



Lufthansa Group



Investor and Analyst Conference Call Q1 2016

Simone Menne, CFO

Frankfurt, May 3, 2016

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Overview

- **Adjusted EBIT up by 114 m EUR to -53 m EUR in Q1 2016**
Significant margin improvement at passenger airlines; all business segments except for Cargo in line with guidance
- **Constant currency RASK down 6.6%**
Significant decline on routes to and from South America; structural effect due to Eurowings;
Swiss burdened by strong CHF
- **Constant currency CASK excl. fuel down 4.0%**
CASK improvement in all cost positions;
favorable development additionally boosted by structural effect of Eurowings and lack of one-off costs
- **Scheduled capacity growth reduced to 6.0%**
Forecast ASK growth of 2.7% in Q2 and 4.5% in Q3
- **Guidance confirmed: Adjusted EBIT slightly above previous year before possible strike cost**
Forecast of operating KPIs and fuel cost forecast unchanged

Adjusted EBIT und Free Cash Flow develop positively

Q1 2016 at a glance

Lufthansa Group (in m EUR)	Q1 16	Q1 15	vs. PY
Total revenue	6,916	6,973	-0.8%
of which traffic revenue	5,235	5,447	-3.9%
EBIT	-49	-144	+66.0%
Adjusted EBIT	-53	-167	+68.3%
Net income	-8	425	--



	Q1 16	Q1 15	vs. PY
Operating cash flow	1,102	1,394	-20.9%
Net invest	524	862	-39.2%
Free cash flow	578	532	+8.6%

	Q1 16	FY 15	vs. FY 15
Equity ratio	14.5%	18.0%	-3.5pts.
Net financial debt	2,746	3,347	-18.0%
Pension provisions	8,076	6,626	+21.9%

Passenger Airline Group KPIs	Q1 2016
No. of flights	+3.0%
ASK (capacity)	+6.6%
RPK (volume)	+5.2%
SLF (load factor)	-0.9pts.
Yield (pricing)	-6.3%
RASK (unit revenue)	-7.5%
CASK (unit costs)	-13.0%

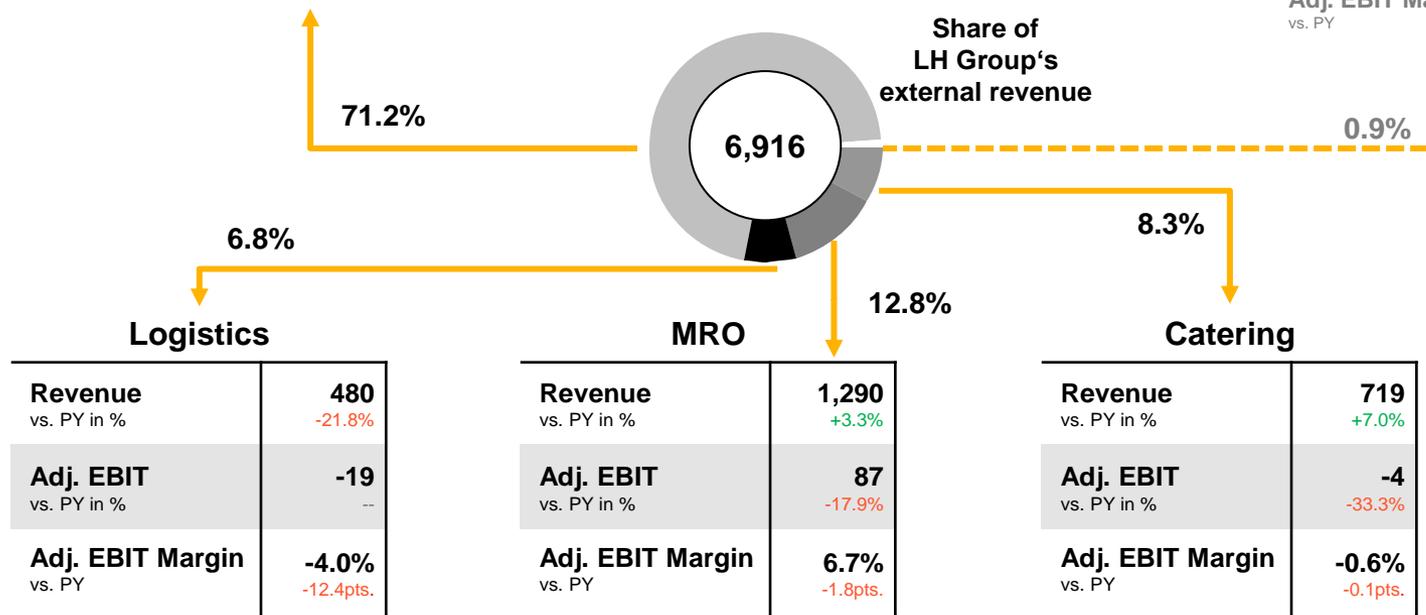
Passenger airlines drive result improvement

Segment overview Q1 2016

in m EUR	Passenger Airline Group				
Revenue vs. PY in %	5,072 -1.6%	3,350 -1.5%	984 -6.7%	400 +2.6%	377 +11.5%
Adj. EBIT¹ vs. PY in %	-67 +73.6%	60 --	23 -54.9%	-30 +43.4%	-86 -62.3%
Adj. EBIT Margin¹ vs. PY	-1.3% +3.6pts.	1.8% +7.2pts.	2.3% -2.5pts.	-7.5% +6.1pts.	-22.8% -7.1pts.

Others & Consolidation²

Revenue vs. PY in %	-645 +10.3%
Adj. EBIT vs. PY in %	-50 -26.5%
Adj. EBIT Margin vs. PY	nmf.



¹ Sun Express und SN Brussels proportionally in PAG included; ² mainly AirPlus, IT-Services and central functions included

Decline in unit costs compensate for lower unit revenues

Operating KPIs Passenger Airline Group

Total	Q1 2016
Number of flights	+3.0%
ASK	+6.6%
RPK	+5.2%
SLF	-0.9pts.

Yield	-6.3%
Yield ex currency	-5.4%
RASK	-7.5%
RASK ex currency	-6.6%
CASK	-13.0%
CASK ex currency ex fuel	-4.0%

North America	-2.8%
South America	-23.8%

Europe	Q1 2016
ASK	+3.6%
RPK	+2.5%
SLF	-0.8pts.
Yield	-3.2%
Yield ex currency	-2.1%
RASK	-4.3%
RASK ex currency	-3.2%

Americas	Q1 2016
ASK	+12.5%
RPK	+9.1%
SLF	-2.4pts.
Yield	-8.6%
Yield ex currency	-8.3%
RASK	-11.4%
RASK ex currency	-11.1%

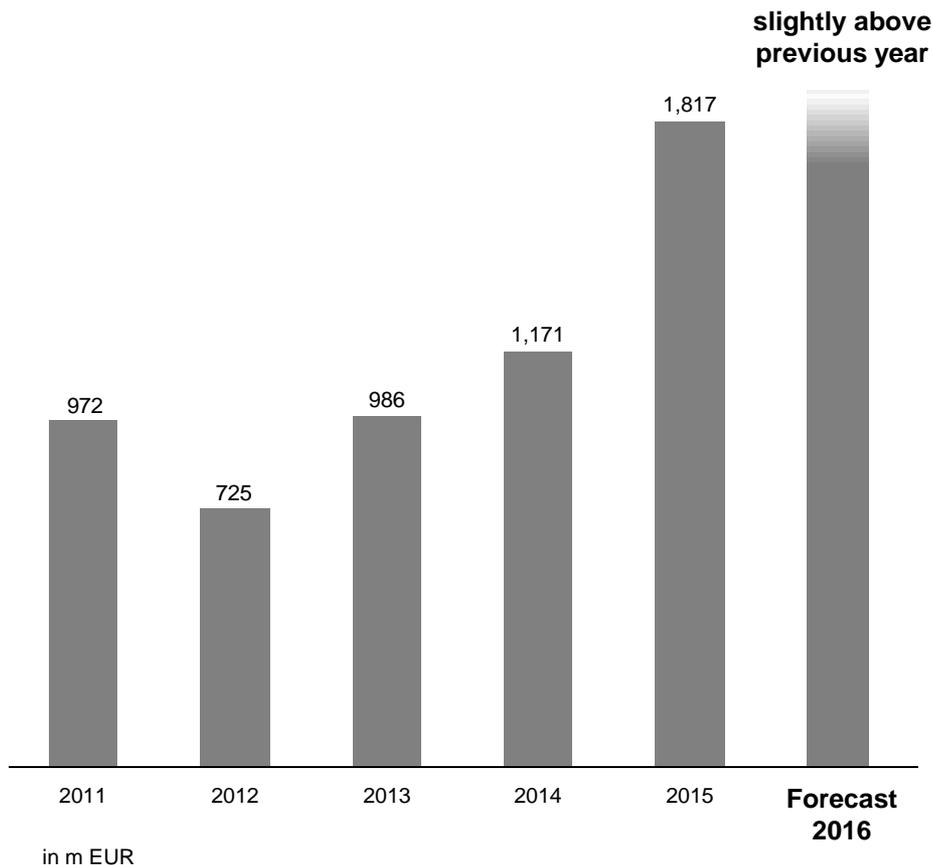
Asia/Pacific	Q1 2016
ASK	+4.9%
RPK	+3.7%
SLF	-0.9pts.
Yield	-7.1%
Yield ex currency	-5.9%
RASK	-8.2%
RASK ex currency	-7.0%

Mid East / Africa	Q1 2016
ASK	+0.4%
RPK	+3.6%
SLF	+2.2pts.
Yield	-6.9%
Yield ex currency	-5.8%
RASK	-4.0%
RASK ex currency	-2.8%

Lufthansa Group expects Adj. EBIT slightly above PY for 2016

Forecast Lufthansa Group 2016

Lufthansa Group Adjusted EBIT
Actual and Forecast



Forecast FY 2016 unchanged:

- Expected fuel costs: 4.8 bn EUR¹
 - Tailwind of 1.0 bn EUR vs. PY at Brent forward of 42 USD/bbl; 1.11 USD/EUR
- Operating KPIs passenger airlines
 - ASK growth: +6.0%
 - RASK²: clearly negative
 - CASK²: 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

¹ As of 31 March 2016; details in appendix of presentation

² Unit revenues excl. currency, unit costs excl. currency and fuel

Expert Session „Eurowings“ in London on 10 June

Topic

Strategic development of Eurowings

Speakers

Karl-Ulrich Garnadt (Member of the Lufthansa Group Board) and
Eurowings Management Board

Date

Friday, 10 June 2016

Time

09:30am registration for a start at 10:00am

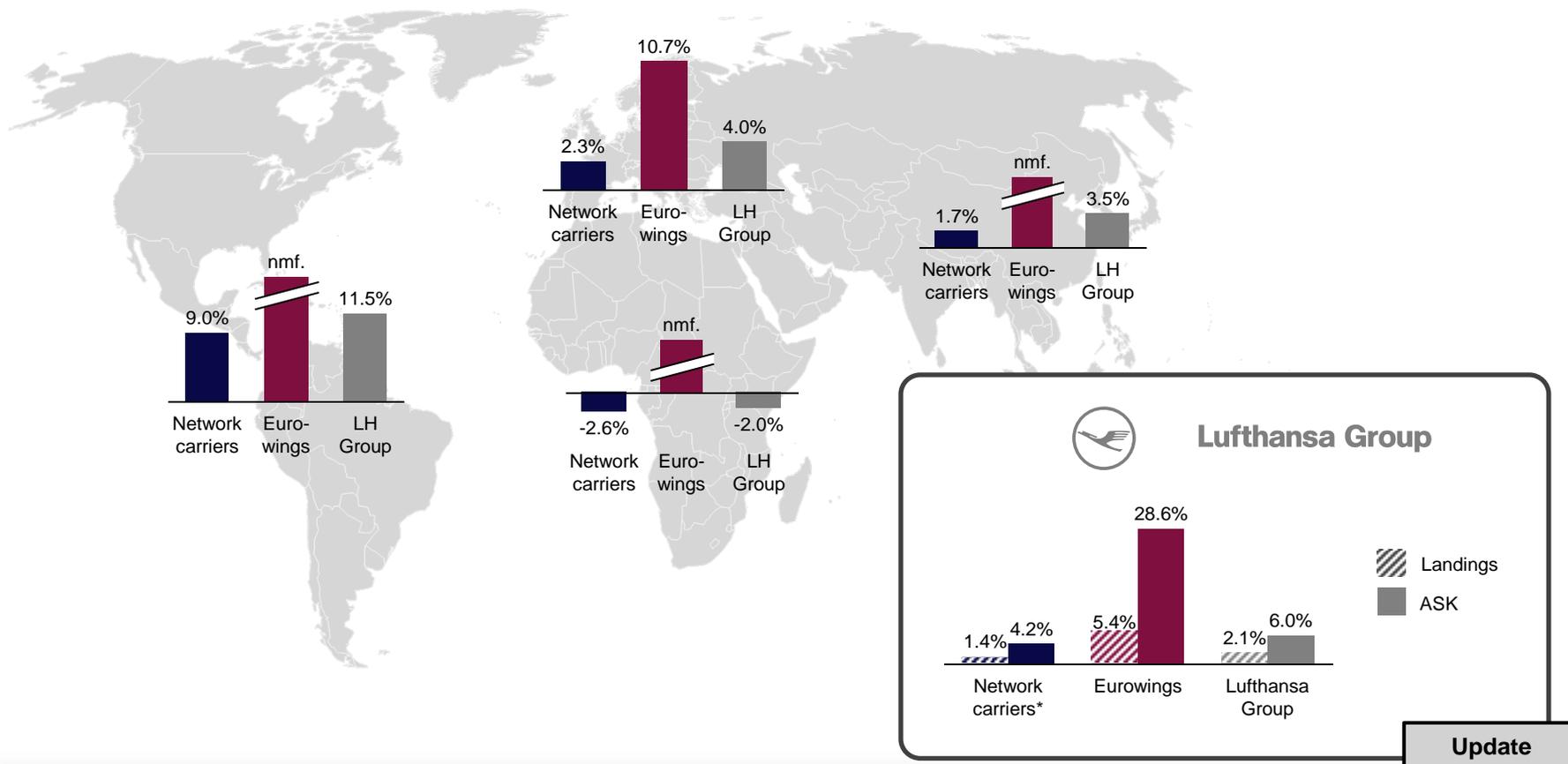
The session will include a presentation and Q&A. Investors and analysts are invited to join a buffet lunch together with the management team following the session.

Venue

1 Finsbury Avenue
7th Floor
London EC2M 2PP

Appendix
– Financial Figures FY 15 & Q1 16 –

Planned capacity growth of network carriers and Eurowings reduced Lufthansa Group capacity growth 2016 per region



▶ **Network carriers in line with mid-term growth rate of c. 3% p.a.**

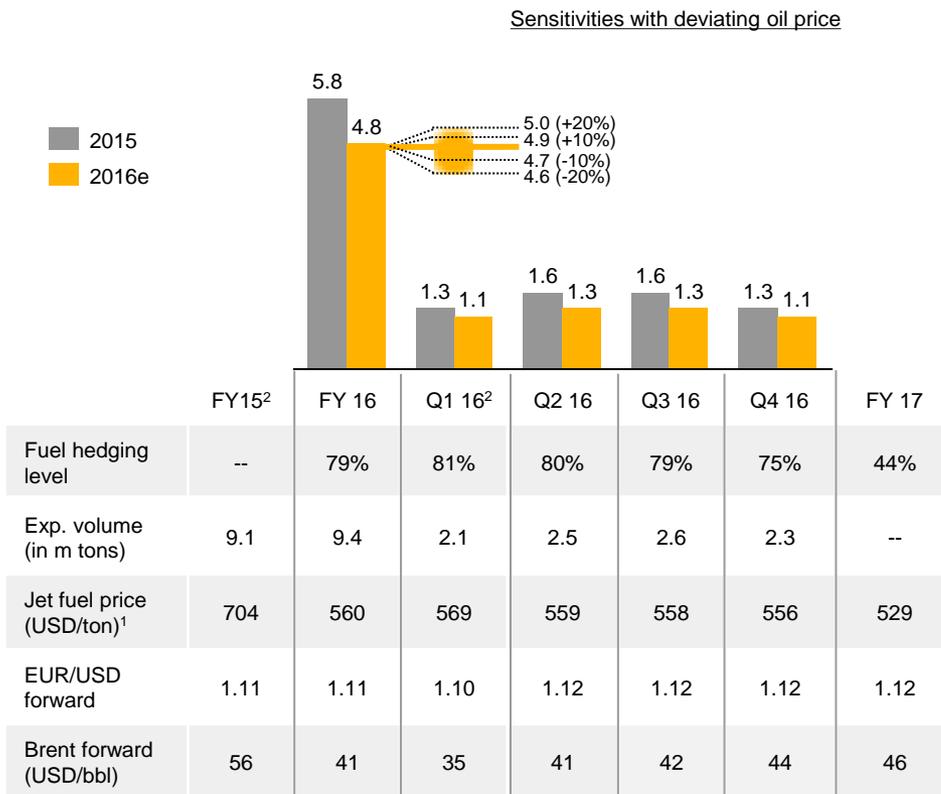
* 2016 growth includes base effect due to strikes in 2015 (1.3pts.) and leap year 2016 (0.3pts.)

as of 27 April 2016

Expected Fuel costs decrease versus previous year

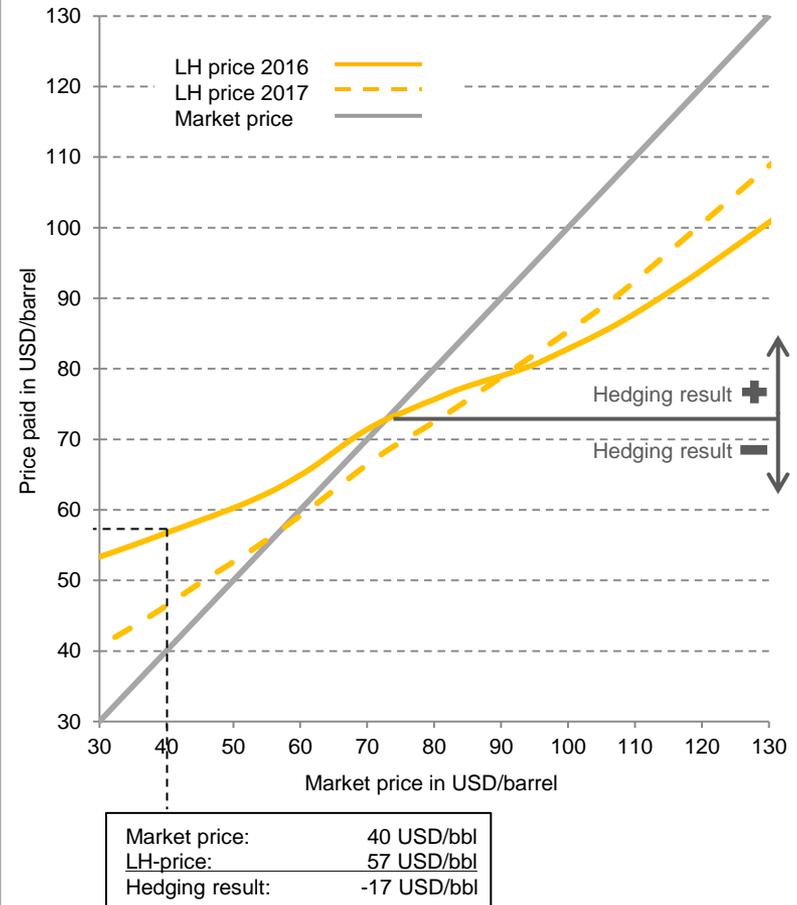
Fuel forecast and sensitivities FY 2016 und 2017

Lufthansa Group fuel expenses after hedging
(in bn EUR)



As of 31 Mar 2016 ¹ incl. fuel hedging ² forwards are actual numbers for FY15 and Q1 16

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
No. of Flights	 +0.2%	 c. 2.1%	Slight increase at network airlines; increase mainly due to Eurowings fleet growth
Capacity (ASK)	 +2.2%	 c. 6.0%	Network airlines +4.2% (thereof 1.3pts. strike effect); in line with mid-term growth rate of 3% p.a.; Eurowings +28.6% due to growing long-haul operations
Volume (RPK)	 +2.7%	in line with capacity growth	
Load Factor (SLF)	 +0.3pts.	stable	
Pricing (Yield ex currency)	 -3.5%	clearly negative	Yield decline partly driven by growth of Eurowings; development at network airlines less negative; yield pressure could increase with lower fuel prices
Unit Revenue (RASK ex currency)	 -3.0%	clearly negative	
Unit Costs (CASK ex fuel ex currency)	 +2.4	reduction	Strong reduction at Eurowings; also reduction at network airlines; assumption in the absence of further strikes
Cargo Capacity	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	
Passenger Airline Group	1,505	slightly above previous year
Logistics	74	significantly below previous year
MRO	454	significantly below previous year
Catering	99	slightly below previous year
Other	-370	significantly above previous year
Internal revenue / Reconciliation	55	
Lufthansa Group	1,817	slightly above previous year

As of 03 May 2016

Fuel and currency effects release significantly Operating costs and revenues

Lufthansa Group (in m EUR)	Q1 2016	vs. PY	
Total revenue	6,916	-0.8%	
Other operating income	653	-28.5%	
Total operating income	7,569	-4.0%	

Operating expenses	7,590	-5.3%	
Non-fuel operating expenses	6,519	-2.9%	
Cost of materials and services	3,936	-1.0%	
<i>Fuel expenses</i>	1,071	-18.1%	
<i>Fees and charges</i>	1,285	+3.1%	
Staff costs	1,957	+1.8%	
Depreciation	392	+4.8%	
Other operating expenses	1,305	-25.3%	+0.4% exkl. FX losses

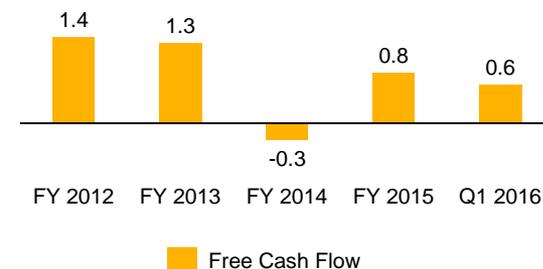
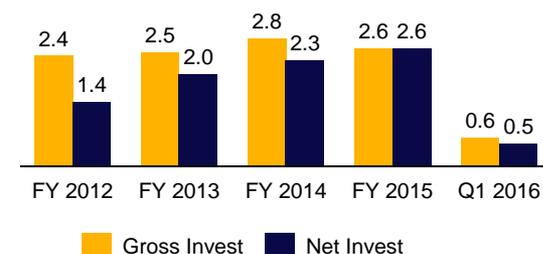
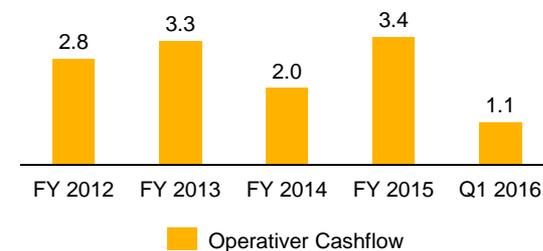
Result from equity investments	-28	-154.5%	
EBIT	-49	+66.0%	
Adjustments	-4		
Adjusted EBIT	-53	+68.3%	

Free Cash Flow increases on lower capex

Cash flow statement

Lufthansa Group (in m EUR)	Q1 2016	vs. PY
EBT (earnings before income taxes)	-25	-381
Depreciation & amortization (incl. non-current assets)	417	+22
Net proceeds from disposal of non-current assets	-5	+17
Result from equity investments	+28	+17
Net interest result	67	+69
Income tax payments/reimbursements	-15	+50
Measurement of financial derivatives through profit or loss	-123	+268
Change in working capital	740	-254
Change of other assets / liabilities	18	-100
Operating cash flow	1,102	-292
Capital expenditure (net)	-524	+338
Free cash flow	578	+46
Cash and cash equivalents as of 30.03.16*	1,096	+271
Current securities	2,179	-37
Total Group liquidity	3,275	+234

* Excluding fixed-term deposits with terms from three to twelve months (2016: 112 m EUR, 2015: 92 m EUR)

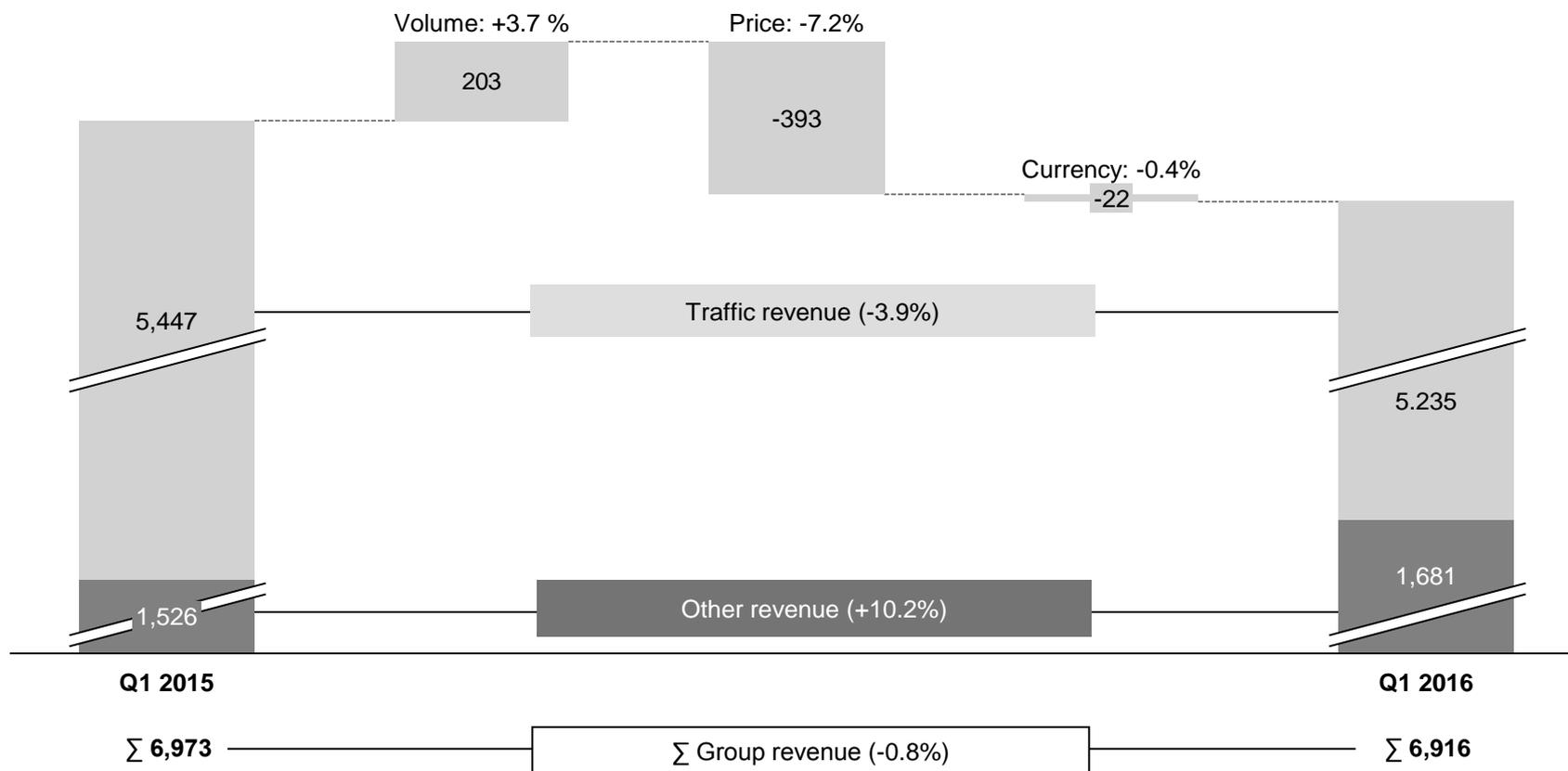


Group revenue and currency impact

Q1 2016 vs. Q1 2015

Currency influence on EBIT (in m EUR)				
Q1	Q2	Q3	Q4	FY (YTD)
-6				-6

in m EUR

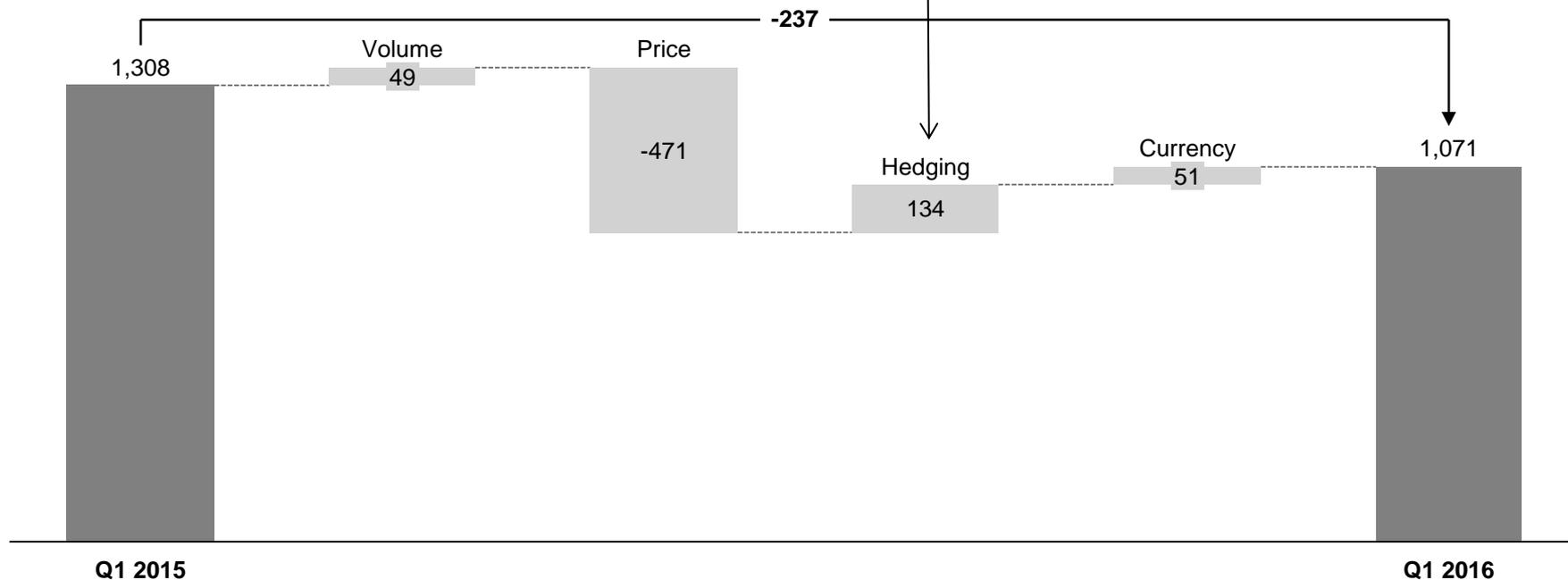


Fuel costs

Q1 2016 vs. Q1 2015

Hedging result by quarter (in m EUR)					
	Q1	Q2	Q3	Q4	FY (YTD)
2015	-203	-205	-271	-309	-988
2016	-336				-336

in m EUR



Adjusted EBIT and one-off factors

Quarterly results 2015-2016

<i>in m EUR</i>	Q1	Q2	Q3	Q4	6M	9M	Full Year
Adjusted EBIT 2015	-167	635	1,225	124	468	1,693	1,817
<i>incl. strikes</i>	-42	-58	-30	-101	-100	-130	-231
<i>incl. Venezuela</i>	-60	+5	-5	-12	-55	-60	-72
Adjusted EBIT ex one-off factors	-65	688	1,260	237	623	1,883	2,120
Adjusted EBIT 2016	-53						
<i>incl. strikes</i>	0						
<i>incl. Venezuela</i>	0						
Adjusted EBIT ex one-off factors	-53						
vs. PY	+12						

Reconciliation from EBIT to Adjusted EBIT per segment

Q1 2016

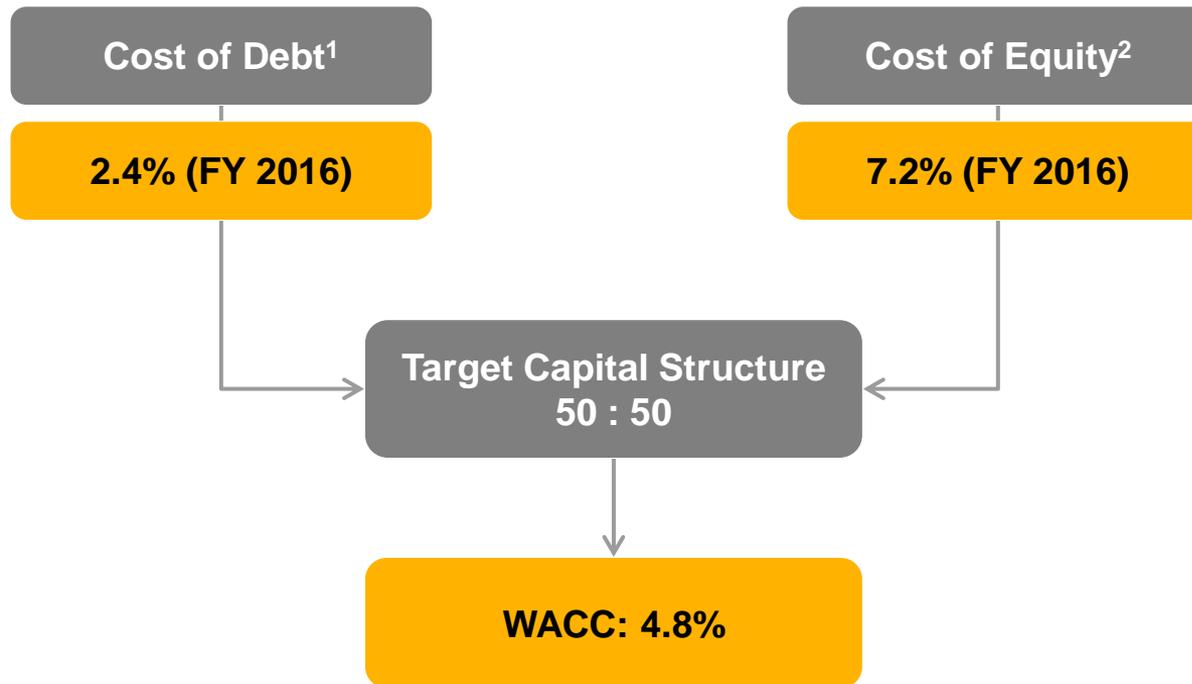
Segment	EBIT FY 15 (m EUR)	<i>Impairments</i>	<i>Pension changes</i>	<i>Book gains/losses on asset disposals</i>	Adj. EBIT FY 15 (m EUR)
LH Passenger Airlines	70			-10	60
SWISS	23				23
Austrian Airlines	-29			-1	-30
Eurowings	-86				-86
Consolidation	-43			9	-34
Passenger Airline Group	-65			-2	-67
Logistics	-19				-19
MRO	87				87
Catering	0			-4	-4
Others / Consolidation	-52	+1		+1	-50
Lufthansa Group	-49	+1		-5	-53

Adjusted EBIT and EBIT per quarter 2015

<i>in m EUR</i>	Q1	Q2	Q3	Q4	6M	9M	Full Year
Adj. EBIT	-167	635	1,225	124	468	1,693	1,817
<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
EBIT	-144	607	1,200	13	463	1,663	1,676
<i>interest on liquidity</i>							+186
<i>taxes (25% lump sum)</i>							-466
<i>cost of capital</i>							-1,073
EACC							323
<i>average capital employed</i>							18,195
WACC							5.9%
ROCE							7.7%

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

Current WACC is 4.8%

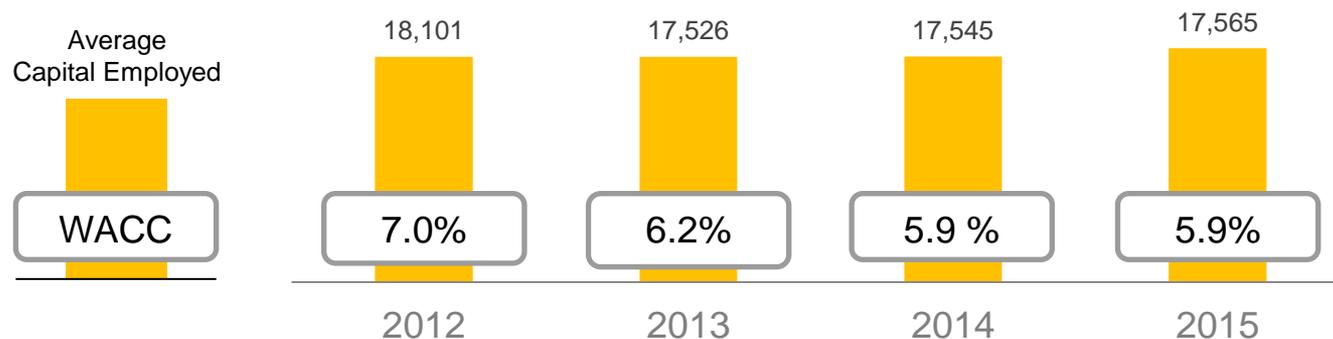


¹ Currently no consideration of tax shield

² 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%



	2012	2013	2014	2015
Balance Sheet Total	28,559	29,108	30,474	32,462
<i>./. Non-Interest Bearing Liabilities</i>	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
Average Capital Employed	17,526	17,582	17,565	18,195
WACC	7,0%	6,2%	5,9%	5,9%
EBIT	1,645	936	1,000	1,676
Interest on liquidity	75	67	84	186
Taxes	-430	-251	-271	-466
Cost of capital	-1,227	-1,090	-1,036	-1,073
EACC	63	-338	-223	323
ROCE	7.4%	4.3%	4.6%	7.7%