



# **Press and Analyst Results Conference H1 2015**

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# Overview

- **Increase of Adj. EBIT by 290 m EUR to 468 m EUR in the first half-year 2015**  
Increase of operating margin in nearly all segments; fuel costs decrease by 309 m EUR
- **Adj. EBIT margin of 7.6% in the second quarter**  
Passenger airlines drive positive development; Lufthansa Technik und LSG SkyChefs with solid profit improvement
- **Currency effects with negative impact on earnings of 158 m EUR**  
Tailwind for unit revenues outweighed by exchange rate related increasing costs  
Declining currency effect from September onwards
- **Equity ratio of 17.5% more than doubled compared to the first quarter**  
Lower pension liabilities due to higher interest rate
- **Forecast of Adj. EBIT of more than 1.5 bn EUR before strike cost confirmed**  
Forecast of operating KPIs unchanged  
Constant currency RASK on second quarter level

# Key financial ratios develop positively

## 6M and Q2 2015 at a glance

Lufthansa Group (in m EUR)	6M 15	6M 14	vs. PY
Total revenue	15,365	14,166	+8.5%
of which traffic revenue	12,123	11,466	+5.7%
EBIT	463	216	+114.4%
Adjusted EBIT	468	178	+162.9%
Net income	954	-79	--

	Q2 15	Q2 14	vs. PY
	8,392	7,704	+8.9%
	6,704	6,305	+6.3%
	607	433	+40.2%
	635	418	+51.9%
	529	173	+205.8%

	6M 15	6M 14	vs. PY
Operating cash flow	2,527	1,744	+44.9%
Net invest	1,507	1,198	+25.8%
Free cash flow	1,020	546	+86.8%

	6M 15	GJ 14	vs. FY 14
Equity ratio	17.5%	13.2%	+4.3pts.
Net debt (excl. pensions)	2,363	3,418	-30.9%
Pension provisions	6,580	7,231	-9.0%

Passenger Airline KPIs	6M 15	Q2 15
No. of flights	-0.1%	+1.9%
ASK (capacity)	+3.3%	+5.2%
RPK (volume)	+3.6%	+5.4%
SLF (load factor)	+0.2pts.	+0.1pts.
Yield (pricing)	+2.4%	+1.5%
RASK* (unit revenue)	+2.8%	+1.7%
CASK (unit costs)	+2.3%	-0.7%

\* Standard definition comprises traffic revenue excl. other operating income  
RASK incl. other operating income: 6M 2015: +5.0%; Q2 2015: +3.0%

# Currency effects significantly influence costs and revenues

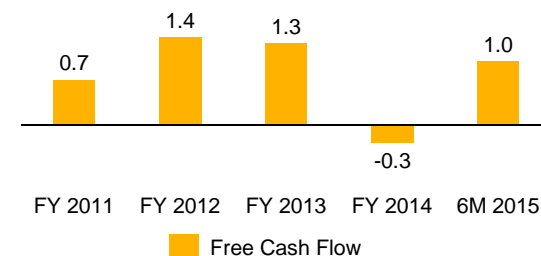
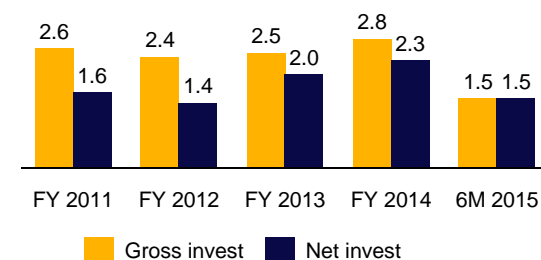
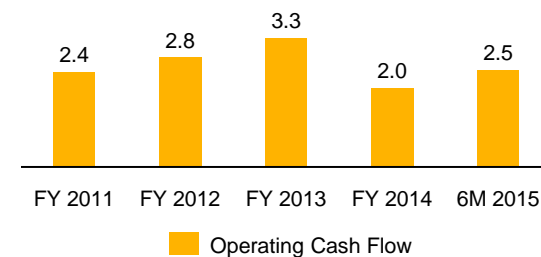
## Operating costs and revenues

Lufthansa Group (in m EUR)	6M 2015	vs. PY		Q2 2015	vs. PY	
Total revenue	15,365	+8.5%		8,392	+8.9%	
Other operating income	1,599	+69.0%		686	+61.8%	
<b>Total operating income</b>	<b>16,964</b>	<b>+12.3%</b>		<b>9,078</b>	<b>+11.7%</b>	
Operating expenses	16,534	+10.8%		8,515	+10.2%	
Non-fuel operating expenses	13,600	+16.5%		6,889	+14.8%	
Cost of materials and services	8,644	+4.6%		4,667	+7.8%	
Fuel expenses	2,934	-9.5%		1,626	-5.8%	
Fees and charges	2,752	+9.3%		1,506	+11.6%	
Staff costs	3,923	+7.6%	+6.7% excl. pensions	2,001	+8.3%	+8.4% excl. pensions
Depreciation	851	+22.4%		477	+34.4%	
Other operating expenses	3,116	+34.7%	+5.9% excl. FX losses	1,370	+15.0%	+2.4% excl. FX losses
Result from equity investments	33	+50.0%		44	+46.7%	
<b>EBIT</b>	<b>463</b>	<b>+114.4%</b>		<b>607</b>	<b>+40.2%</b>	
Adjustments	5	--		28	--	
<b>Adjusted EBIT</b>	<b>468</b>	<b>+162.9%</b>		<b>635</b>	<b>+51.9%</b>	

# Cash flow increases significantly, liquidity is on good level

## Cash flow statement

Lufthansa Group (in m EUR)	6M 2015	vs. PY
<b>EBT (earnings before income taxes)</b>	<b>981</b>	<b>+1,040</b>
Depreciation & amortisation (incl. non-current assets)	887	+170
Net proceeds from disposal of non-current assets	-46	-21
Result from equity investments	-33	-11
Net interest result	54	-68
Income tax payments/reimbursements	-139	-33
Measurement of financial derivatives through profit or loss	-668	-813
Change in working capital	1,491	+519
<b>Operating cash flow</b>	<b>2,527</b>	<b>+783</b>
Capital expenditure (net)	-1,507	-309
<b>Free cash flow</b>	<b>1,020</b>	<b>+474</b>
Cash and cash equivalents as of 30.06.15*	1,123	+293
Current securities	2,260	-517
Total Group liquidity	3,383	-224

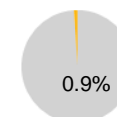
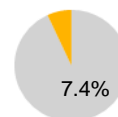
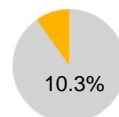
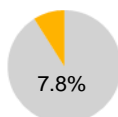
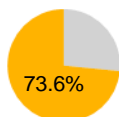


\* Excluding fixed-term deposits with terms from three to twelve months(2015: 100 m EUR, 2014: 127 m EUR)

# All operating segments contribute to result improvement

## Segment overview 6M 2015

Share of  
LH Group's  
external revenue



6M 2015 vs. 6M 2014 in m EUR	Passenger Airline Group	Logistics	MRO	Catering	Others & Consolidation
<b>Revenue</b> vs. PY in %	<b>11,642</b> +6.3%	<b>1,207</b> +4.0%	<b>2,556</b> +22.4%	<b>1,448</b> +17.1%	<b>-1,488</b> +16.5%
<b>Adj. EBIT</b> vs. PY in m EUR	<b>249</b> +308	<b>50</b> +7	<b>268</b> +41	<b>26</b> +17	<b>-125</b> -83

in m EUR	Lufthansa Passenger Airlines	SWISS	Austrian Airlines
<b>Revenue</b> vs. PY in %	<b>8,529</b> +6.7%	<b>2,204</b> +8.0%	<b>952</b> -1.0%
<b>Adj. EBIT</b> vs. PY in m EUR	<b>94</b> +181	<b>178</b> +90	<b>-17</b> +27



# Constant currency pricing remains significantly negative

## Operative KPIs Passenger Airline Group

Total	6M '15	Q2 '15
Number of flights	-0.1%	+1.9%
ASK	+3.3%	+5.2%
RPK	+3.6%	+5.4%
SLF	+0.2pts.	+0.1pts.

Europe	6M '15	Q2 '15
ASK	-0.6%	+2.0%
RPK	+0.9%	+3.4%
SLF	+1.2pts.	+1.1pts.
Yield	+0.2%	-2.1%
Yield ex currency	-3.8%	-6.1%
RASK	+1.8%	-0.7%
RASK ex currency	-2.3%	-4.8%

Asia/Pacific	6M '15	Q2 '15
ASK	+5.4%	+7.7%
RPK	+5.5%	+9.0%
SLF	+0.0pts.	+0.9pts.
Yield	+2.7%	+3.8%
Yield ex currency	-6.2%	-5.8%
RASK	+2.8%	+5.0%
RASK ex currency	-6.1%	-4.7%

Yield	+2.4%	+1.5%
Yield ex currency	-4.5%	-5.7%
RASK*	+2.8%	+1.7%
CASK	+2.3%	-0.7%
RASK ex currency	-4.1%	-5.5%
CASK ex currency ex fuel	+0.6%	-1.2%

Americas	6M '15	Q2 '15
ASK	+6.0%	+7.1%
RPK	+5.7%	+5.8%
SLF	-0.3pts.	-1.0pts.
Yield	+8.4%	+8.0%
Yield ex currency	-1.5%	-2.3%
RASK	+8.1%	+6.7%
RASK ex currency	-1.8%	-3.5%


Mid East / Africa	6M '15	Q2 '15
ASK	+2.9%	+4.4%
RPK	+0.4%	+2.3%
SLF	-1.7pts.	-1.5pts.
Yield	+1.1%	-0.9%
Yield ex currency	-8.1%	-10.7%
RASK	-1.3%	-3.1%
RASK ex currency	-10.4%	-12.7%

\* Standard definition comprises traffic revenue excl. other operating income; RASK incl. other operating income: 6M 2015: +5.0%; Q2 2015: +3.0%



# Trading assumptions for 2015 remain unchanged

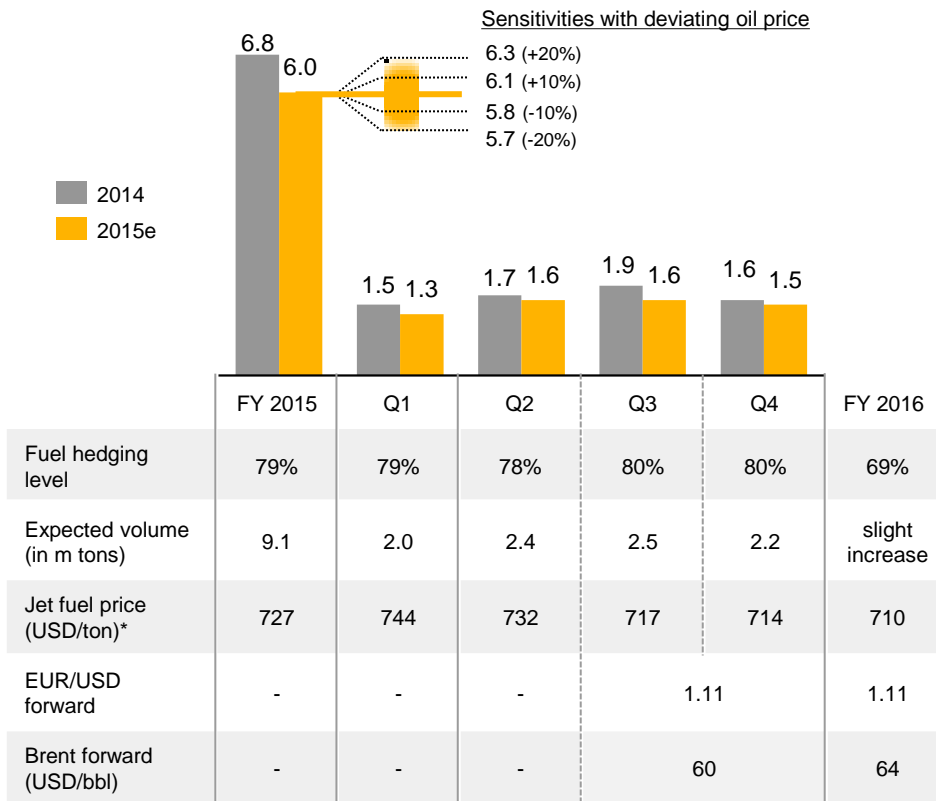
## Trading assumptions FY 2015

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

# Oil price and currency lower fuel cost expectation

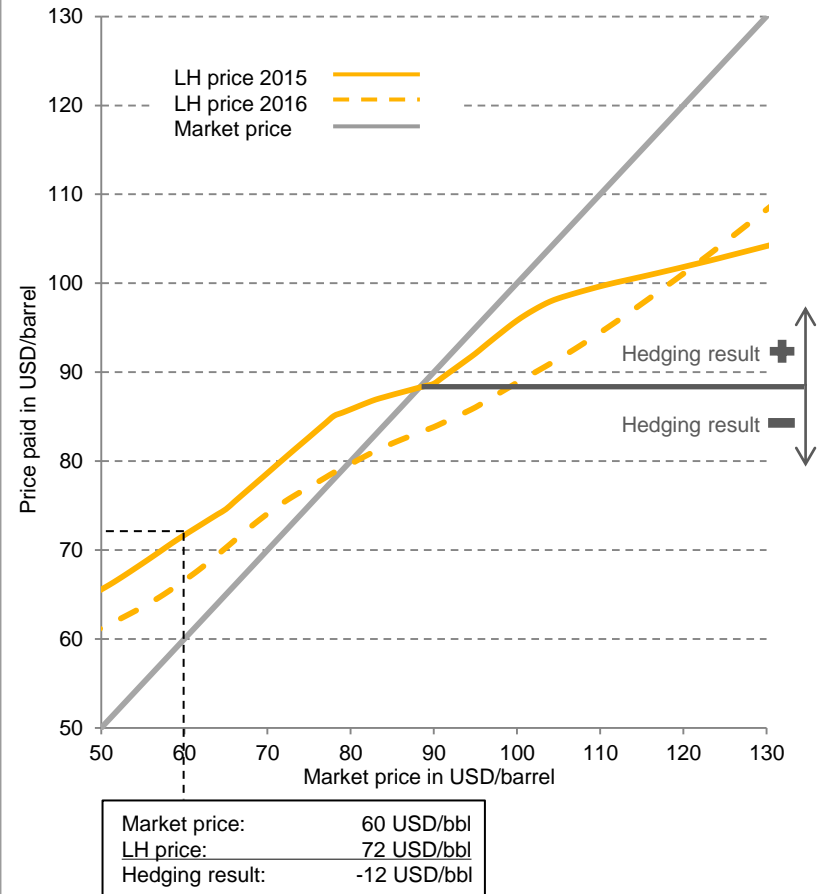
## Fuel forecast and sensitivities FY 2015 and 2016

Lufthansa Group fuel expenses after hedging  
(in bn EUR)



\* incl. fuel hedging as of 20 Jul 2015

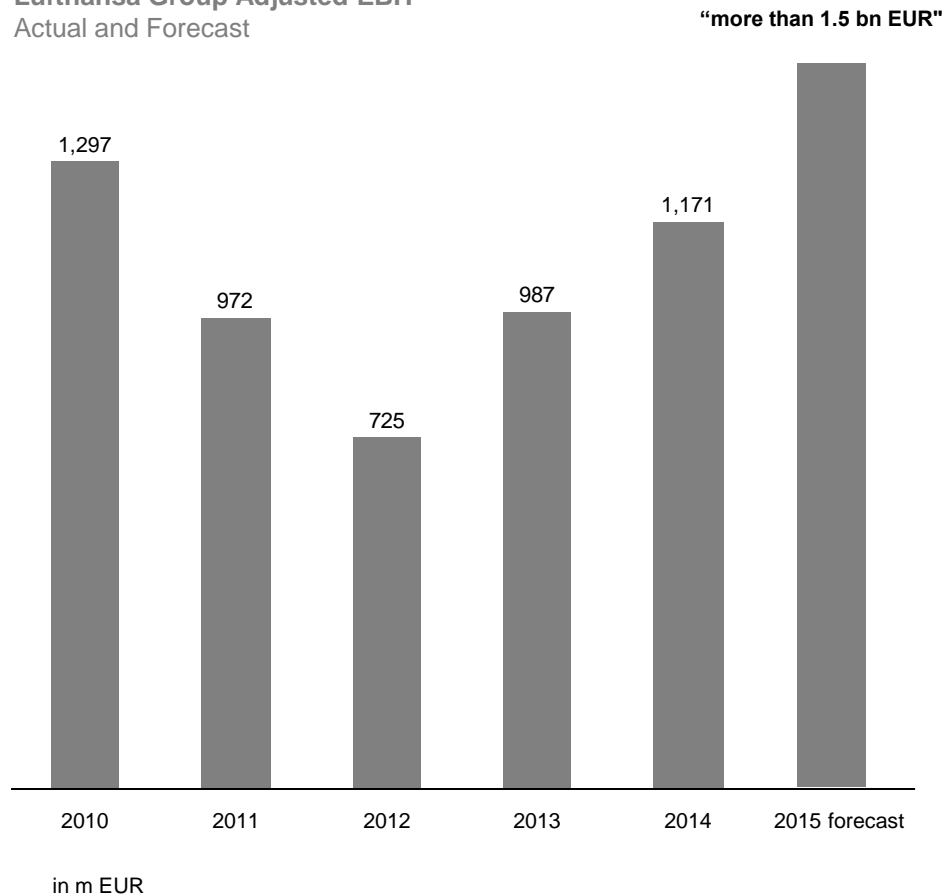
Lufthansa Group price curve remainder of 2015 and 2016



# Adj. EBIT FY15 expected to be more than 1.5 bn EUR before strikes

## Unchanged 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 at Lufthansa Passenger Airlines
- No strike costs included in forecast
- No restructuring costs included in forecast

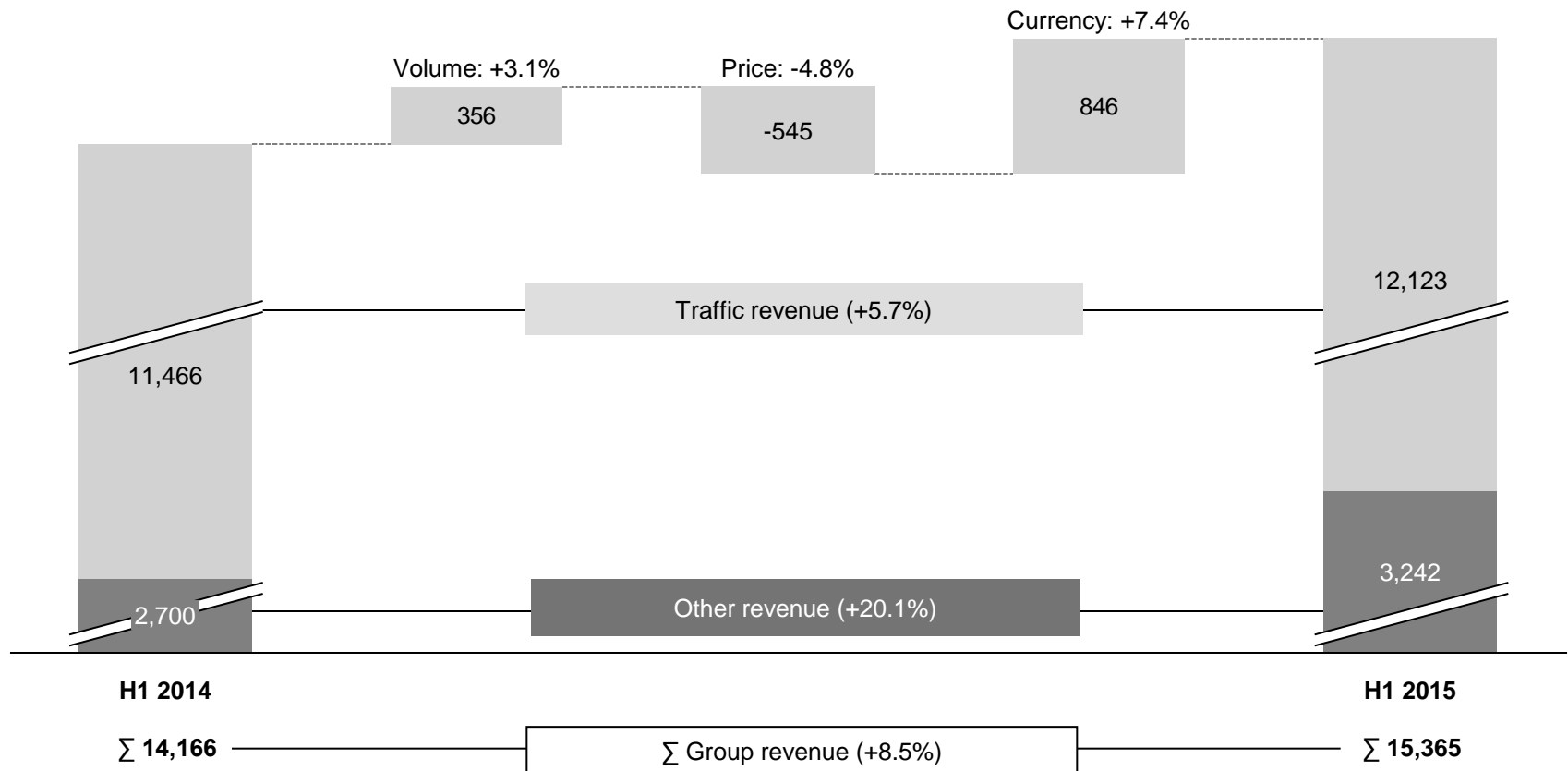
**Appendix**  
– Financial Figures H1 2015 –

# Group revenue and currency influence

## 6M 2015 vs. 6M 2014

Currency influence on EBIT (in m EUR)				
Q1	Q2	Q3	Q4	FY (YTD)
-134	-24			<b>-158</b>

in m EUR

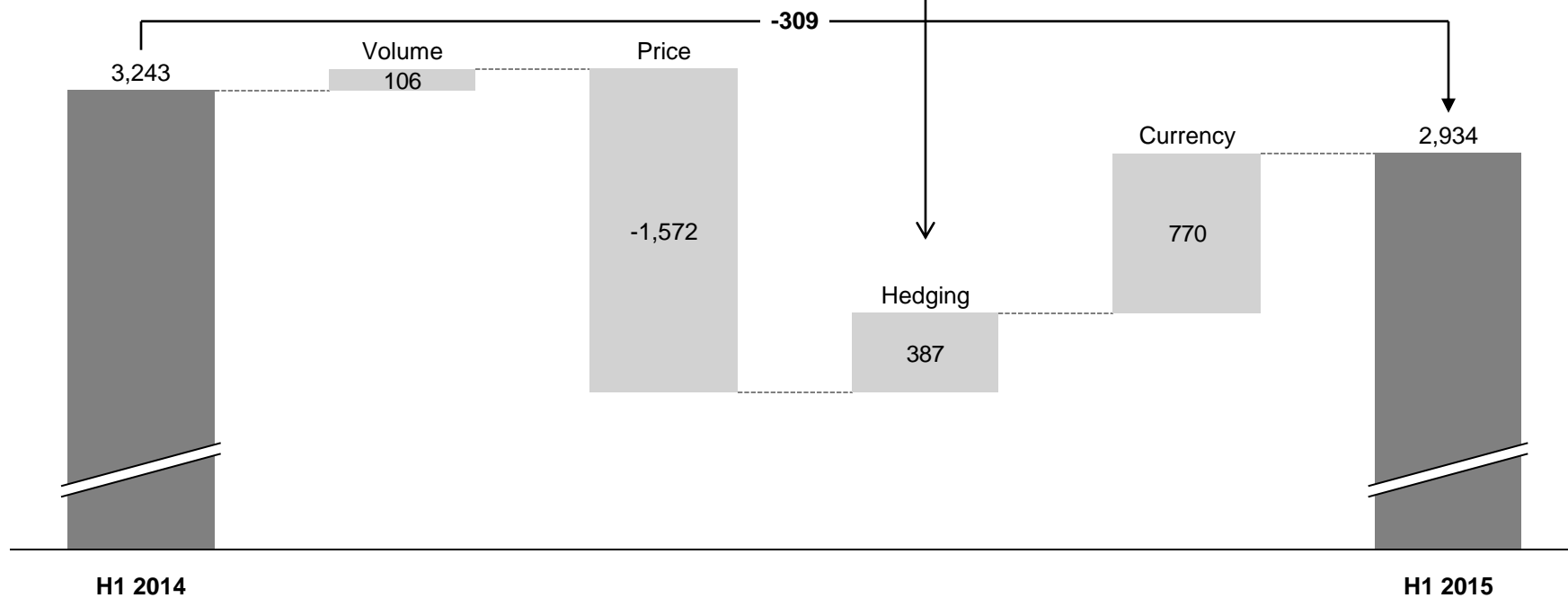


# Fuel costs

6M 2015 vs. 6M 2014

Hedging result by quarter (in m EUR)					
	Q1	Q2	Q3	Q4	FY (YTD)
<b>2014</b>	-21	-2	-30	-96	<b>-149</b>
<b>2015</b>	-203	-205			<b>-408</b>

in m EUR



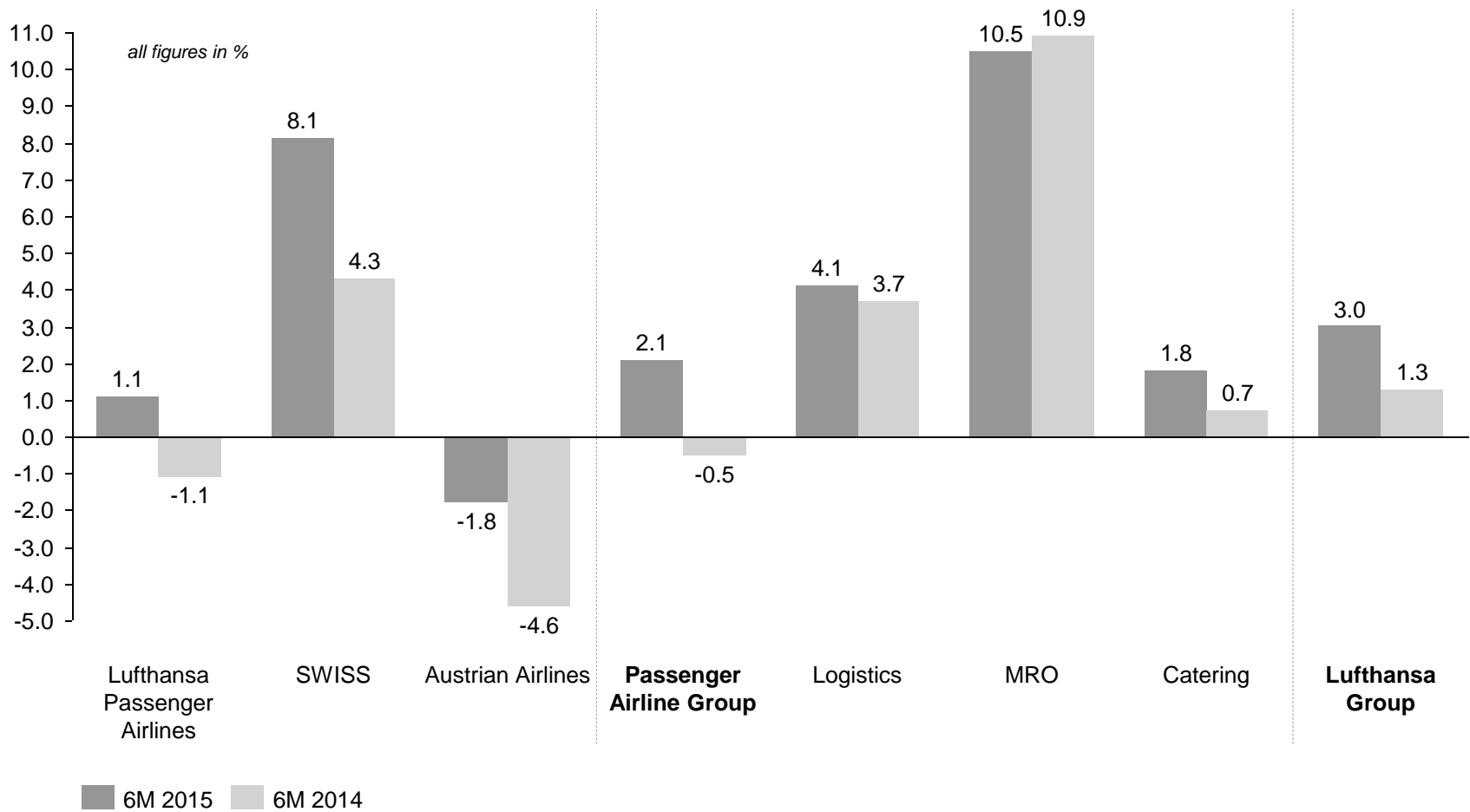
# Adjusted EBIT and one-off factors

## Quarterly results 2014-2015

<i>in m EUR</i>	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>468</b>		
<i>incl. strikes</i>	-42	-58			-100		
<i>incl. Venezuela</i>	-60	+5			-55		
<b>Adjusted EBIT ex one-off factors</b>	<b>-65</b>	<b>688</b>			<b>623</b>		
<b>vs. PY</b>	<b>+127</b>	<b>+187</b>			<b>+314</b>		

# Adjusted EBIT margins

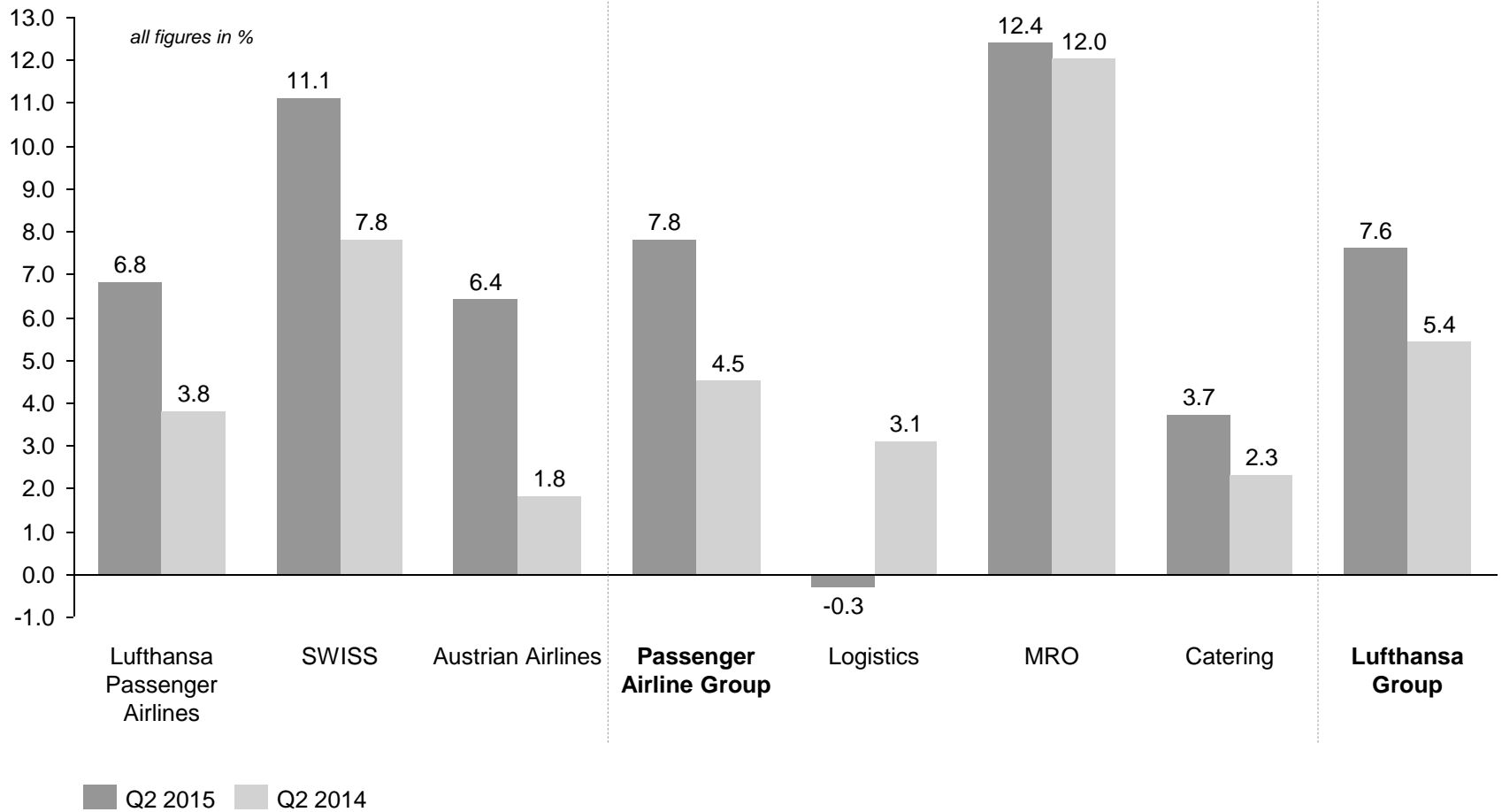
## 6M 2015 vs. 6M 2014





# Adjusted EBIT margins

## Q2 2015 vs. Q2 2014



# Adjusted EBIT and EBIT per quarter 2014

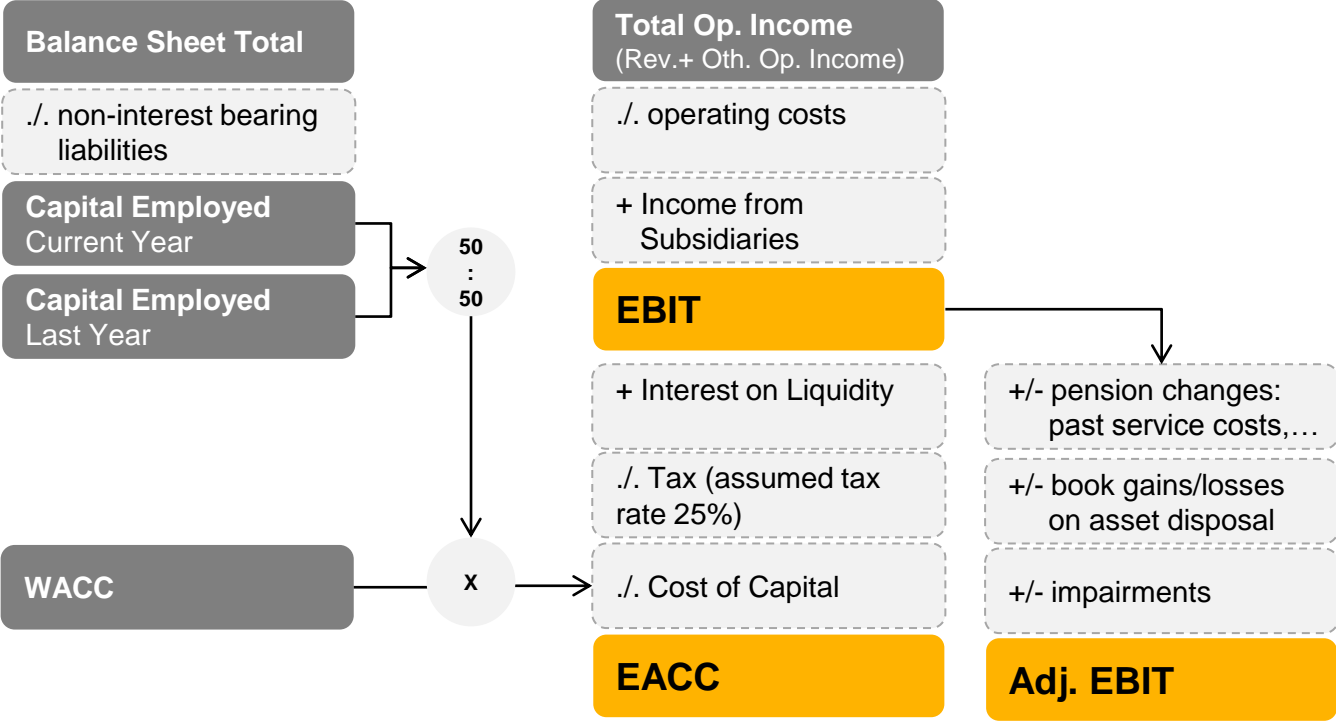
<i>in m EUR</i>	Q1	Q2	Q3	Q4	6M	9M	Full Year
<b>Operating result</b>	<b>-245</b>	<b>359</b>	<b>735</b>	<b>105</b>	<b>114</b>	<b>849</b>	<b>954</b>
<b>Adj. EBIT</b>	<b>-240</b>	<b>418</b>	<b>810</b>	<b>183</b>	<b>178</b>	<b>988</b>	<b>1,171</b>
<i>pension changes</i>	0	0	+15	+33	0	+15	+48
<i>book gains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

## Reconciliation from EBIT to Adjusted EBIT per segment 6M 2015

Segment	EBIT 6M 15 (m EUR)	Impairments	Pension changes	Book gains/losses on asset disposals	Adj. EBIT 6M 15 (m EUR)
LH Passenger Airlines	89	-5		1	94
SWISS	211		32		178
Austrian Airlines	-17				-17
Consolidation	-6				-6
<b>Passenger Airline Group</b>	<b>277</b>	<b>-5</b>	<b>32</b>	<b>1</b>	<b>249</b>
Logistics	-16	-66			50
MRO	268				268
Catering	16	-9		-1	26
Others / Consolidation	-82	-3		46	-125
<b>Lufthansa Group</b>	<b>463</b>	<b>-83</b>	<b>32</b>	<b>46</b>	<b>468</b>

# New system directly links profit figures and value creation metric

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

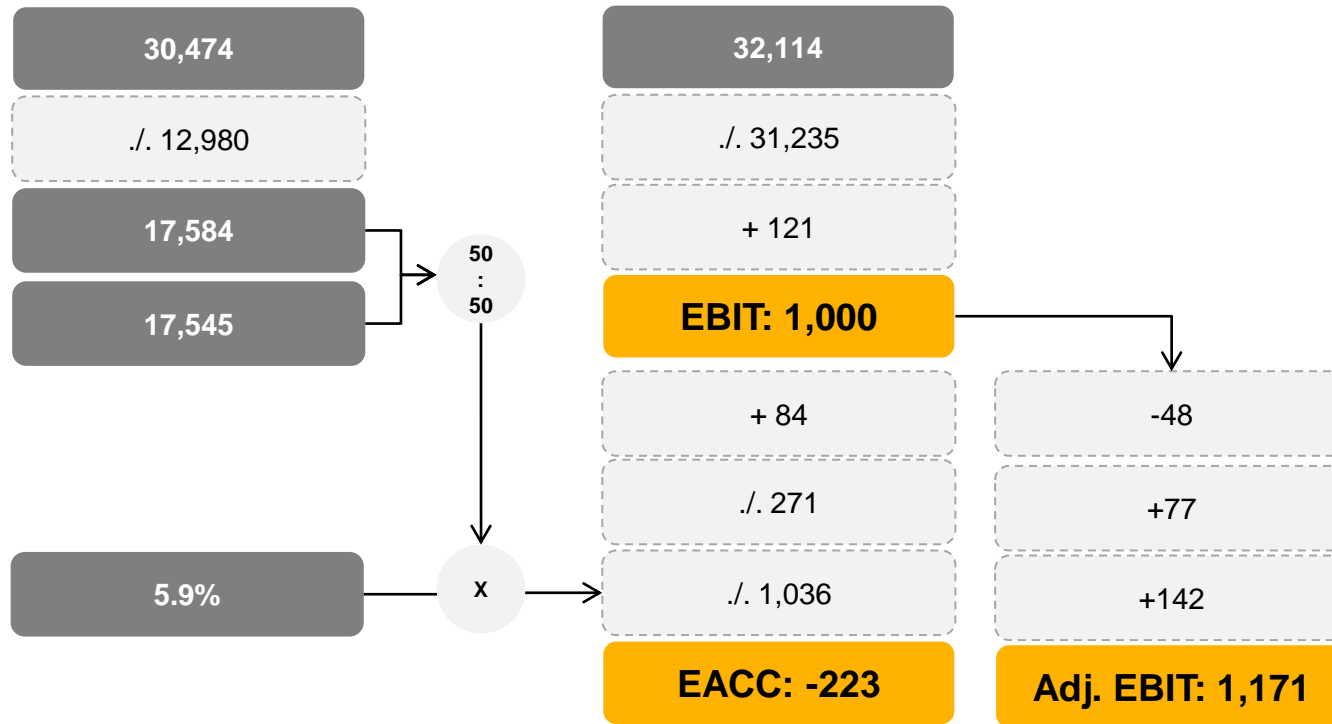


$$ROCE = \frac{(\text{EBIT} + \text{Interest on Liquidity} - \text{Tax})}{\text{Average Capital Employed}}$$

# New system directly links profit figures and value creation metric

## Calculation for financial year 2014

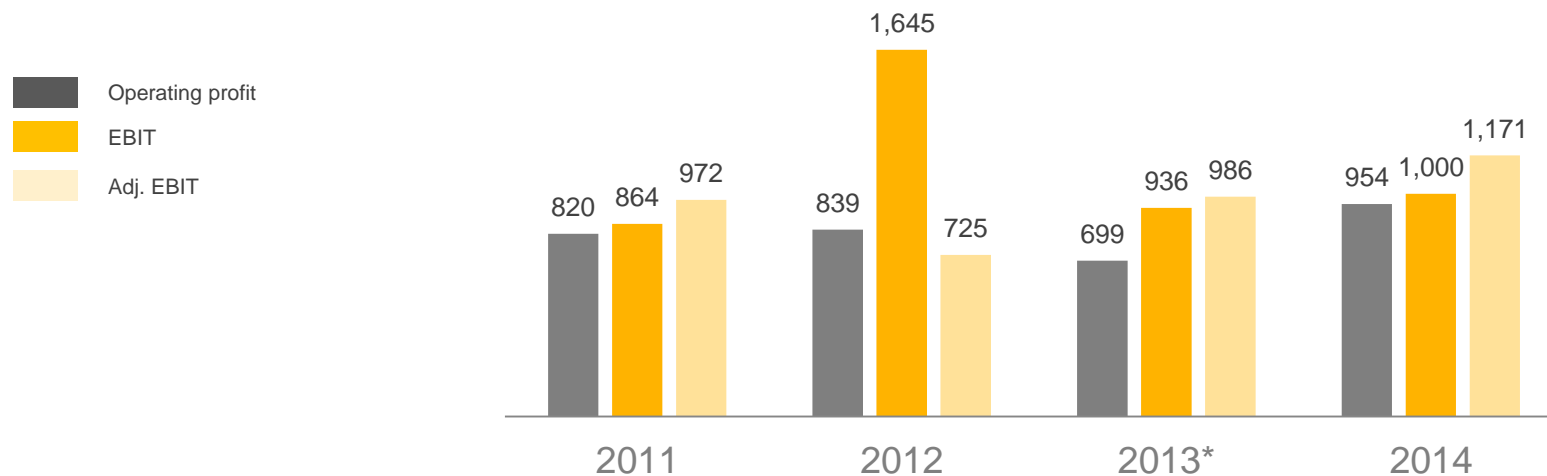
in m EUR



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

# EBIT is a structurally higher number than operating result

Main difference is that income from subsidiaries is included

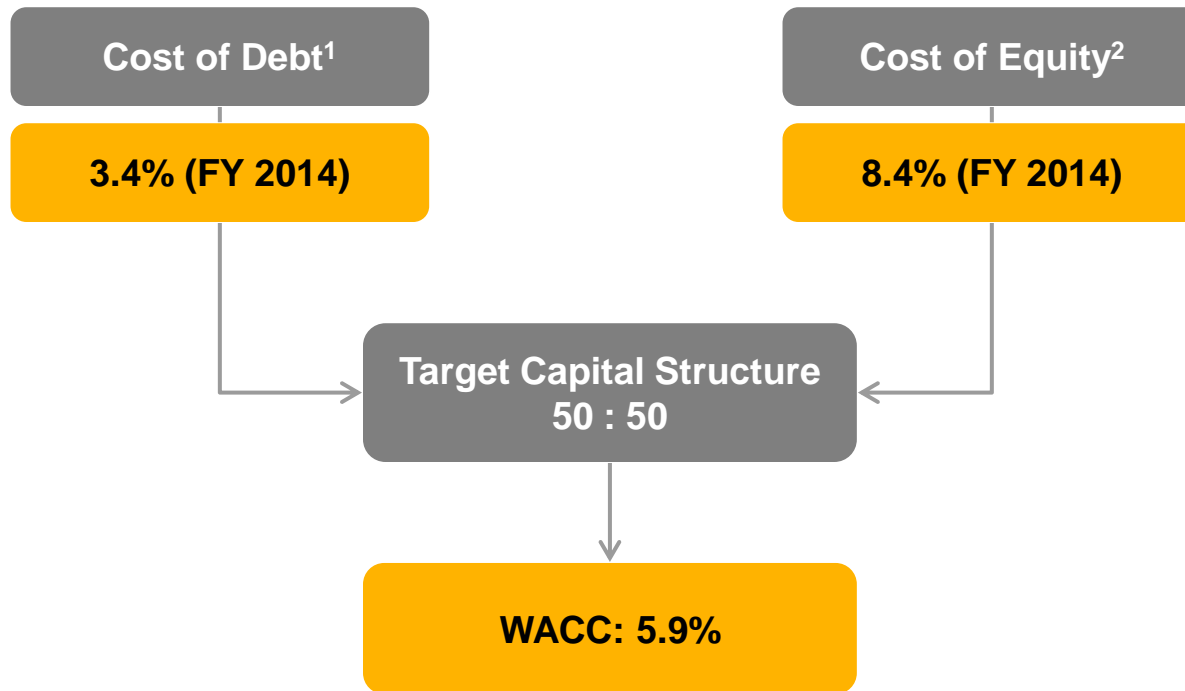


<b>Total Operating Income</b>	<b>31,070</b>	<b>32,947</b>	<b>32,149</b>	<b>32,114</b>
./. Operating Expenses	-30,277	-31,396	-31,337	-31,235
+ Income from Subsidiaries	71	94	124	121
<b>EBIT</b>	<b>864</b>	<b>1,645</b>	<b>936</b>	<b>1,000</b>
./. Delta to Operating Result	-44	-806	-237	-46
<b>Operating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

\* 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%

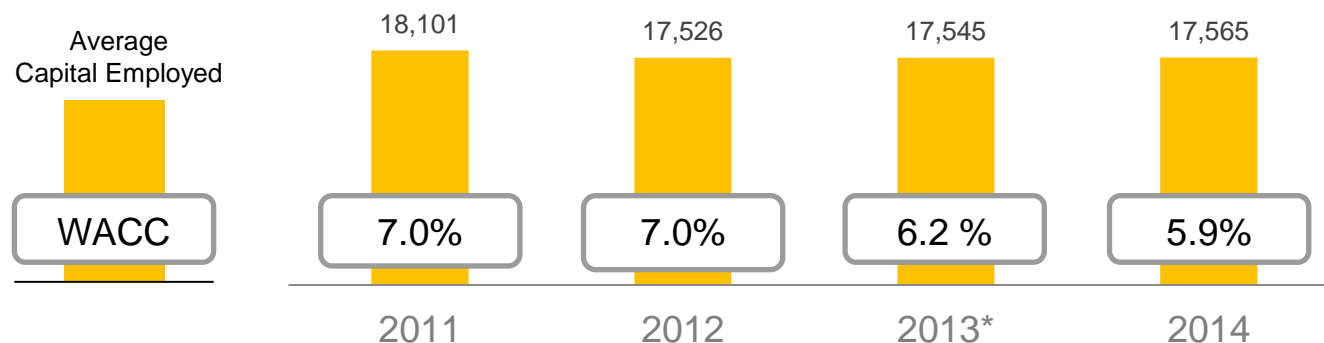


<sup>1</sup> Currently no consideration of tax shield

<sup>2</sup> 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%



	2011	2012	2013*	2014
<b>Balance Sheet Total</b>	<b>28,081</b>	<b>28,559</b>	<b>29,108</b>	<b>30,474</b>
<i>./. Non-Interest Bearing Liabilities</i>	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
<b>Average Capital Employed</b>	<b>18,101</b>	<b>17,526</b>	<b>17,582</b>	<b>17,565</b>
WACC	7.0%	7.0%	6.2%	5.9%
<b>EBIT</b>	<b>864</b>	<b>1,645</b>	<b>936</b>	<b>1,000</b>
Interest on liquidity	62	75	67	84
Taxes	-232	-430	-251	-271
Cost of capital	-1,267	-1,227	-1,090	-1,036
<b>EACC</b>	<b>-573</b>	<b>63</b>	<b>-338</b>	<b>-223</b>
<b>ROCE</b>	<b>3.8%</b>	<b>7.4%</b>	<b>4.3%</b>	<b>4.6%</b>

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