficient aircraft
Capacity (ASK)	 c. +3%	Capacity growth mainly achieved through more seats per aircraft. Growth on long-haul, short haul remains flat
Volume (RPK)	above capacity growth	
Load Factor (SLF)	slightly up	
Pricing (Yield ex currency)	clearly negative	High degree of uncertainty around market dynamics from lower fuel price (surcharge, yield, capacity discipline)
Unit Revenue (RASK ex currency)	clearly negative	
Unit Costs (CASK ex fuel ex currency)	slightly reduced	Reductions largely offset by drift in ATC charges and staff cost, higher pension cost and growing depreciation on fleet
Cargo Capacity	overall stable	Reduction in freighter capacity to be compensated by growing belly capacity of passenger aircraft

Fuel cost higher than expected in Jan, but significantly below 2014

Fuel forecast and sensitivities FY15



Lufthansa Group fuel expenses after hedging
(in bn EUR)



Assumptions	FY 2015	FY 2016
Current fuel hedging levels	78%	50%
Expected volume (m tons)	9.1	--
Brent forward (USD/bbl)	66	--
EUR / USD forward	1.14	--

as of 28 Feb 2015

Almost all segments expected to increase profits above previous year

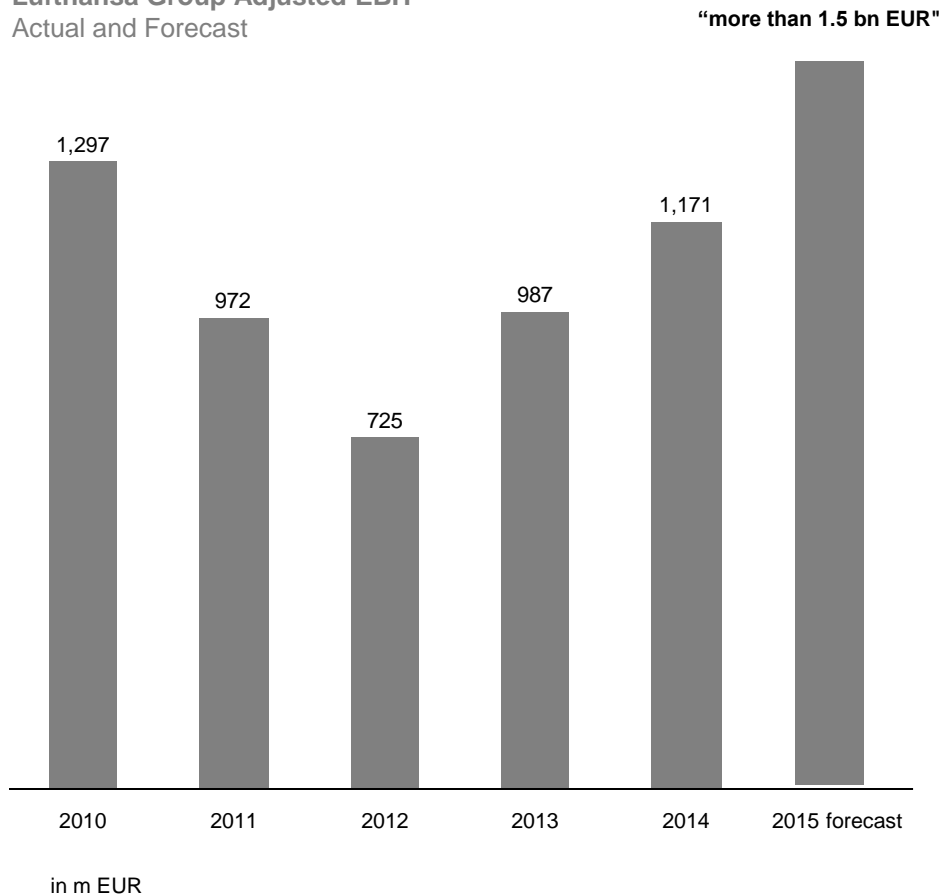
Forecast 2015 per segment

Segment	Op. profit 2014 (m EUR)	Adj. EBIT 2014 (m EUR)	Adj. EBIT Forecast for 2015
Lufthansa Passenger Airlines	252	399	significantly above previous year
SWISS	289	278	on previous year's level
Austrian Airlines	10	9	significantly above previous year
Consolidation	2	15	
Passenger Airline Group	553	701	significantly above previous year
Logistics	100	123	slightly above previous year
MRO	392	380	slightly below previous year
Catering	100	88	significantly above previous year
IT Services	37	44	dissolution of segment
Others	-211	-161	significant improvement
Internal Result / Consolidation	-17	-4	
Lufthansa Group	954	1,171	more than 1,500 m EUR

Adjusted EBIT FY15 expected to be more than 1.5 bn EUR

Forecast Lufthansa Group 2015

Lufthansa Group Adjusted EBIT
Actual and Forecast



Financial Year 2015

- Profit increase in 2015 mainly driven by passenger airlines
- Four parameters will largely determine ultimate profit level
 - development of oil price;
 - exchange rates of EUR, especially towards USD and CHF;
 - yield development of passenger airlines; and
 - progress with labor negotiations
- No strike costs included in forecast
- Restructuring costs could burden result



Lufthansa Group

Carsten Spohr

– Chairman of the Executive Board and CEO –



Focus on Quality, Efficiency and Innovation

7to1 - Our Way Forward: Seven fields of action, one goal



Industry-leading products and services drive customer satisfaction

Quality focus of hub airlines

Lufthansa Passenger Airlines

New First Class



New Business Class



New Premium Economy Class



5 Star Service Upgrades

5 STAR



Lufthansa Group Airlines

Full flat Business Class seats
now standard in the Lufthansa Group

SWISS



Austrian



brussels airlines



SCORE becomes routine process

Constantly improving efficiency

7,600
projects
identified

2.5

bn Euro
contribution to the
operating result (2012 – 2014)

2.4

bn Euro
of headwinds (2012 – 2014)

1,130
days of SCORE

SCORE 
Change for Success

5,900
projects concluded

1.7

bn Euro
pipeline
(2015 – 2016)

**New
Germanwings**

Fuel Efficiency

**2-Class-
Fleet**

**Lufthansa
Revenue
Services**

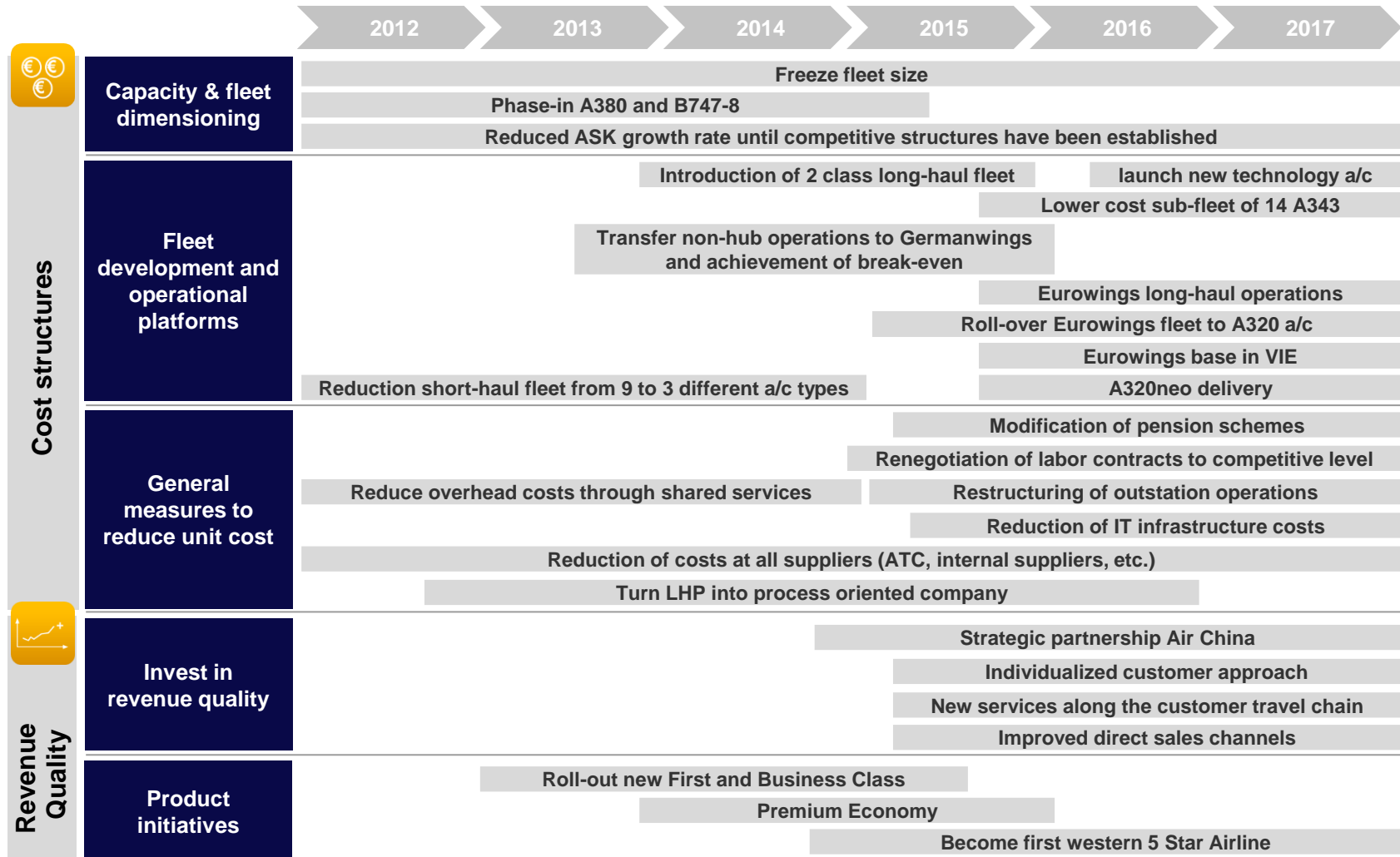
Headquarter Cologne

**Lufthansa Global
Business Services**

**Board
Connect**

Consistent focus on profitability measures

Efficiency measures at Lufthansa Passenger Airlines



Agreements with labor unions support competitiveness

Current status of negotiations



Lufthansa

- ✓ Arbitration with cabin union UFO
- ! Negotiations with pilots union VC ongoing
- ! Further VC strikes cannot be excluded

Eurowings 

- ✓ Agreements with pilots and cabin unions
- ✓ Perspective for further development with new fleet of Airbus A320

 **SWISS**

- ✓ Agreement with pilots and cabin unions
- ✓ Pension age and productivity increased

Austrian 

- ✓ Agreement with pilots and cabin unions
- ✓ Employees transfer into "new" Austrian



Lufthansa CityLine

- ✓ Agreement with pilots' union VC for operation of Airbus A340-300 aircraft

 **Air Dolomiti**

- ✓ Chances from current tariff agreement for pilots and cabin crew

Optimized travel chain through innovations and digitization

Innovations in the Lufthansa Group

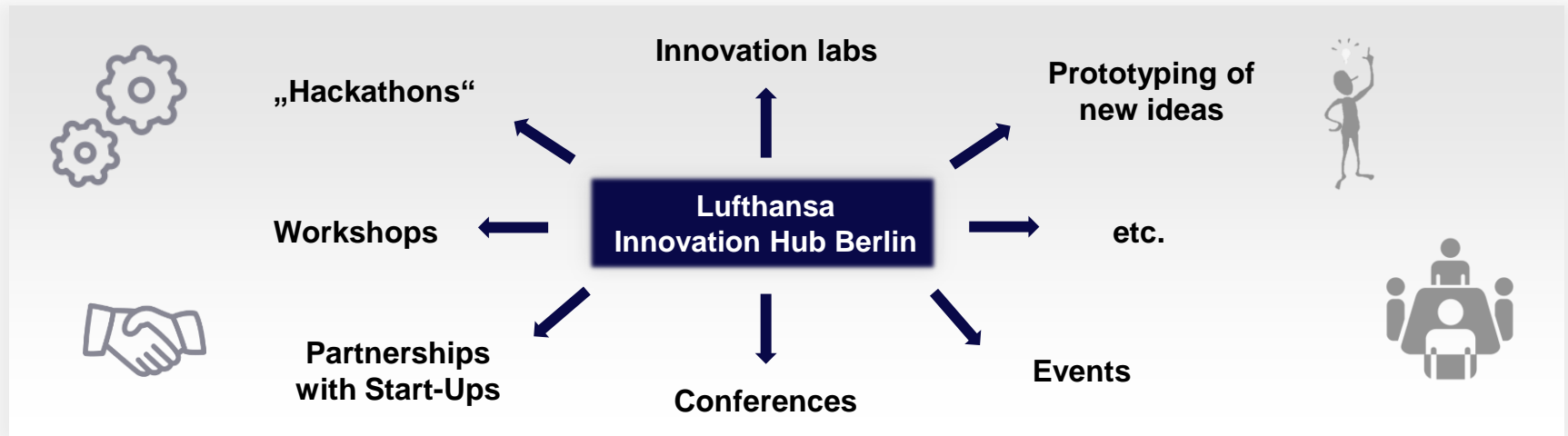
Group wide innovation activities

- Innovation targets for each BU
- Set up an innovation process in the Group
- Initiate Group Innovation Fund



Lufthansa Innovation Hub Berlin

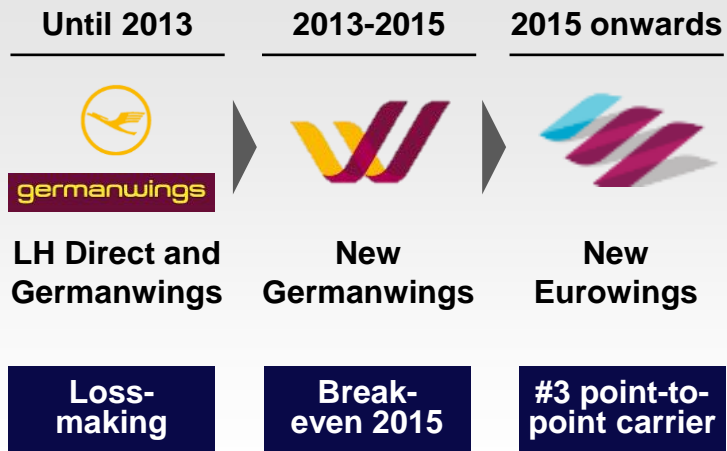
- **Co-Creation:** Connect LH to Start-Up scene
- **Engineering:** Develop new digital solutions
- **Think Tank:** Rethink travel and aviation



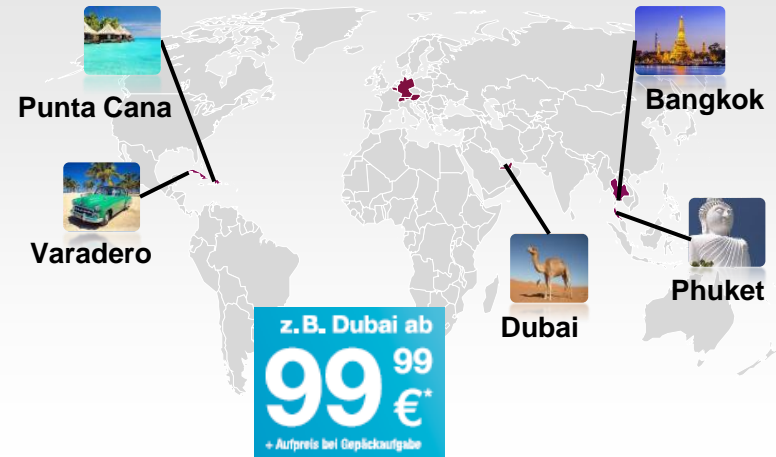
Eurowings to be the #3 point-to-point airline in Europe

Evolution of the new Eurowings

Evolution of the new Eurowings



Long-haul flights to start from Nov 2015



Contribution of aviation services to increase further

Regional diversification, partnerships and innovative solutions boost growth

Lufthansa Technik



- Expansion of customer specific services
- Empowerment of sales to increase market shares within Asia and Americas

LSG Sky Chefs



- Further development onboard retail
- Expansion convenience retail business
- Growth in adjacent markets

Lufthansa Cargo



- Further development of Cargo JVs
- Innovations for industry specific solutions
- Increase share high value freight

Other segments

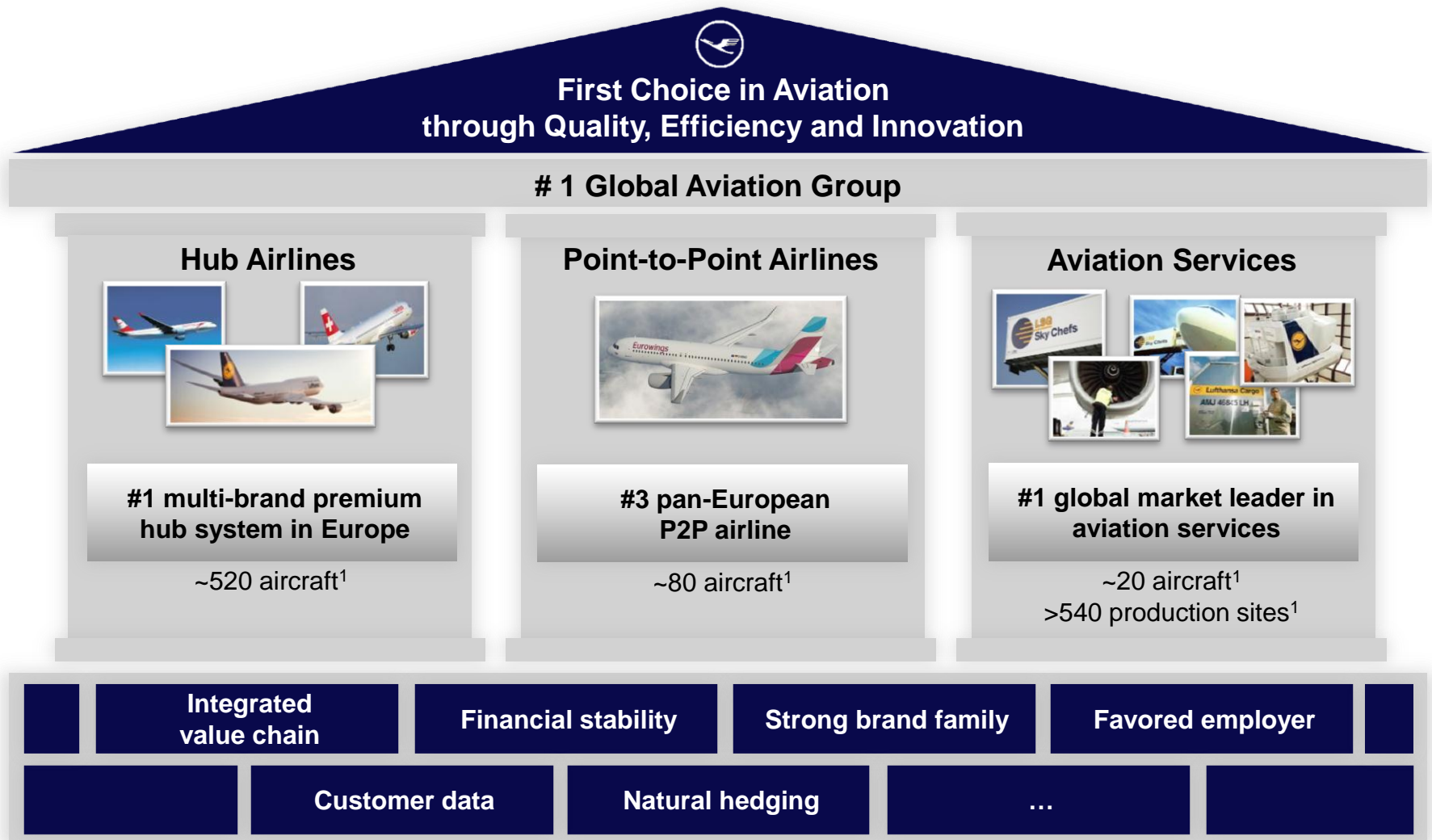


Delvag etc.

- Enhancement of individual business portfolios

Three strong pillars form the Lufthansa Group

Ambitious targets for all segments



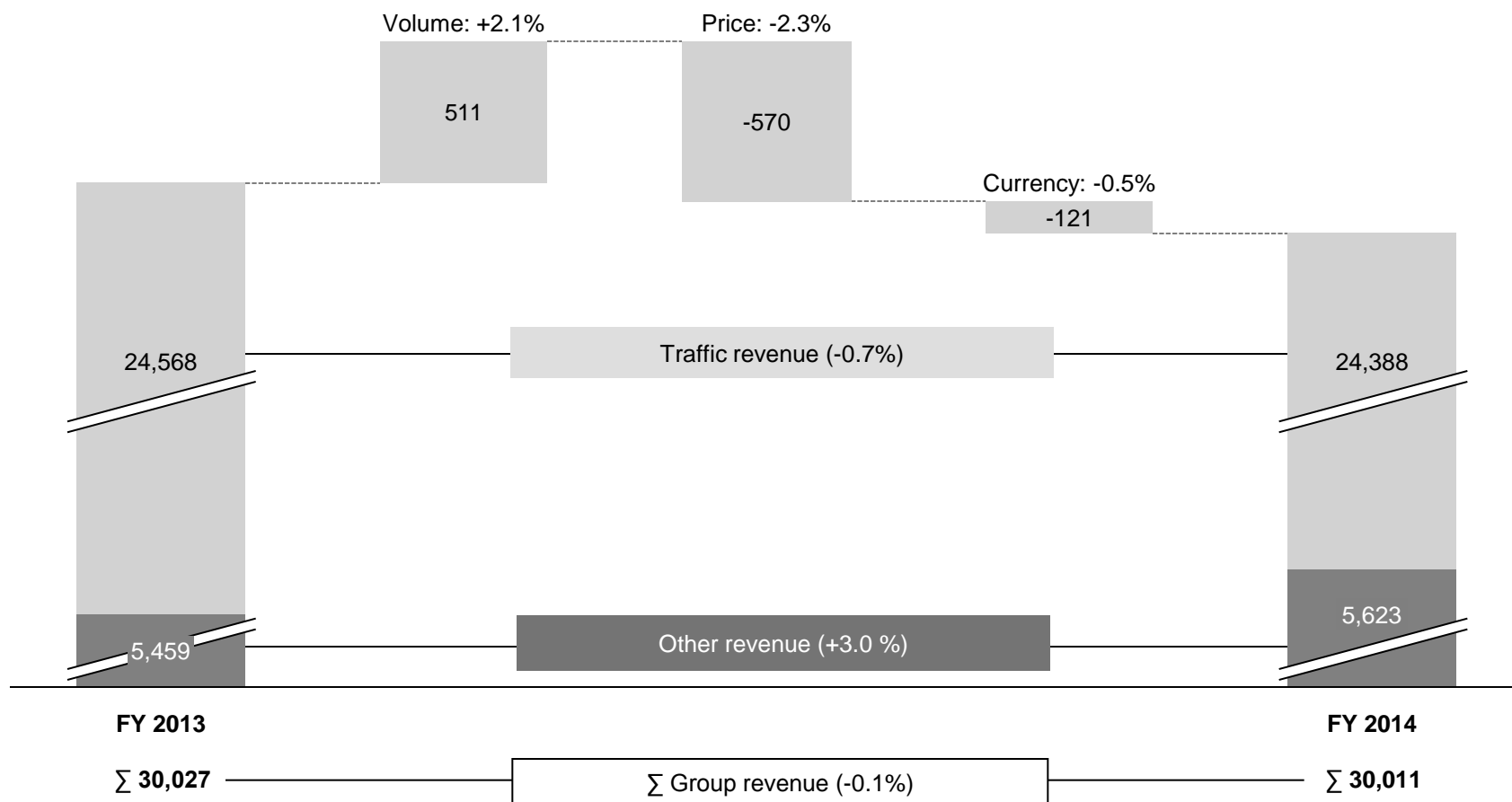
¹ As of 2015

Appendix
– Financial Figures FY & Q4 2014 –

Group Revenue

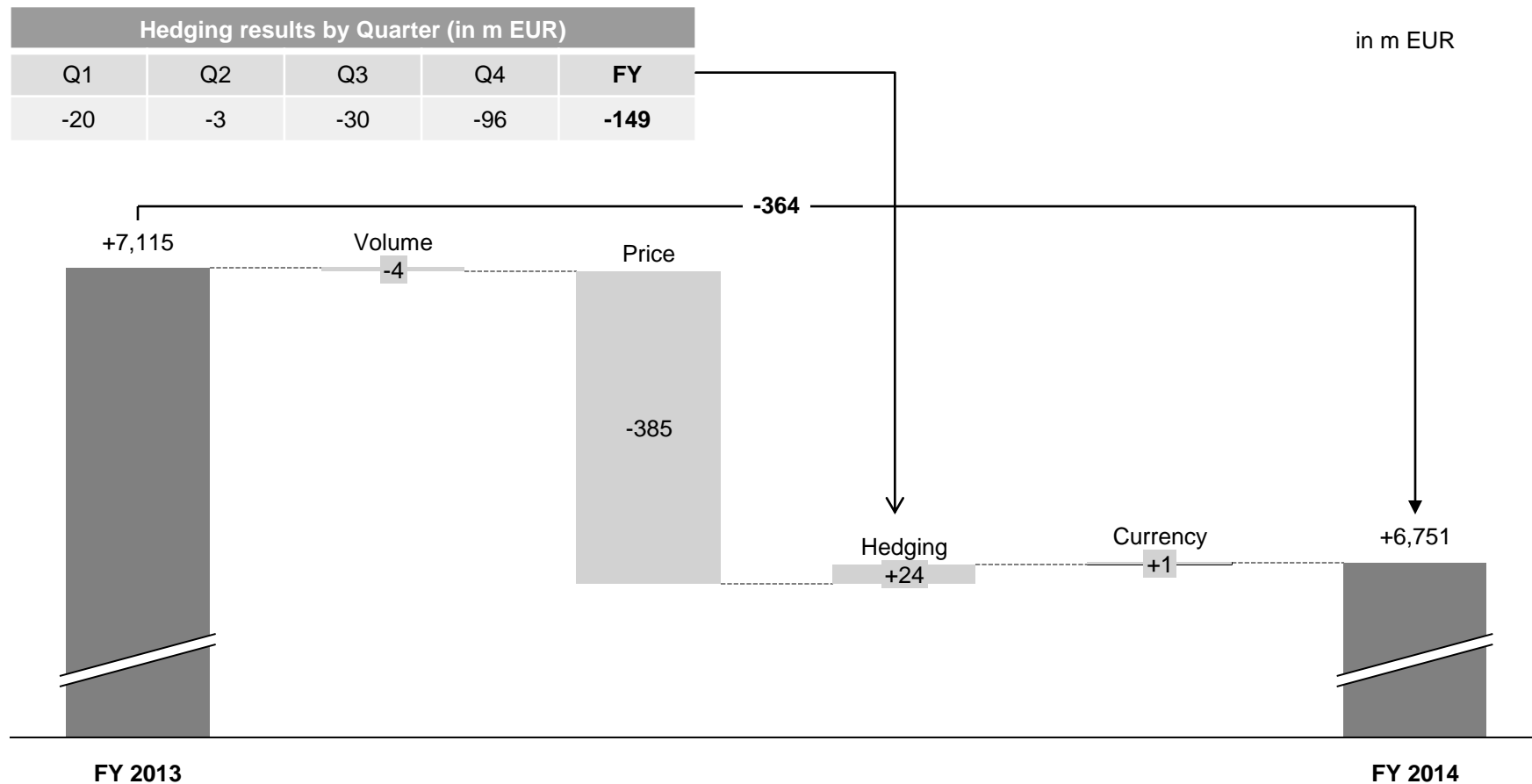
FY 2014 vs. FY 2013

in m EUR



Fuel Cost

FY 2014 vs. FY 2013



Operating Result

FY 2014 vs. FY 2013

in m EUR	FY 2014	FY 2013	vs. PY
Profit from operating activities	767	851	-84
Net book gains / losses on assets and financial investments	78	-30	+108
- thereof aircraft disposals	-17	-23	+6
Reversal of provisions	-168	-191	+23
Past service costs	-3	-12	+9
Valuation from non-current borrowings	178	4	+174
Impairments	102	77	+25
Operating result	954	699	+255
One-offs (restructuring and project costs)	224	345	-121
Normalized operating result	1,178	1,044	+134

* normalized means excluding project and restructuring cost

Earnings figures

FY 2014 vs. FY 2013

in m EUR	FY 2014	FY 2013	vs. PY
Profit from operating activities	767	851	-9.9%
Income from subsidiaries, joint ventures and associates	121	124	-3.4%
Other financial items	-429	-83	-416.9%
- thereof changes in time value of hedge options	-212	-20	-960%
EBIT	459	892	-48.5%
Net interest	-279	-346	+19.4%
Income taxes	-105	-220	-52.3%
Minority interests	-20	-13	-53.8%
Net profit	55	313	-82.4%
Earnings per share (in EUR)	0.12	0.68	-82.4%

Operating Results and one-off factors

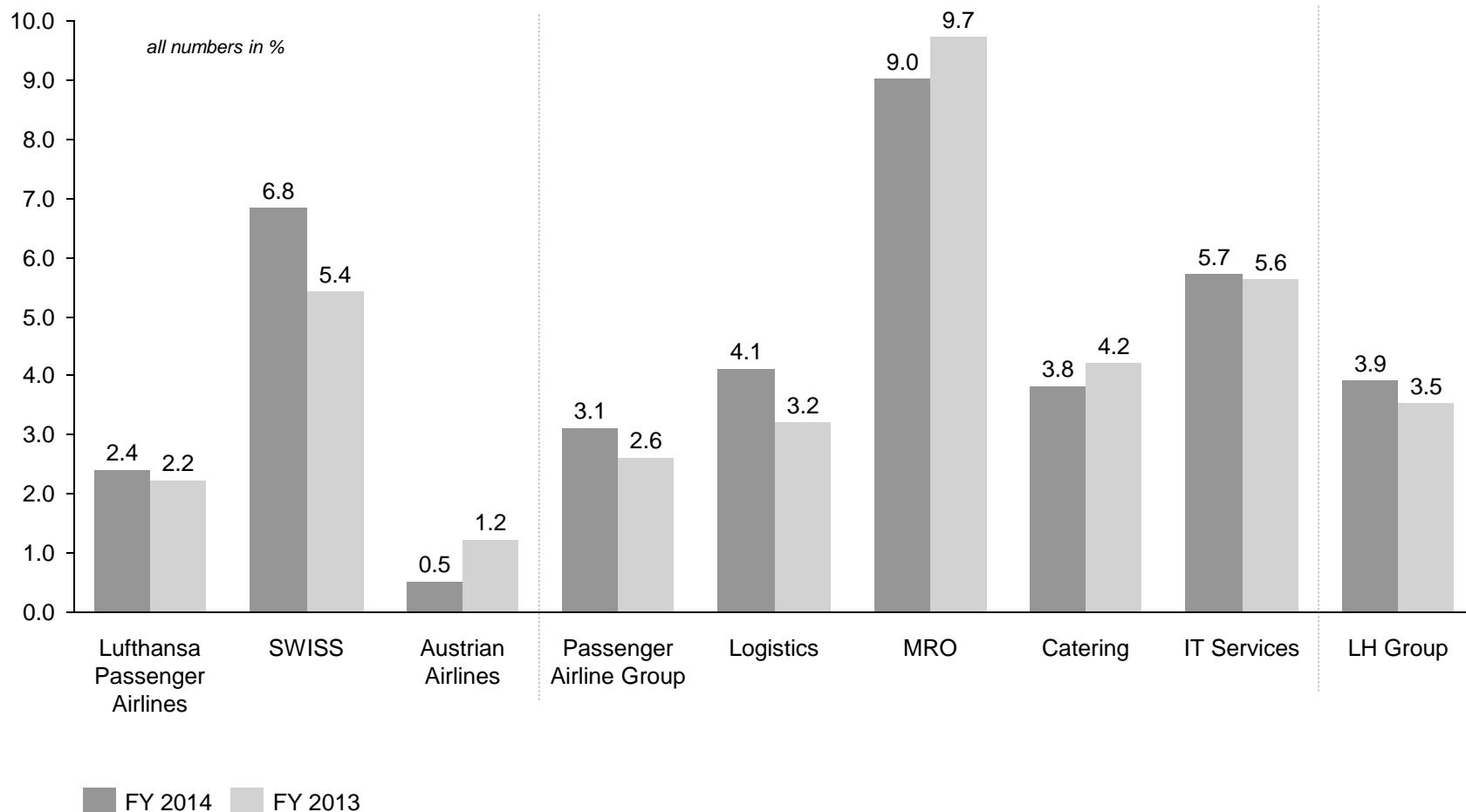
Quarterly operating results 2013-2014

<i>in m EUR</i>	Q1	Q2	Q3	Q4	6M	9M	Full Year
Reported operating result 2013	-359	432	590	36	73	663	699
<i>incl. SCORE restructuring costs</i>	-64	-7	-97	-77	-71	-168	-245
<i>incl. project costs</i>	0	0	-30	-70	0	-30	-100
Normalized operating result 2013	-295	439	717	183	144	861	1,044
Reported operating result 2014	-245	359	735	105	114	849	954
<i>incl. SCORE restructuring costs</i>	-20	-10	0	-32	-30	-30	-62
<i>incl. project costs</i>	-35	-40	-50	-37	-75	-125	-162
Normalized operating result 2014	-190	409	785	174	219	1,004	1,178
<i>incl. depreciation policy change effect</i>	83	86	91	91	169	260	351
<i>incl. strike impacts</i>	-10	-60	-35	-127	-70	-105	-232
<i>incl. Venezuelan cash write-offs</i>	-38	-23	+7	-5	-61	-54	-59

Restatement due to IFRS11: Aerologic GmbH has been proportionately consolidated as a joint operation since 1 January 2014

Operating margins (normalized*)

FY 2014 vs. FY 2013



* normalized means excluding project and restructuring cost

Adjusted EBIT and EBIT per Quarter

<i>in m EUR</i>	Q1	Q2	Q3	Q4	6M	9M	Full Year
Operating result	-245	359	735	105	114	849	954
Adj. EBIT	-240	418	810	183	178	988	1,171
<i>pension changes</i>	0	0	+15	+33	0	+15	+48
<i>book gains / losses on asset disposals</i>	+13	0	+8	-100	+13	+21	-79
<i>impairments</i>	+10	+15	-1	-164	25	24	-140
EBIT	-217	433	832	-48	216	1,048	1,000
<i>interest on liquidity</i>							+84
<i>taxes (25% lump sum)</i>							-271
<i>cost of capital</i>							-1,036
EACC							-223
<i>average capital employed</i>							17,565
WACC							5.9%
ROCE							4.6%

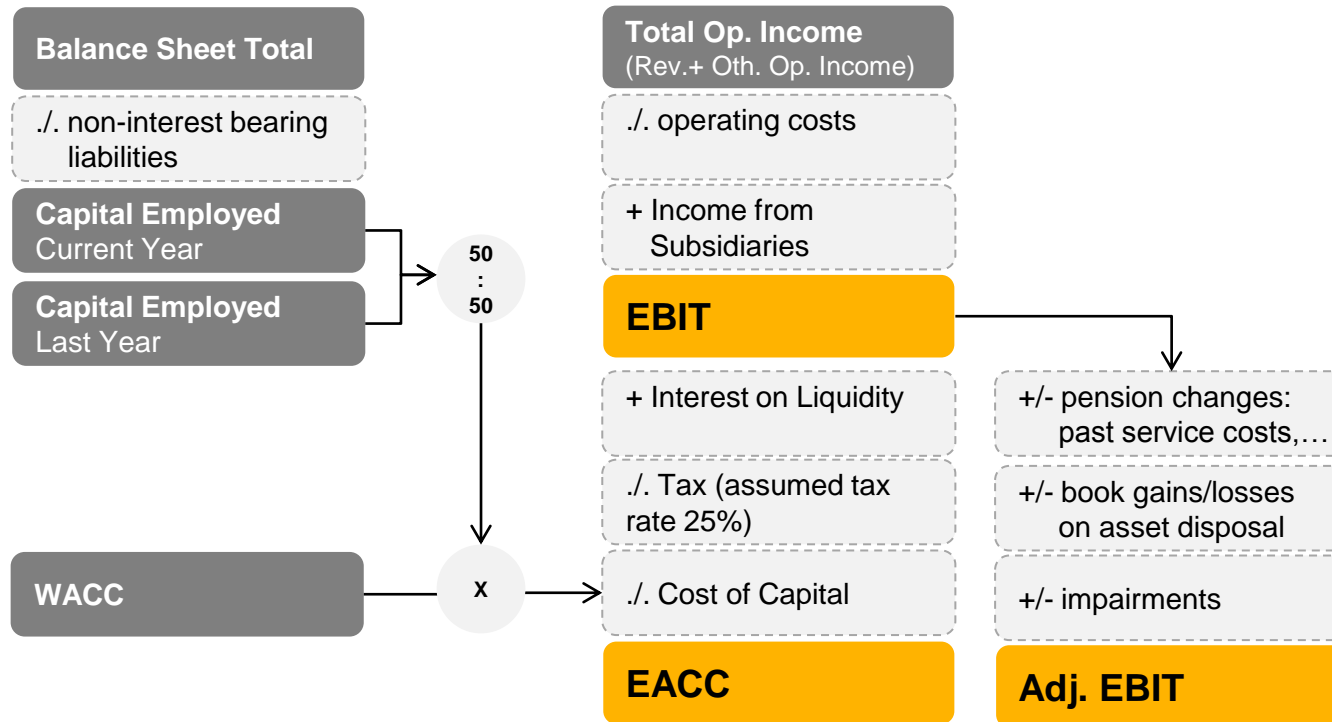
Reconciliation Operating Result to Adjusted EBIT per segment

FY 2014

Segment	Op. profit 2014 (m EUR)	Valuation of financial liabilities at due date	Reversal of provisions	Pension changes	Income from subsidiaries	Adj. EBIT 2014 (m EUR)
Lufthansa Passenger Airlines	252	-10	+125		+32	399
SWISS	289	-18	+7			278
Austrian Airlines	10		+2	-3		9
Consolidation	2				+13	15
Passenger Airline Group	553	-28	+134	-3	+45	701
Logistics	100		+5		+18	123
MRO	392		+16	-38	+10	380
Catering	100	-20		-4	+12	88
IT Services	37	-1	+2		+6	44
Others	-211	-1	+20		+31	-161
Internal Result / Consolidation	-17	+23	-9			-4
LH Group	954	-27	+168	-45	+121	1,171

New system directly links profit figures and value creation metric

EBIT, EACC and ROCE are transparent and can be calculated easily

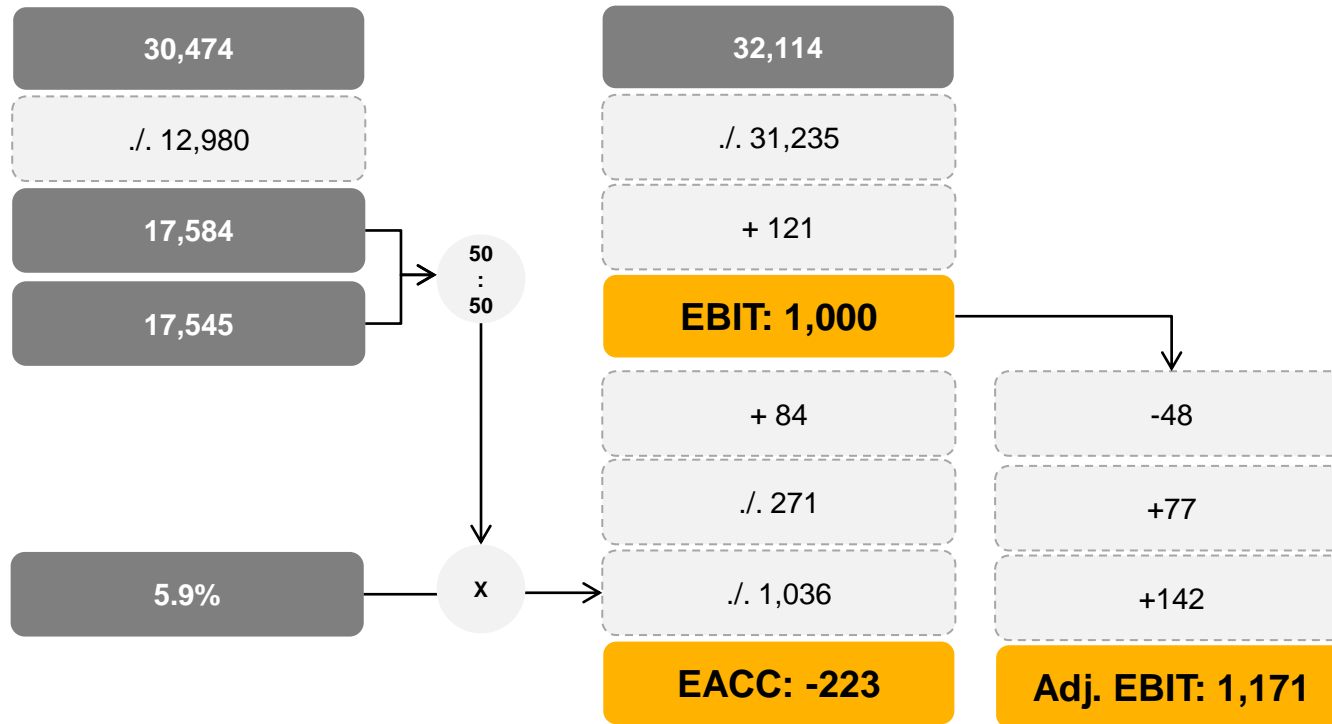


$$\text{ROCE} = \frac{(\text{EBIT} + \text{Interest on Liquidity} - \text{Tax})}{\text{Average Capital Employed}}$$

New system directly links profit figures and value creation metric

Calculation for financial year 2014

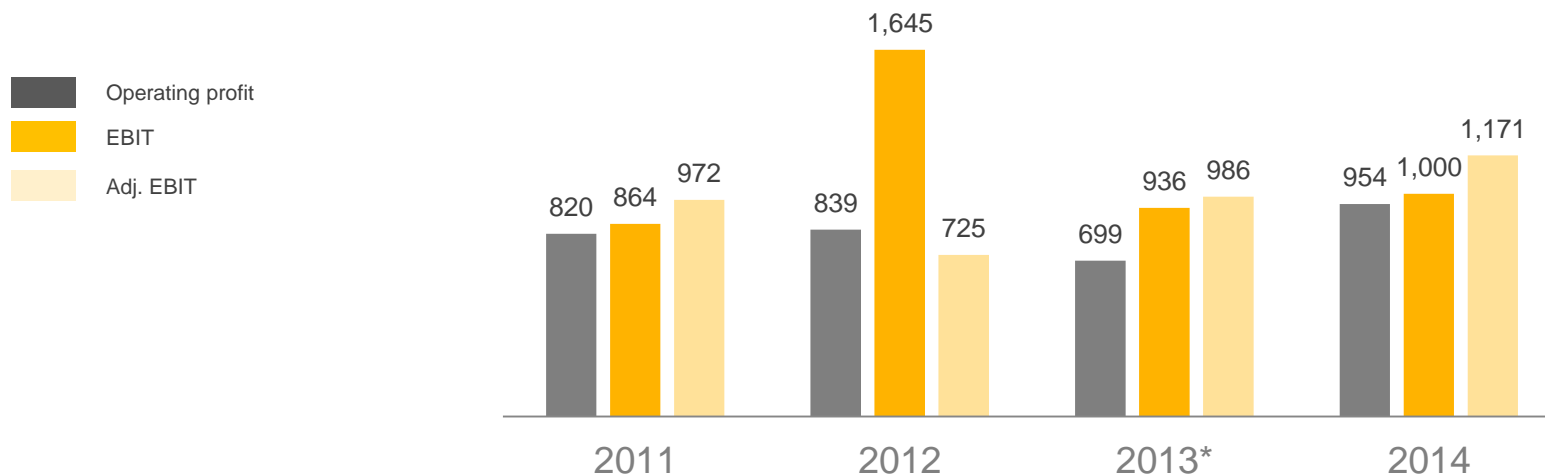
in m EUR



$$\text{ROCE} = \frac{(1,000 + 84 - 271)}{17,565} = 4.6\%$$

EBIT is a structurally higher number than operating result

Main difference is that income from subsidiaries is included

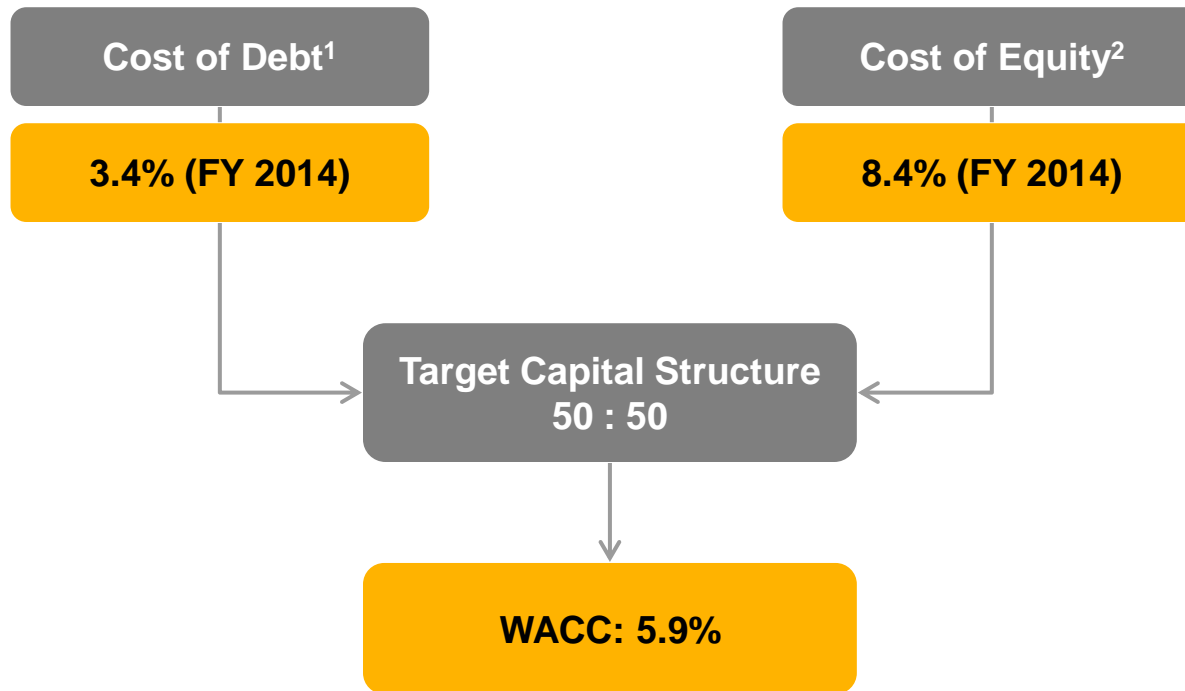


Total Operating Income	31,070	32,947	32,149	32,114
./. Operating Expenses	-30,277	-31,396	-31,337	-31,235
+ Income from Subsidiaries	71	94	124	121
EBIT	864	1,645	936	1,000
./. Delta to Operating Result	-44	-806	-237	-46
Operating Result	820	839	699	954
Adj. EBIT	972	725	986	1,171
./. Delta to Operating Result	-152	-114	-287	-217
Operating Result	820	839	699	954

* Restatement due to IFRS11: Aerologic GmbH has been proportionately consolidated as a joint operation since 1 January 2014

WACC is based on a target capital structure of 50:50

Current WACC is 5.9%

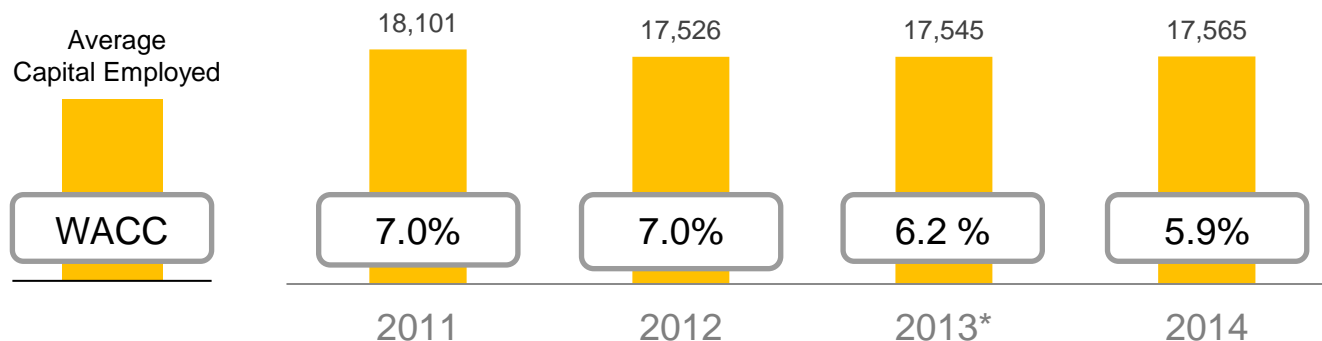


¹ Currently no consideration of tax shield

² Cost of Equity FY2014 = Risk-free market interest rate of 2.6% + (Market risk premium of 5.2% x Beta Factor 1.1)

Current capital employed is ca. 17.6 bn EUR

Weighted average cost of capital is 5.9%



Balance Sheet Total	28,081	28,559	29,108	30,474
/./. Non-Interest Bearing Liabilities	10,649	10,940	11,563	12,890
- liabilities from unused flight documents	2,359	2,612	2,635	2,848
- trade payables, other fin. liabilities, other provisions	4,758	4,887	5,113	5,151
- adv. payments, deferred income, other non-fin. liabilities	2,095	2,096	2,151	2,103
- others	1,437	1,345	1,664	2,798
Capital Employed at year-end	17,432	17,619	17,545	17,584
Average Capital Employed	18,101	17,526	17,582	17,565
WACC	7.0%	7.0%	6.2%	5.9%
EBIT	864	1,645	936	1,000
Interest on liquidity	62	75	67	84
Taxes	-232	-430	-251	-271
Cost of capital	-1,267	-1,227	-1,090	-1,036
EACC	-573	63	-338	-223
ROCE	3.8%	7.4%	4.3%	4.6%

* Restatement due to IFRS11: Aerologic GmbH has been proportionately consolidated as a joint operation since 1 January 2014