



Lufthansa Group



# **Analyst and Investor Conference**

Carsten Spohr, CEO  
and Chairman of the Executive Board

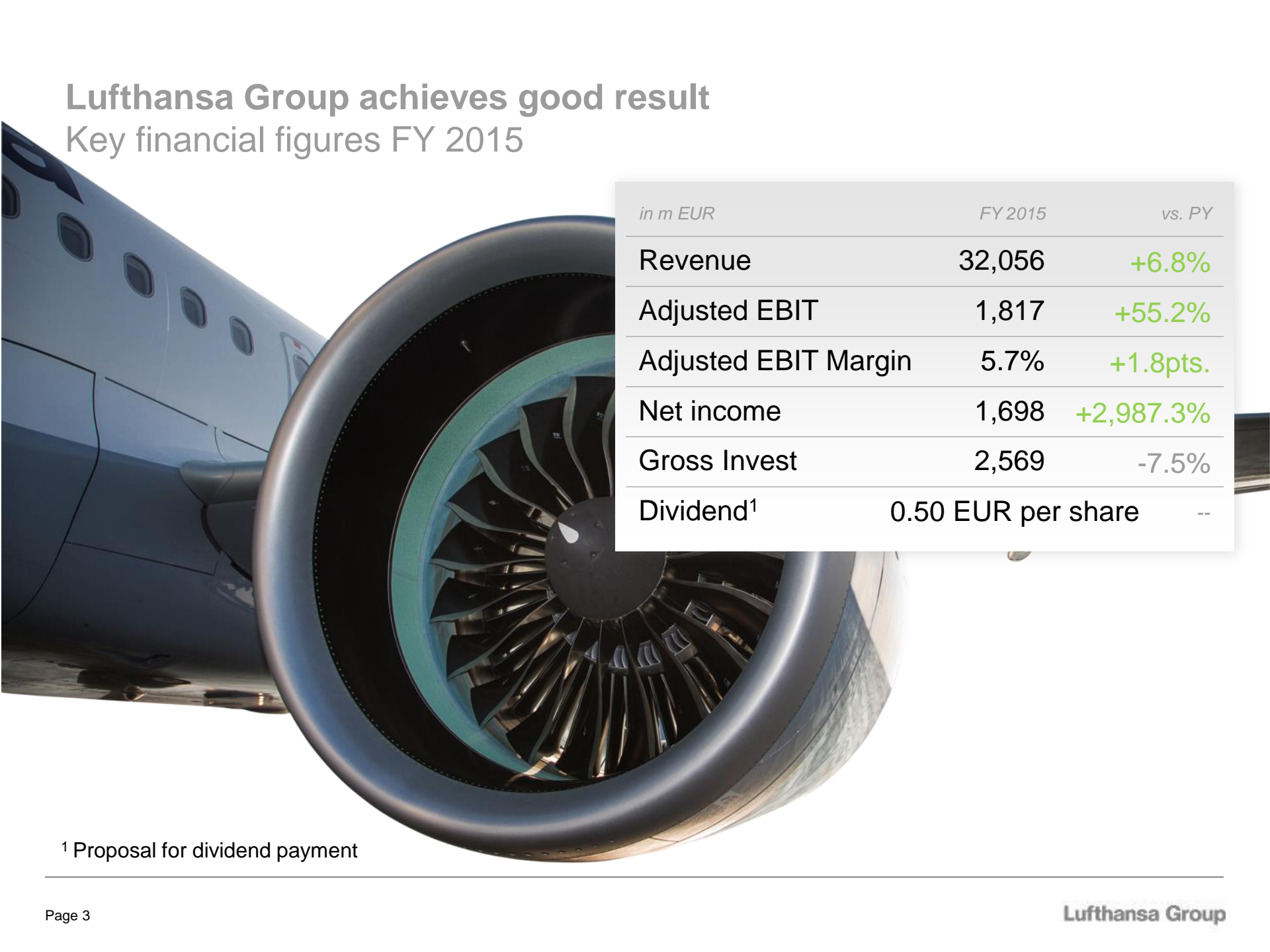
Frankfurt, 17 March 2016

## Disclaimer in respect of forward-looking statements

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# Lufthansa Group achieves good result

## Key financial figures FY 2015

A detailed close-up photograph of a Lufthansa aircraft engine, showing the complex fan blades and the outer casing. The engine is mounted on the wing of a white aircraft, with the Lufthansa crane logo visible on the fuselage.

<i>in m EUR</i>	<i>FY 2015</i>	<i>vs. PY</i>
Revenue	32,056	+6.8%
Adjusted EBIT	1,817	+55.2%
Adjusted EBIT Margin	5.7%	+1.8pts.
Net income	1,698	+2,987.3%
Gross Invest	2,569	-7.5%
Dividend <sup>1</sup>	0.50 EUR per share	--

<sup>1</sup> Proposal for dividend payment

## **Result helped by oil price and successfully implemented measures**

### Main reasons for positive development of earnings in 2015



**Low oil price supports positive result**



**High acceptance of premium products by customers**



**Strict capacity discipline: fleet downsized by 15 aircraft compared to 2014**



**Germanwings/Eurowings reached profitability**

# Structural measures ensure future viability

## Highlights of „7to1 – Our Way Forward“ in 2015





Lufthansa Group



# **Analyst and Investor Conference**

Simone Menne, CFO

Frankfurt, 17 March 2016

# Financial KPIs developed positively

## FY 2015 at a glance

<i>Lufthansa Group (in m EUR)</i>	FY 15	FY 14	vs. PY
Total revenue	32,056	30,011	+6.8%
of which traffic revenue	25,322	24,388	+3.8%
EBIT	1,676	1,000	+67.6%
Adjusted EBIT	1,817	1,171	+55.2%
Net income	1,698	55	+2,987.3%

	Q4 15	Q4 14	vs. PY
	7,752	7,387	+4.9%
	5,935	5,928	+0.1%
	13	-48	--
	124	183	-32.2%
	-50	-427	+88.3%

	FY 15	FY 14	vs. PY
Operating cash flow	3,393	1,977	+71.6%
Net invest	2,559	2,274	+12.5%
Free cash flow	834	-297	--

Equity ratio	18,0%	13,2%	+4.8pts.
Net financial debt	3,347	3,418	-2.1%
Pension provisions	6,626	7,231	-8.4%

EACC	323	-223	--
ROCE	7.7%	4.6%	+3.1pts.





<i>Passenger Airline KPIs</i>	FY 15	Q4 15
No. of flights	+0.2%	+0.1%
ASK (capacity)	+2.2%	-0.3%
RPK (volume)	+2.7%	-0.5%
SLF (load factor)	+0.3pts.	-0.1pts.

Yield (pricing)	+2.1%	+2.2%
RASK* (unit revenue)	+2.6%	+2.1%
CASK (unit costs)	+1.3%	+4.4%

\* Standard definition comprises traffic revenue excl. other operating income  
RASK incl. Other operating income: FY 2015: +4.0%; Q4 2015: +3.5%

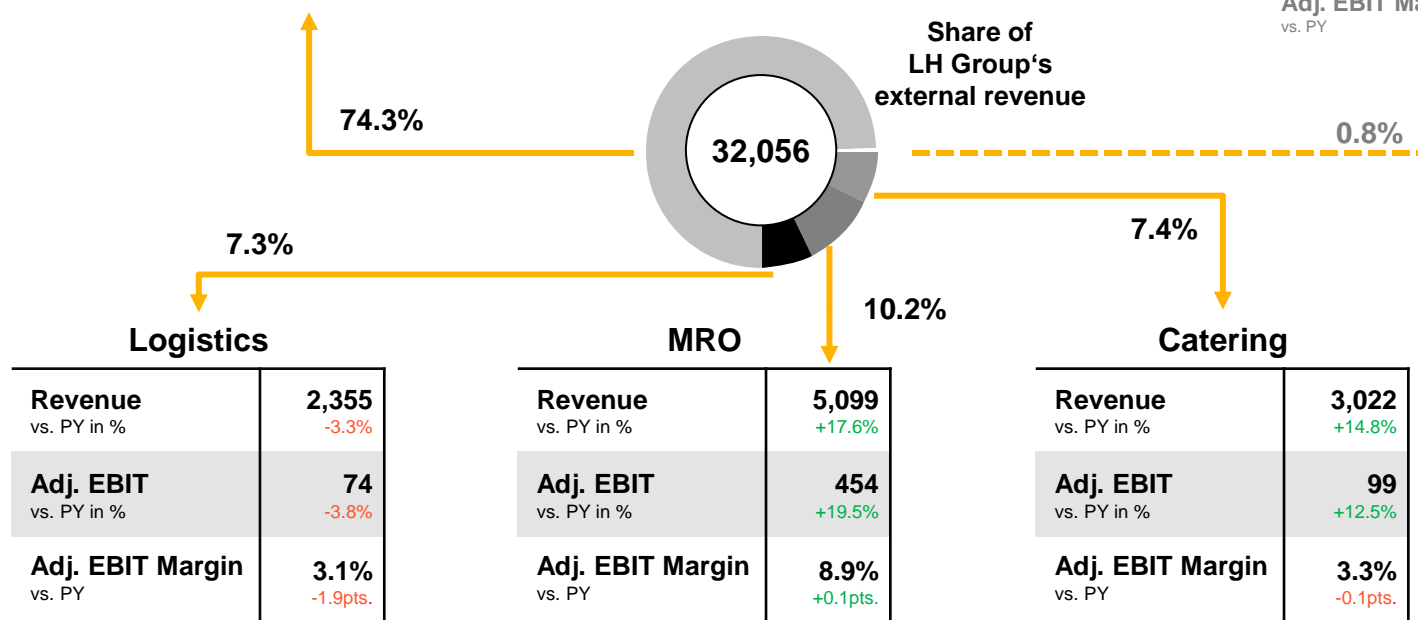
# Result improvement mainly driven by passenger airlines

## Segment overview FY 2015

in m EUR	Passenger Airline Group					<sup>2</sup>
<b>Revenue</b> vs. PY in %	<b>24,449</b> +5.1%	<b>17,944</b> +4.9%	<b>4,542</b> +7.1%	<b>2,102</b> +1.6%	<b>1,909</b>	
<b>Adj. EBIT<sup>1</sup></b> vs. PY in %	<b>1,505</b> +114.7%	<b>970</b> +143.1%	<b>429</b> +54.3%	<b>52</b> +477.8%	<b>38</b>	
<b>Adj. EBIT Margin<sup>1</sup></b> vs. PY	<b>6.1%</b> +3.1pts.	<b>5.4%</b> +3.1pts.	<b>9.4%</b> +2.8pts.	<b>2.5%</b> +2.1pts.	<b>2.0%</b>	

### Others & Consolidation<sup>3</sup>

<b>Revenue</b> vs. PY in %	<b>-2,919</b> +7.6%
<b>Adj. EBIT</b> vs. PY in %	<b>-315</b> -160.3%
<b>Adj. EBIT Margin</b> vs. PY	<b>nmf.</b>



<sup>1</sup> Sun Express und SN Brussels proportionally in PAG included; <sup>2</sup> Eurowings contained in LH Passenger Airlines figures; <sup>3</sup> mainly AirPlus, IT-Services and central functions included



# Pricing developed better in Q4; one-time effects burden unit costs

## Operative KPIs Passenger Airline Group

Total	FY '15	Q4 '15
Number of flights	+0.2%	+0.7%
ASK	+2.2%	-0.3%
RPK	+2.7%	-0.5%
SLF	+0.3pts.	-0.1pts.

Europa	FY '15	Q4 '15
ASK	+0.0%	-0.4%
RPK	+1.1%	-0.7%
SLF	+0.8pts.	-0.3pts.
RASK	+1.2%	+1.5%
RASK ex currency	-2.1%	-1.0%

Asia/Pacific	FY '15	Q4 '15
ASK	+3.4%	-0.5%
RPK	+4.2%	-0.2%
SLF	+0.6pts.	+0.2pts.
RASK	+2.9%	+2.1%
RASK ex currency	-3.6%	-1.0%

Yield	2.1%	2.2%
Yield ex currency	-3.5%	-1.9%
RASK*	+2.6%	+2.1%
CASK	+1.3%	+4.4%
RASK ex currency	-3.0%	-2.0%
CASK ex currency ex fuel	+2.4%	+7.4%

Americas	FY '15	Q4 '15
ASK	+4.2%	+1.9%
RPK	+4.0%	+1.2%
SLF	-0.2pts.	-0.5pts.
RASK	+6.4%	+2.0%
RASK ex currency	-1.9%	-4.9%

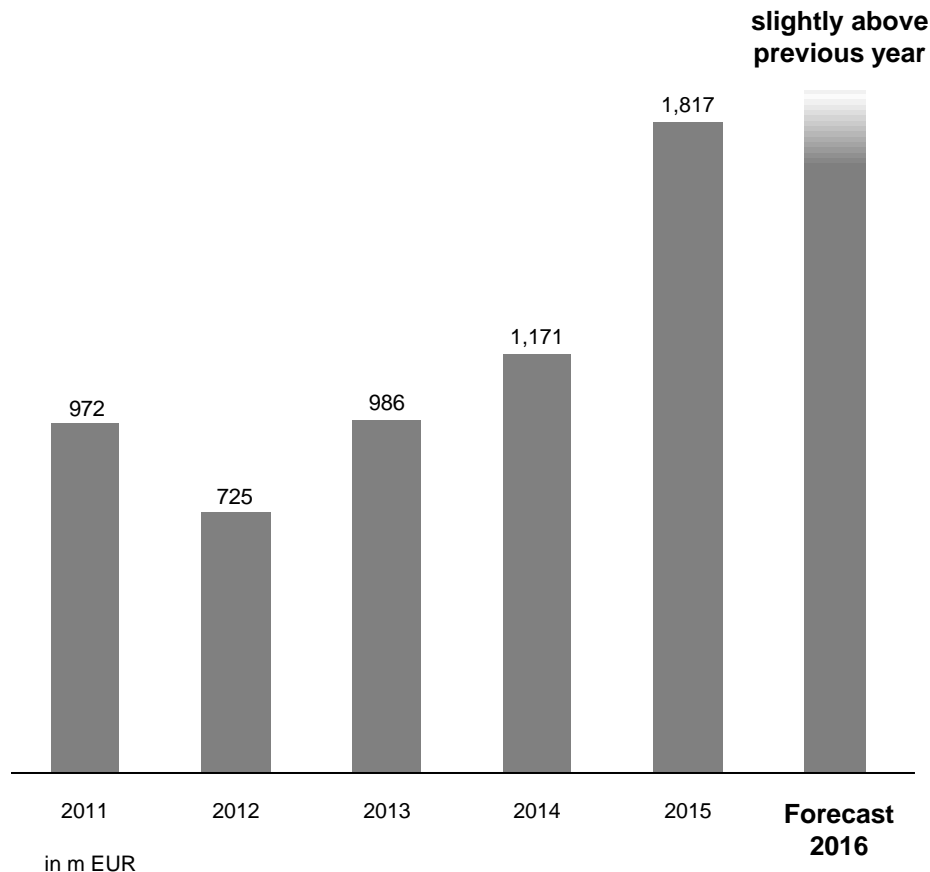
Mid East / Africa	FY '15	Q4 '15
ASK	-0.3%	-7.4%
RPK	-0.9%	-6.9%
SLF	-0.4pts.	+0.4pts.
RASK	+1.2%	+6.0%
RASK ex currency	-6.3%	+0.7%

\* Standard definition comprises traffic revenue excl. other operating income; RASK incl. other operating income: FY 2015: +4.0%; Q4 2015: +3.5%

# Lufthansa Group expects Adj. EBIT slightly above PY for 2016

## Forecast Lufthansa Group 2016

**Lufthansa Group Adjusted EBIT**  
Actual and Forecast



### Forecast FY 2016:

- Expected fuel costs: 4.8 bn EUR<sup>1</sup>
  - Tailwind of 1.0 bn EUR vs. PY at Brent forward of 39 USD/bbl; 1.10 USD/EUR
- Operating KPIs passenger airlines
  - ASK growth: +6.6%
  - RASK<sup>2</sup>: clearly negative
  - CASK<sup>2</sup>: reduced
- Other business segments (Logistics, MRO, Catering and Others) with lower profit contribution
- Forecast includes 100 m EUR restructuring costs
- Forecast before any negative effect on earnings from possible strikes

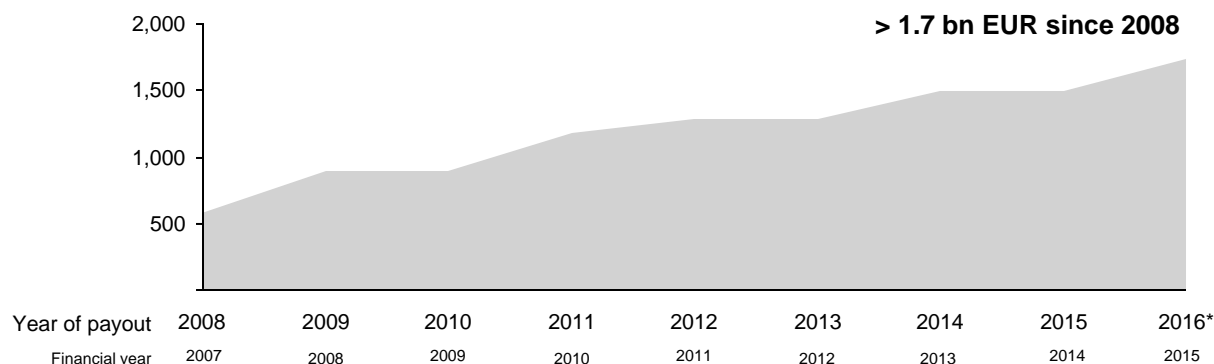
<sup>1</sup> As of 29 Feb. 2016; details in appendix of presentation

<sup>2</sup> Unit revenues excl. currency, unit costs excl. currency and fuel

# Shareholders to participate in good result

## Payout proposal in line with dividend policy

Cumulative dividend payments in m EUR



Shareholder Return in % of market capitalization 2008 - 2016

Lufthansa Group	25%
Ryanair	21%
easyJet	14%
Air France KLM	8%
IAG	4%

Market capitalization at 31.12.2015

Source: Annual reports, company presentations and broker research

Dividend policy		Proposal FY 2015	Target
Base	EBIT	1,676 m EUR	Continuous dividend payments
Pay-out	10 - 25%	13.9% (0.50 EUR / share* = 232 m EUR)	
Restriction	Local GAAP result = max. payout	Local GAAP result allows for payout	

\*Proposal; subject to approval by AGM



Lufthansa Group



# Analyst and Investor Conference

Carsten Spohr, CEO  
and Chairman of the Executive Board

Frankfurt, 17 March 2016

# Our goal: #1 for customers, shareholders, employees and partners

## Further development of three strategic pillars

# #1

for customers, shareholders, employees and partners

### Premium network airline system

▶ #1 in Europe

Premium positioning &  
cost optimization



Margin improvement

### Eurowings Group

▶ #1 in Home Markets\*

Establishment of Eurowings  
as second brand



Profitable growth

### Aviation Services

▶ #1 worldwide

Participation in global  
market development



and others

Exploiting synergies and consistent capital allocation

\* Germany, Austria, Switzerland and Belgium

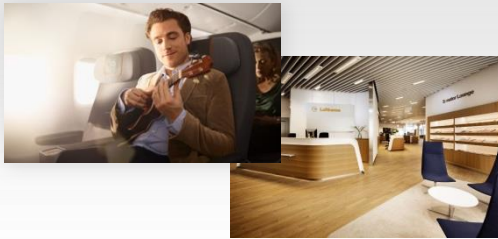


# Revenue and cost optimization at Hub Airlines

Strengthening of yield premium and improvement of cost position

## Revenue optimization

### Premium products



### Network quality



### Distribution / individualization

Personalization & digitalization

One website

Uniform fares

New revenue management system

## Cost optimization

### Fleet modernization



### Focus on fees and charges



### Exploiting commercial synergies



### Competitive tariff structures





# Stable and profitable growth at Eurowings

## Positive performance und unit cost advantages

### Status Eurowings

Safeguarding operational stability

High load factors and good development of bookings on long-haul

Development of umbrella brand concept Eurowings

### Capacity growth in 2016 vs. 2015

#### Short haul:

~ 91 aircraft (+6)  
~ 360 routes (+6)



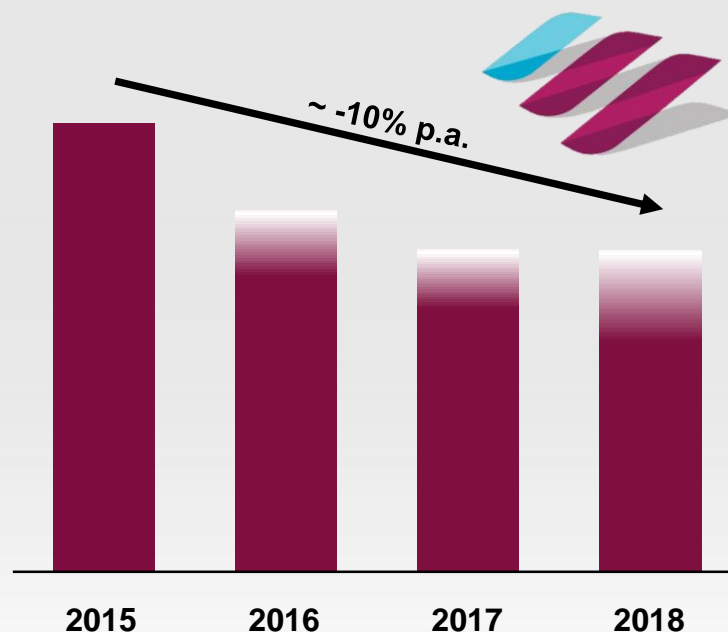
#### Long haul:

~ 7 aircraft (+4)  
~ 17 routes (+7)



### Competitive cost structures

Development unit costs Eurowings (excl. fuel)<sup>1</sup>



<sup>1</sup> per ASK

**Unit costs in 2016 already c. 30% below those of hub airlines<sup>2</sup>**

<sup>2</sup> at same share of short and long haul operations





# Development of product portfolio at Aviation Services

## Profitable growth opportunities in new markets

### **Lufthansa Technik**

- Growth e.g. in the field of maintenance services for low cost carriers
- Extension of innovation center in Hamburg

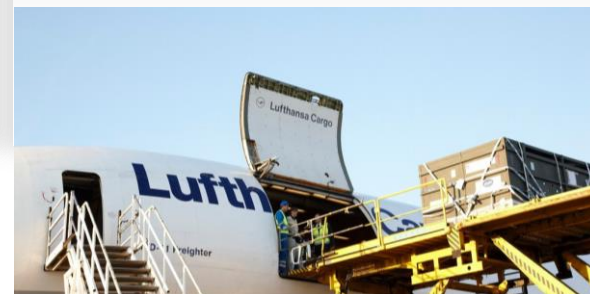


- Focus on integrated buy-on-board service concepts (RIM\*)
- Continued growth in adjacent markets



### **Lufthansa Cargo**

- Program to sustainably increase profitability is set up
- Taking over air cargo business of Eurowings



## Other business segments



e.g. Miles & More: development of multi partner program for further expansion of non-airline business



\* RIM = Retail in Motion



# Realignment of Group makes progress

## Summary

- **Good development of results in 2015**

Adjusted EBIT of 1.8 bn. EUR in 2015

Proposal for dividend payment of 0.50 EUR per share

- **Expansion of premium positioning at hub airlines**

Completion of terminal extension at Munich airport, implementation of new first class at Swiss, entry into service of Airbus A350 at Lufthansa Passenger Airlines, harmonized products and tariffs, individual ancillary services etc.

- **Establishing Eurowings as pan European secondary brand**

Operational stability prioritized before fast growth

- **Development of product portfolio at Aviation Services**

Expansion of low cost carrier maintenance services at Lufthansa Technik, rebranding LSG Group, multi partner program at Miles&More etc.

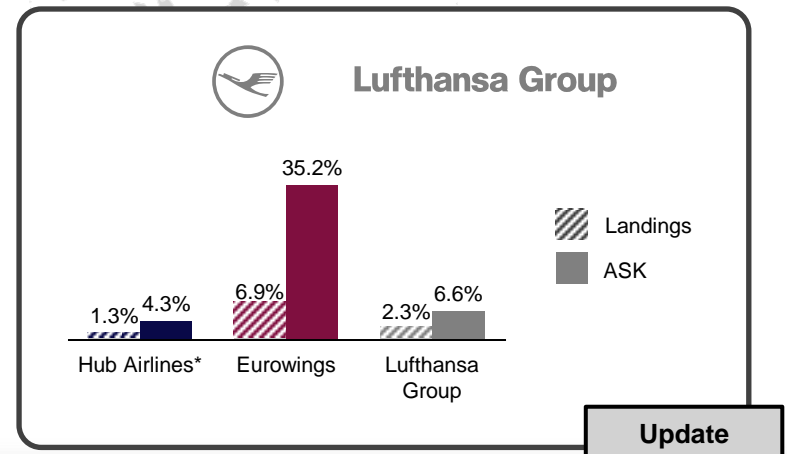
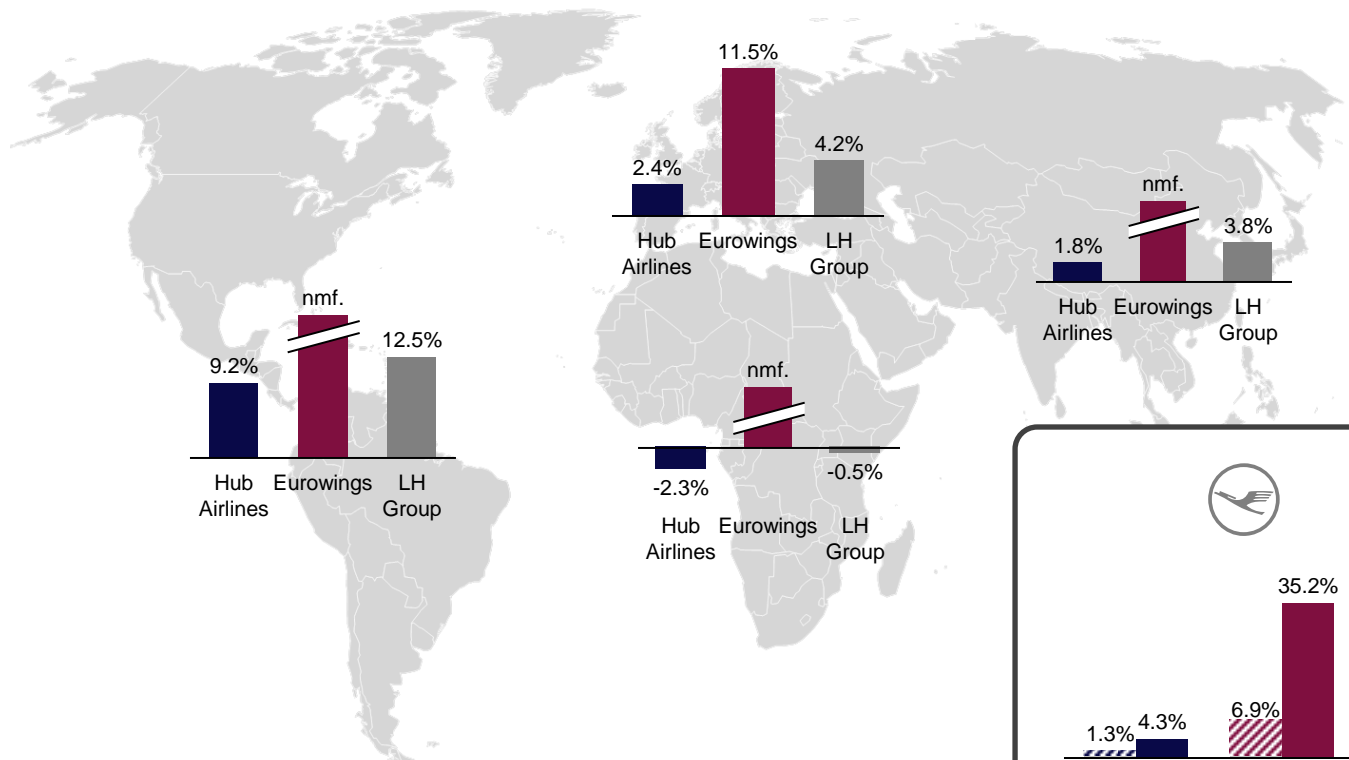
- **Optimistic outlook for 2016**

Forecast for 2016: Adjusted EBIT slightly above previous year

**Appendix**  
– Financial Figures FY 2015 –

# Capacity planning at hub airlines and Eurowings

## Lufthansa Group capacity growth 2016 per region



**Hub Airlines in line with mid-term growth rate of c. 3% p.a.**

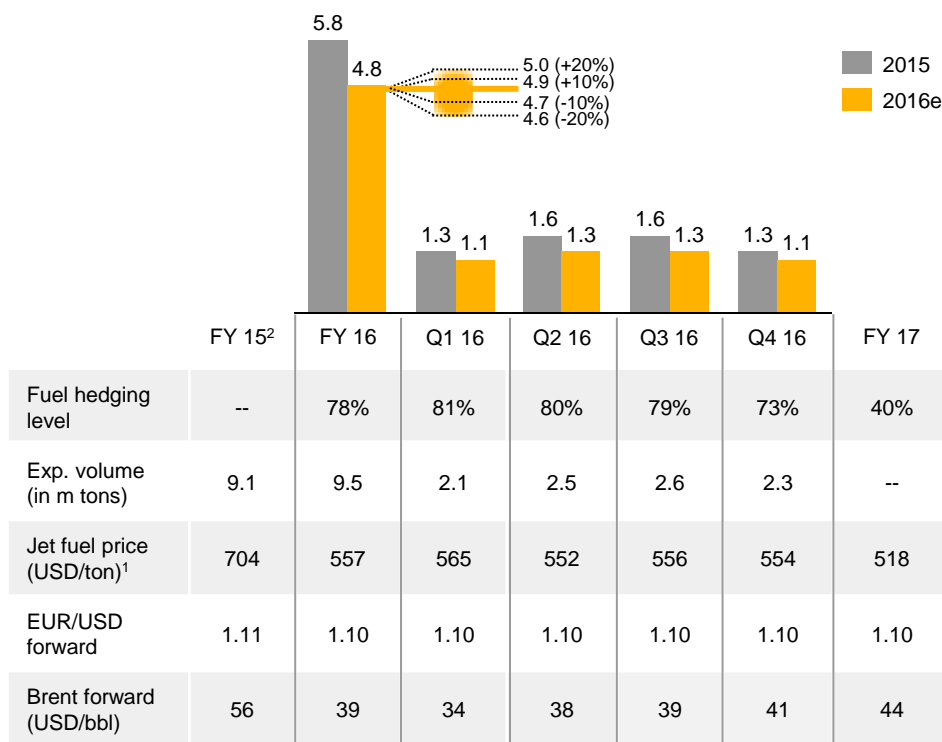
\* 2016 growth includes base effect due to strikes in 2015 (1.3pts.) and leap year 2016 (0.3pts.)

# Expected fuel costs decrease versus previous year

## Fuel forecast and sensitivities FY 2016 and 2017

Lufthansa Group fuel expenses after hedging  
(in bn EUR)

Sensitivities with deviating oil price

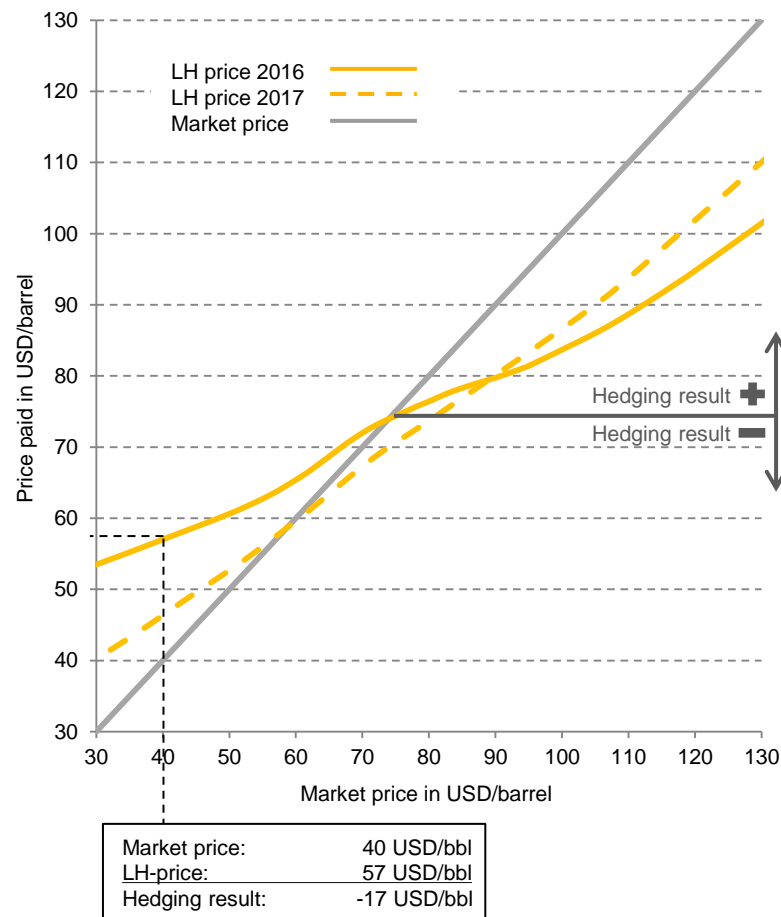


as of 29 Feb 2016

<sup>1</sup> incl. fuel hedging

<sup>2</sup> forwards are actual numbers for FY15

Lufthansa Group price curve remainder of 2016 and 2017



# Trading assumptions 2016 indicate profit improvement

## Trading assumptions FY 2015 and 2016

	FY15	FY16 assumptions	Explanation FY16 assumptions
<b>No. of Flights</b>	+0.2%	c. 2.3%	Slight increase at hub airlines; increase mainly due to Eurowings fleet growth
<b>Capacity</b> (ASK)	+2.2%	c. 6.6%	Hub airlines +4.3% (thereof 1.3pts. strike effect); in line with mid-term growth rate of 3% p.a.; Eurowings +35.2% due to growing long-haul operations
<b>Volume</b> (RPK)	+2.7%	in line with capacity growth	
<b>Load Factor</b> (SLF)	+0.3pts.	stable	
<b>Pricing</b> (Yield ex currency)	-3.5%	clearly negative	Yield decline partly driven by Eurowings (long-haul); development at hub airlines less negative; yield pressure could increase with lower fuel prices
<b>Unit Revenue</b> (RASK ex currency)	-3.0%	clearly negative	
<b>Unit Costs</b> (CASK ex fuel ex currency)	+2.4	reduction	Strong reduction at Eurowings; also reduction at hub airlines; assumption in the absence of further strikes
<b>Cargo Capacity</b>	slight increase	slight increase	Reduction in freighter capacity overcompensated by growing belly capacity of passenger aircraft

## Passenger Airlines to improve Adj. EBIT, other segments slightly lower

### Forecast 2016 per segment

Segment	Adj. EBIT 2015 (m EUR)	Adj. EBIT Forecast for 2016
Lufthansa Passenger Airlines	970	slightly above previous year
SWISS	429	slightly below previous year
Austrian Airlines	52	significantly above previous year
Eurowings		slightly negative result
Reconciliation	54	
<b>Passenger Airline Group</b>	<b>1,505</b>	<b>slightly above previous year</b>
Logistics	74	slightly above previous year
MRO	454	significantly below previous year
Catering	99	slightly below previous year
Other	-370	significantly above previous year
Internal revenue / Reconciliation	55	
<b>Lufthansa Group</b>	<b>1,817</b>	<b>slightly above previous year</b>

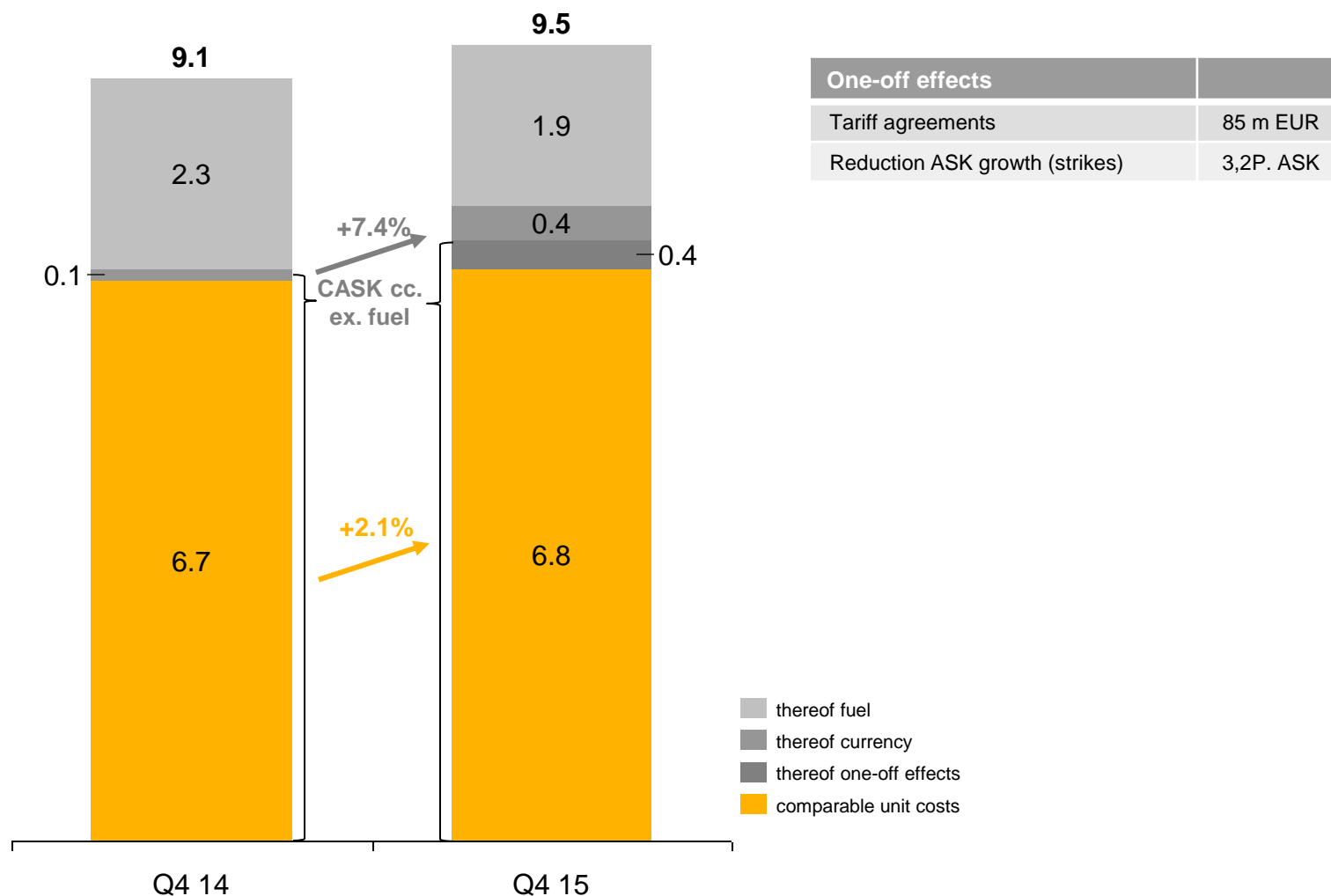
# Fuel and currency effects provide significant relief

## Operating costs and revenues

Lufthansa Group (in m EUR)	FY 2015	vs. PY		Q4 2015	vs. PY	
Total revenue	32,056	+6.8%		7,752	+4.9%	
Other operating income	3,035	+44.4%		851	+35.9%	
Total operating income	35,091	+9.3%		8,603	+7.4%	
Operating expenses	33,536	+7.4%		8,595	+6.3%	
Non-fuel operating expenses	27,752	+13.4%		7,305	+12.1%	
Cost of materials and services	17,640	+2.1%		4,337	+1.3%	
Fuel expenses	5,784	-14.3%		1,290	-17.9%	
Fees and charges	5,651	+7.3%		1,336	+3.8%	
Staff costs	8,075	+10.1%		2,173	+15.6%	
Depreciation	1,715	+12.2%		450	-3.4%	
Other operating expenses	6,106	+20.0%	+6.5% exkl. FX losses	1,635	+11.9%	+6.7% exkl. FX losses
Result from equity investments	121	--		5	-81.5%	
EBIT	1,676	+67.6%		13	--	
Adjustments	141			111		
Adjusted EBIT	1,817	+55.2%		124	-32.2%	

# CASK in Q4 significantly impacted by one-off effects

Development unit costs in Q4 2015

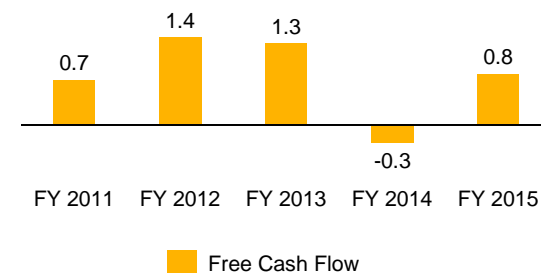
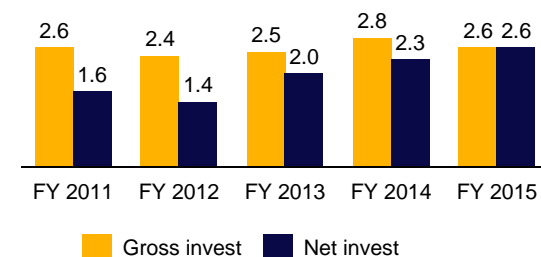
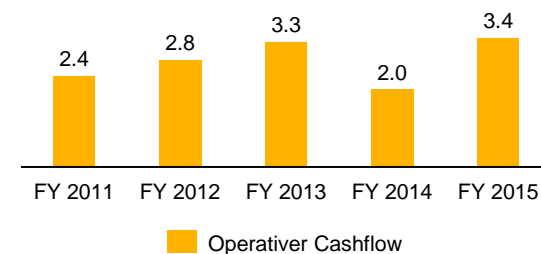




# Cash flow increases significantly, liquidity is on good level

## Cash flow statement

Lufthansa Group (in m EUR)	FY 2015	vs. PY
<b>EBT (earnings before income taxes)</b>	<b>2,026</b>	<b>+1,846</b>
Depreciation & amortization (incl. non-current assets)	1,790	+282
Net proceeds from disposal of non-current assets	-53	-192
Result from equity investments	-121	--
Net interest result	170	-86
Income tax payments/reimbursements	-197	+23
Measurement of financial derivatives through profit or loss	-691	-1,151
Change in working capital	-392	+92
Change of other assets / liabilities	861	+602
<b>Operating cash flow</b>	<b>3,393</b>	<b>+1,416</b>
Capital expenditure (net)	-2,559	-285
<b>Free cash flow</b>	<b>834</b>	<b>+1,131</b>
Cash and cash equivalents as of 30.12.15*	996	+168
Current securities	1,994	+209
Total Group liquidity	2,990	+377



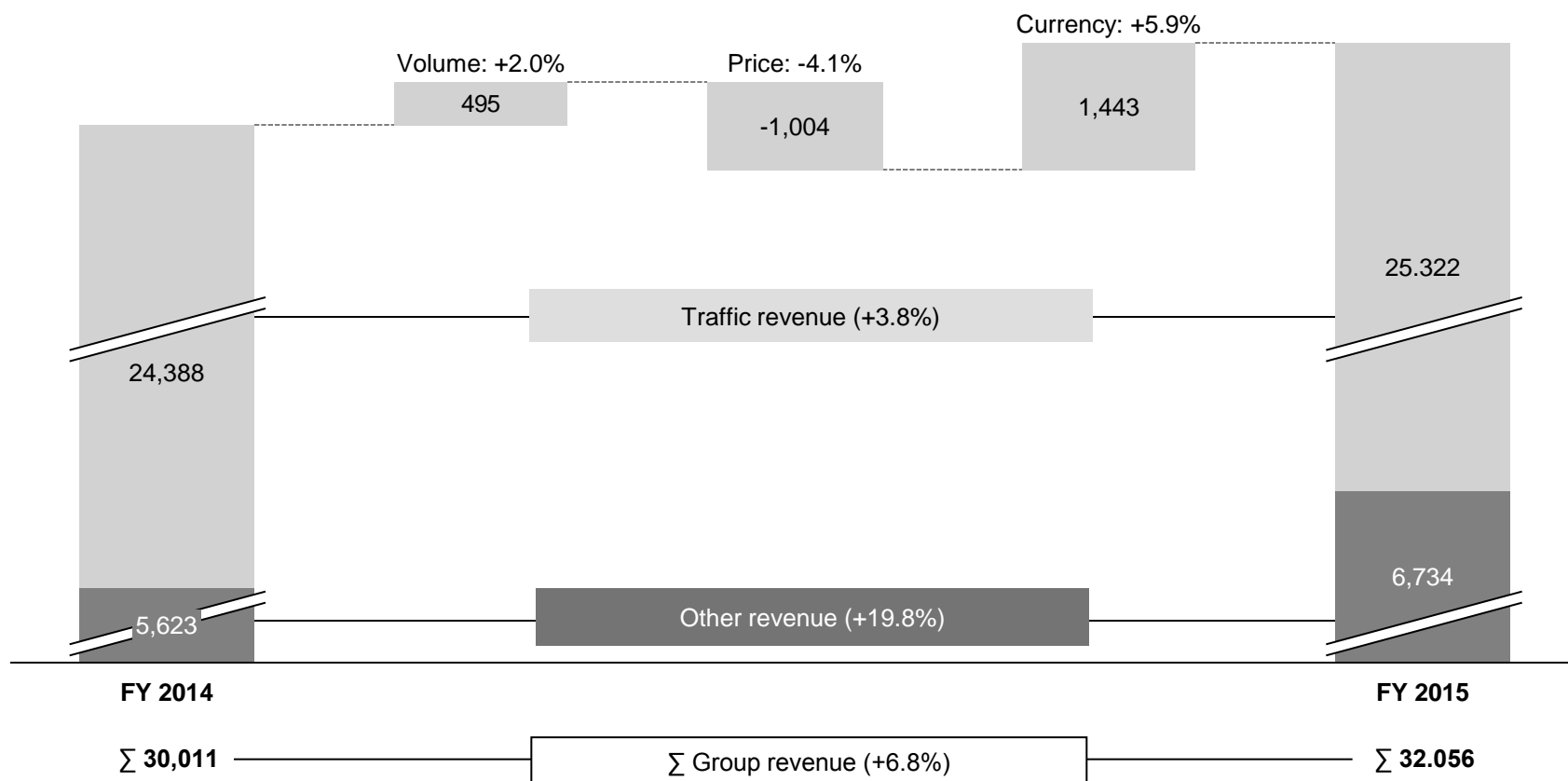
\* Excluding fixed-term deposits with terms from three to twelve months (2015: 103 m EUR, 2014: 125 m EUR)

# Group revenue and currency influence

## FY 2015 vs. FY 2014

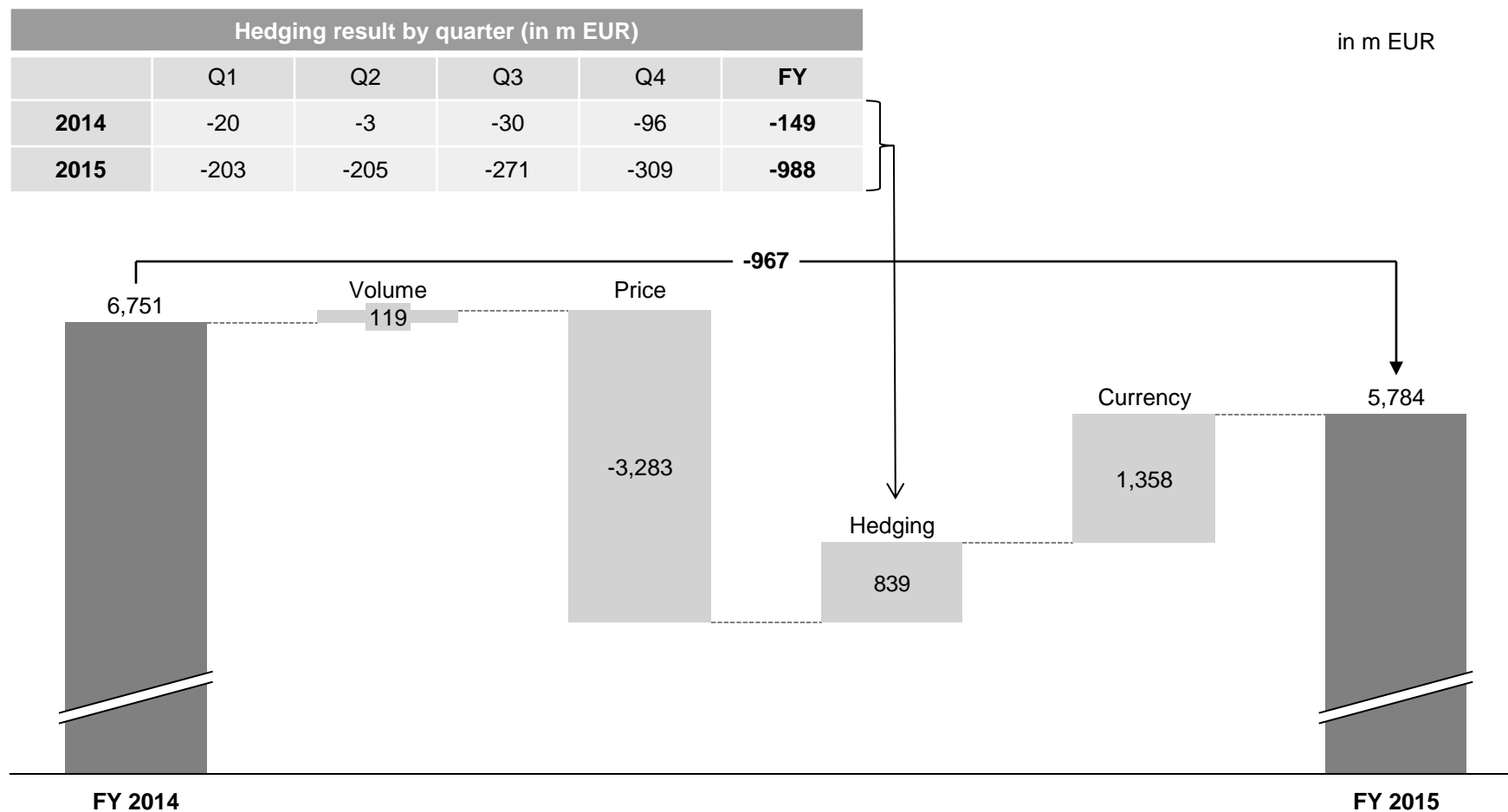
Currency influence on EBIT (in m EUR)				
Q1	Q2	Q3	Q4	FY
-134	-24	-18	-37	<b>-213</b>

in m EUR



# Fuel costs

## FY 2015 vs. FY 2014



# Adjusted EBIT and one-off factors

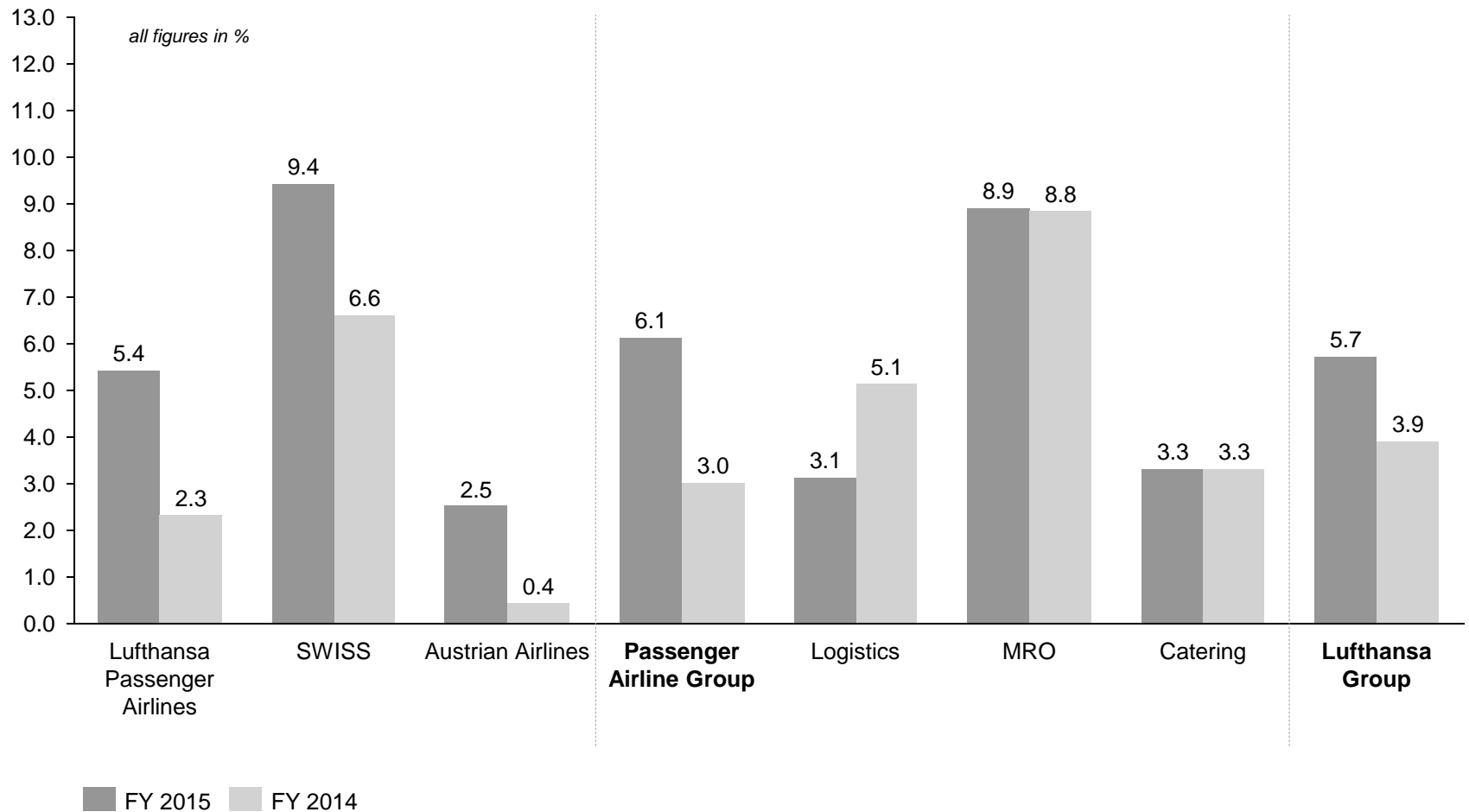
## Quarterly results 2014-2015

in m EUR

	Q1	Q2	Q3	Q4	6M	9M	Full Year
<b>Adjusted EBIT 2014</b>	<b>-240</b>	<b>418</b>	<b>810</b>	<b>183</b>	<b>178</b>	<b>988</b>	<b>1,171</b>
<i>incl. strikes</i>	-10	-60	-35	-127	-70	-105	-232
<i>incl. Venezuela</i>	-38	-23	+7	-5	-61	-54	-59
<b>Adjusted EBIT ex one-off factors</b>	<b>-192</b>	<b>501</b>	<b>838</b>	<b>315</b>	<b>309</b>	<b>1,147</b>	<b>1,462</b>
<b>Adjusted EBIT 2015</b>	<b>-167</b>	<b>635</b>	<b>1,225</b>	<b>124</b>	<b>468</b>	<b>1,693</b>	<b>1,817</b>
<i>incl. strikes</i>	-42	-58	-30	-101	-100	-130	-231
<i>incl. Venezuela</i>	-60	+5	-5	-12	-55	-60	-72
<b>Adjusted EBIT ex one-off factors</b>	<b>-65</b>	<b>688</b>	<b>1,260</b>	<b>237</b>	<b>623</b>	<b>1,883</b>	<b>2,120</b>
<b>vs. PY</b>	<b>+127</b>	<b>+187</b>	<b>+422</b>	<b>-78</b>	<b>+314</b>	<b>+736</b>	<b>+658</b>

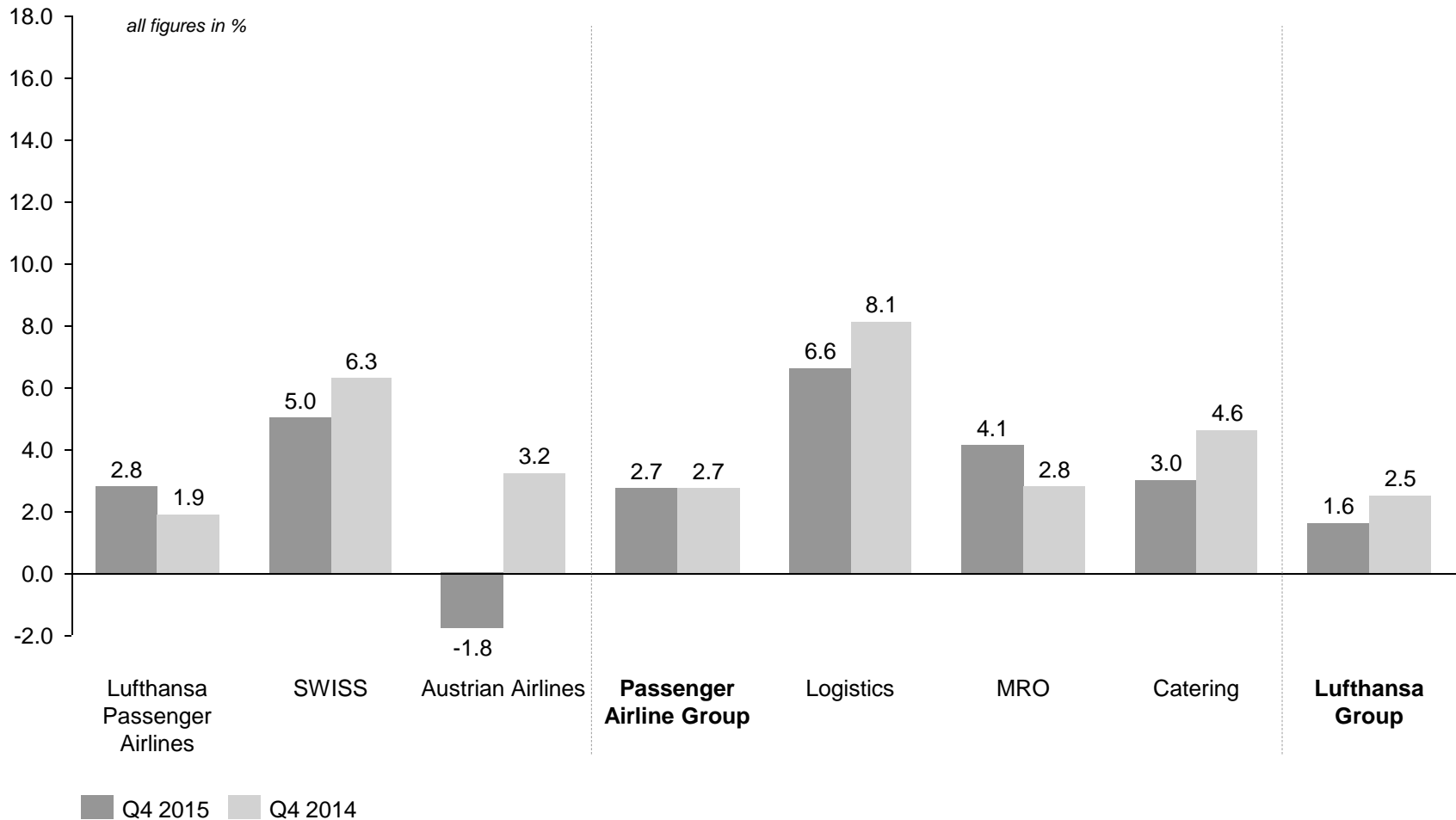
# Adjusted EBIT margins

## FY 2015 vs. FY 2014



# Adjusted EBIT margins

## Q4 2015 vs. Q4 2014



# Reconciliation from EBIT to Adjusted EBIT per segment

## FY 2015

Segment	EBIT FY 15 (m EUR)	Impairments	Pension changes	Book gains/losses on asset disposals	Adj. EBIT FY 15 (m EUR)
LH Passenger Airlines	904	28	45	-7	970
SWISS	462		-32	-1	429
Austrian Airlines	54			-2	52
Consolidation	45			9	54

Passenger Airline Group	<b>1,465</b>	<b>+28</b>	<b>+13</b>	<b>-1</b>	<b>1,505</b>
Logistics	3	+71	+3	-3	74
MRO	448	-1	+6	+1	454
Catering	85	+12	+2		99
Others / Consolidation	-325	+45	+1	-36	-315

<b>Lufthansa Group</b>	<b>1,676</b>	<b>+155</b>	<b>+25</b>	<b>-39</b>	<b>1,817</b>
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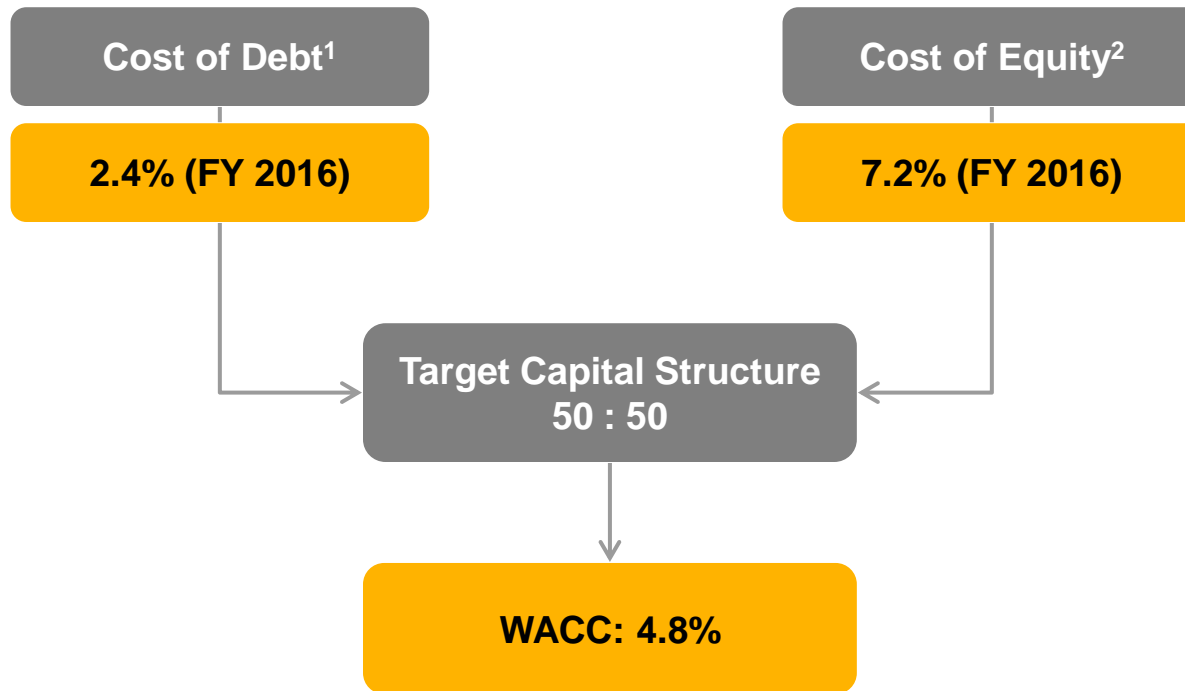
# Adjusted EBIT and EBIT per quarter 2015

<i>in m EUR</i>	Q1	Q2	Q3	Q4	6M	9M	Full Year
<b>Adj. EBIT</b>	<b>-167</b>	<b>635</b>	<b>1,225</b>	<b>124</b>	<b>468</b>	<b>1,693</b>	<b>1,817</b>
<i>pension changes</i>	0	+32	0	-57	+32	+32	-25
<i>book gains / losses on asset disposals</i>	+22	+24	0	-7	+46	+46	+39
<i>impairments</i>	+1	-84	-25	-47	-83	-108	-155
<b>EBIT</b>	<b>-144</b>	<b>607</b>	<b>1,200</b>	<b>13</b>	<b>463</b>	<b>1,663</b>	<b>1,676</b>
<i>interest on liquidity</i>							+186
<i>taxes (25% lump sum)</i>							-466
<i>cost of capital</i>							-1,073
<b>EACC</b>							<b>323</b>
<i>average capital employed</i>							18,195
WACC							5.9%
<b>ROCE</b>							<b>7.7%</b>



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

Current WACC is 4.8%

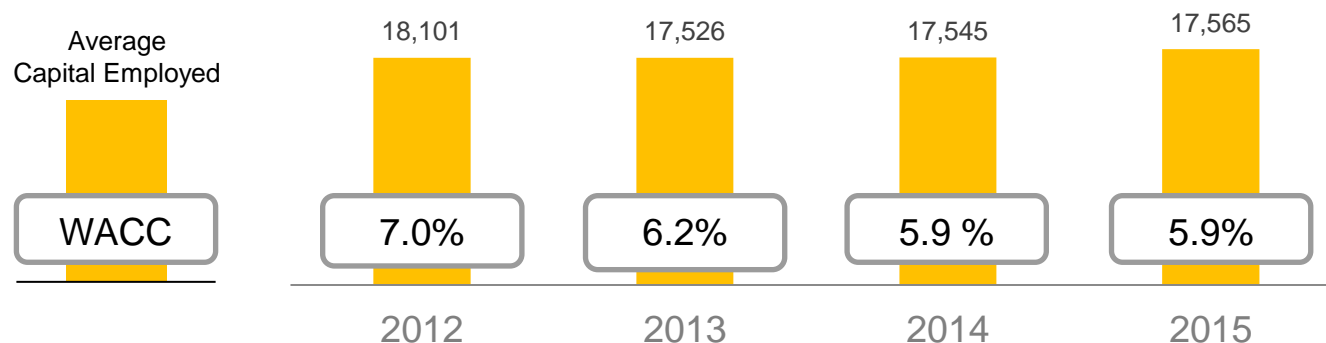


<sup>1</sup> Currently no consideration of tax shield

<sup>2</sup> Cost of Equity FY 2016 = Risk-free market interest rate of 1.7% + (Market risk premium of 5.0% x Beta Factor 1.1)

# Current capital employed is ca. 18.8 bn EUR

## Weighted average cost of capital is 5.9%



<b>Balance Sheet Total</b>	<b>28,559</b>	<b>29,108</b>	<b>30,474</b>	<b>32,462</b>
<b>/.</b> Non-Interest Bearing Liabilities	10,940	11,563	12,890	13,657
- liabilities from unused flight documents	2,612	2,635	2,848	2,901
- trade payables, other fin. liabilities, other provisions	4,887	5,113	5,151	5,605
- adv. payments, deferred income, other non-fin. liabilities	2,096	2,151	2,103	2,141
- others	1,345	1,664	2,798	3,010
Capital Employed at year-end	17,619	17,545	17,584	18,805
<b>Average Capital Employed</b>	<b>17,526</b>	<b>17,582</b>	<b>17,565</b>	<b>18,195</b>
WACC	7,0%	6,2%	5,9%	5,9%
<b>EBIT</b>	<b>1,645</b>	<b>936</b>	<b>1,000</b>	<b>1,676</b>
Interest on liquidity	75	67	84	186
Taxes	-430	-251	-271	-466
Cost of capital	-1,227	-1,090	-1,036	-1,073
<b>EACC</b>	<b>63</b>	<b>-338</b>	<b>-223</b>	<b>323</b>
<b>ROCE</b>	<b>7.4%</b>	<b>4.3%</b>	<b>4.6%</b>	<b>7.7%</b>