



Lufthansa Group



Analyst and Investor Conference Call Q1 2017

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Strong result in Q1 driven by Aviation Services

Overview

► Strongest Q1 since 2008

- Adjusted EBIT up 78m EUR to 25m EUR
- Driven by
 - recovery of Logistics (up 52m EUR to 33m EUR),
 - growth of MRO (up 50m EUR to 137m EUR),
 - stable result at LSG (up 2m EUR to -2m EUR) and
 - improvements in Others and Consolidation (up 58m EUR to 29m EUR)

► Passenger Airlines experience solid pricing environment

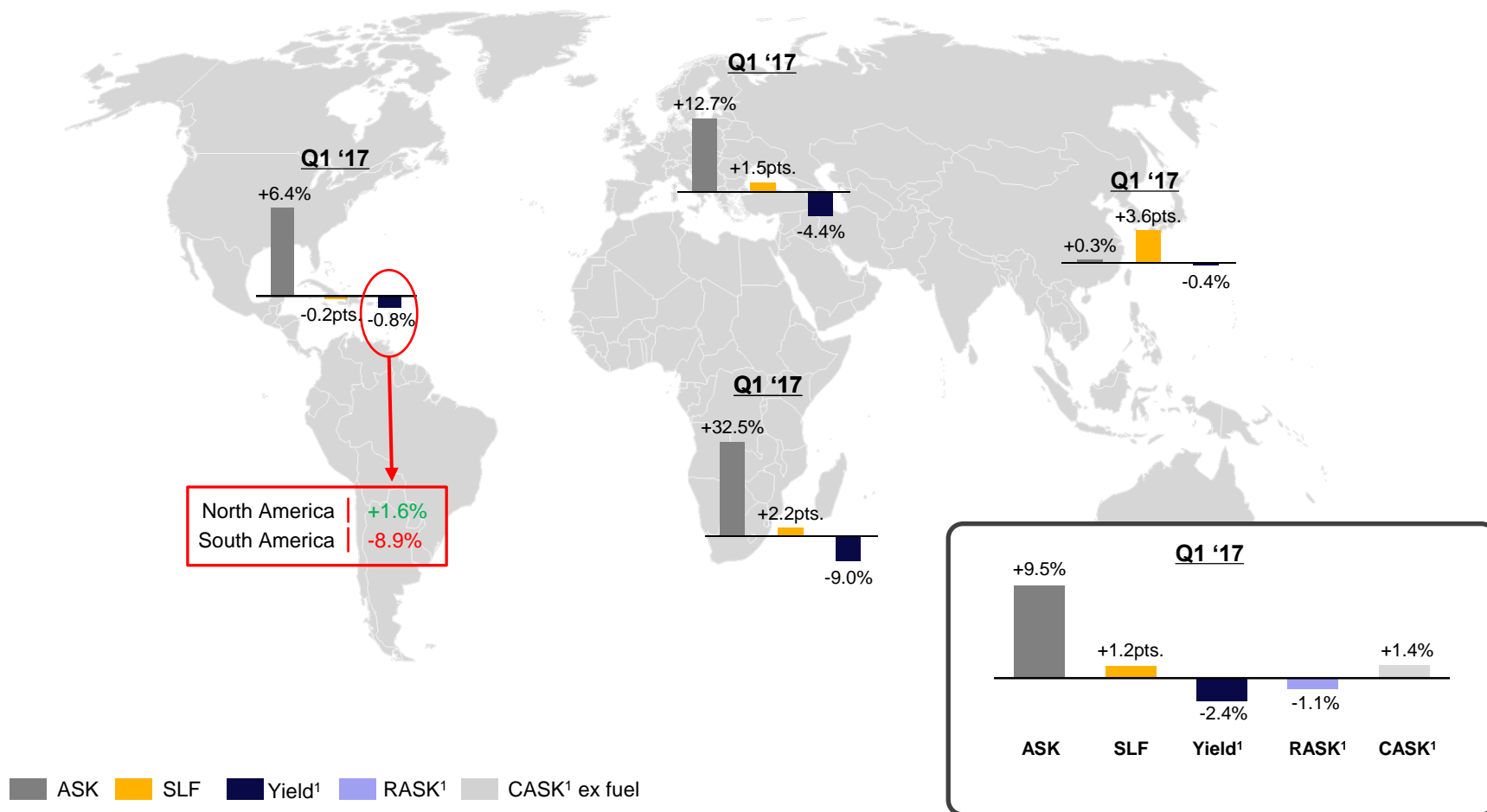
- Adjusted EBIT of Network Airlines and Point-to-Point Airlines together down 84m EUR to -172m EUR
- Constant currency RASK down 1.1%
- Constant currency CASK excl. fuel up 1.4%
- Continuing focus on cost reduction

► Free cash flow almost doubles to 1.1bn EUR due to good forward bookings for Q2

► 2017 full year guidance remains unchanged

Favourable trading environment particularly in Asia and North America

Operating KPIs Group Airlines



Aviation Services drive strong profit improvement

Q1 2017 operating KPIs and key profit figures at a glance

Network Airlines		Point-to-Point Airlines		Aviation Services	

<i>in m EUR</i>	Q1 '17	vs. Q1 '16
Revenue	7,691	+11.2%
EBIT	16	+65m€
Adjusted EBIT	25	+78m€
Net income	-68	-60m€

¹ Including Lufthansa Cargo and Brussels Airlines

² Includes Logistics, MRO, Catering, Others and Consolidation




Strong cash flow development drives reduction of net debt

Key balance sheet and cash flow figures at a glance

Network Airlines			Point-to-Point Airlines			Aviation Services		
<u>Balance Sheet</u> <i>in m EUR</i>			Q1 '17	vs. FY '16		<u>Cash Flow</u> <i>in m EUR</i>	Q1 '17	vs. Q1 '16
Net financial debt			1,925	-28.7%		Operating cash flow	1,648	+49.5%
Pension provisions			8,656	+3.5%		Net invest	554	+5.7%
Equity ratio			17.9%	-2.7pts.		Free cash flow	1,094	+89.3%

Strong performance through broad set-up of the Group

Segment overview Q1 2017

<i>in m EUR</i>	Network Airlines			
Revenue vs. Q1 '16	4,929 +224	3,482 +132	1,061 +77	440 +40
Adj. EBIT vs. Q1 '16	-40 -76	-12 -57	35 +14	-59 -29
Adj. EBIT Margin¹ vs. Q1 '16	-0.8% -1.6pts.	-0.3% -1.6pts.	3.3% +1.2pts.	-13.4% -5.9pts.

Point-to-Point Airlines¹

Revenue vs. Q1 '16	683 +306
Adj. EBIT vs. Q1 '16	-132 -8
Adj. EBIT Margin vs. Q1 '16	-19.3% +13.6pts.

Logistics

Revenue vs. Q1 '16	569 +89
Adj. EBIT vs. Q1 '16	33 +52
Adj. EBIT Margin vs. Q1 '16	5.8% +9.8pts.

MRO

Revenue vs. Q1 '16	1,455 +165
Adj. EBIT vs. Q1 '16	137 +50
Adj. EBIT Margin vs. Q1 '16	9.4% +2.7pts.

Catering

Revenue vs. Q1 '16	769 +50
Adj. EBIT vs. Q1 '16	-2 +2
Adj. EBIT Margin vs. Q1 '16	-0.3% +0.3pts.

Others & Consolidation

Revenue vs. Q1 '16	-714 -59
Adj. EBIT vs. Q1 '16	29 +58
Adj. EBIT Margin vs. Q1 '16	n.a.

¹ Includes Eurowings, Brussels Airlines and equity stake in SunExpress

Full year guidance remains unchanged

Forecast Lufthansa Group 2017

Network Airlines	Point-to-Point Airlines	Aviation Services ¹
<p>ASK +4.5% organic growth², 12.5% total growth</p> <p>RASK (constant currency) Less negative than last year FX to further support reported figure</p> <p>CASK (constant currency; ex-fuel) Reduction at FY16 level Driven by individual cost reductions and change in mix effect</p>		
<p>Additional fuel costs of c. 500m EUR³ (200m EUR from organic growth, 300m EUR from consolidation of Brussels Airlines)</p>		
	<p>Small positive contribution from Brussels Airlines and Air Berlin wet lease</p>	<p>Flat development at other business segments</p> <p>Differing performances among single group companies</p>
<p>No major change in restructuring costs compared to previous year</p>		

¹ Includes Logistics, MRO, Catering, Others and Consolidation

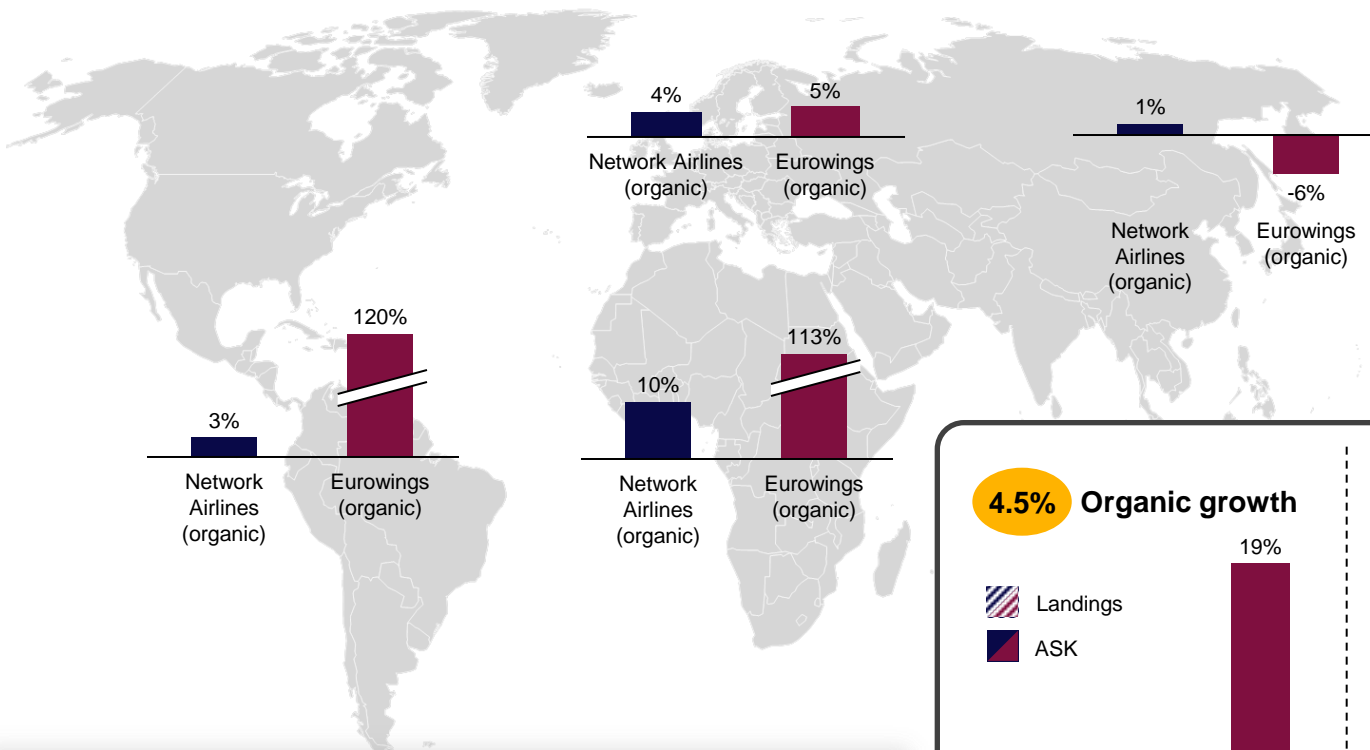
³ As of 31 Mar 2017; details in appendix of presentation

² Organic growth excluding Brussels Airlines and Air Berlin wet lease

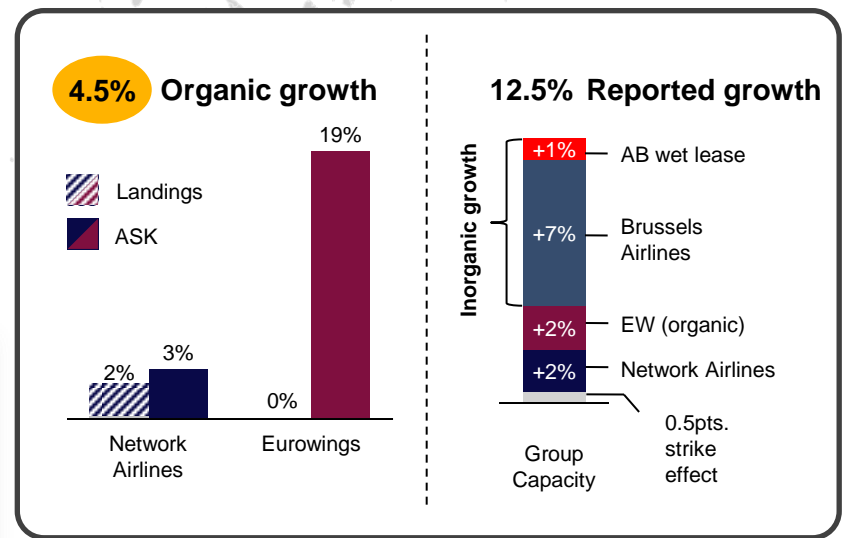
Appendix
– supplementary information –

Focus on capacity discipline, growth driven inorganically

Lufthansa Group capacity growth 2017 per region



- **4.5% organic, 8% inorganic growth**
- **Reduction of market capacity by up to 20 aircraft**



All capacity plans indicative and subject to change

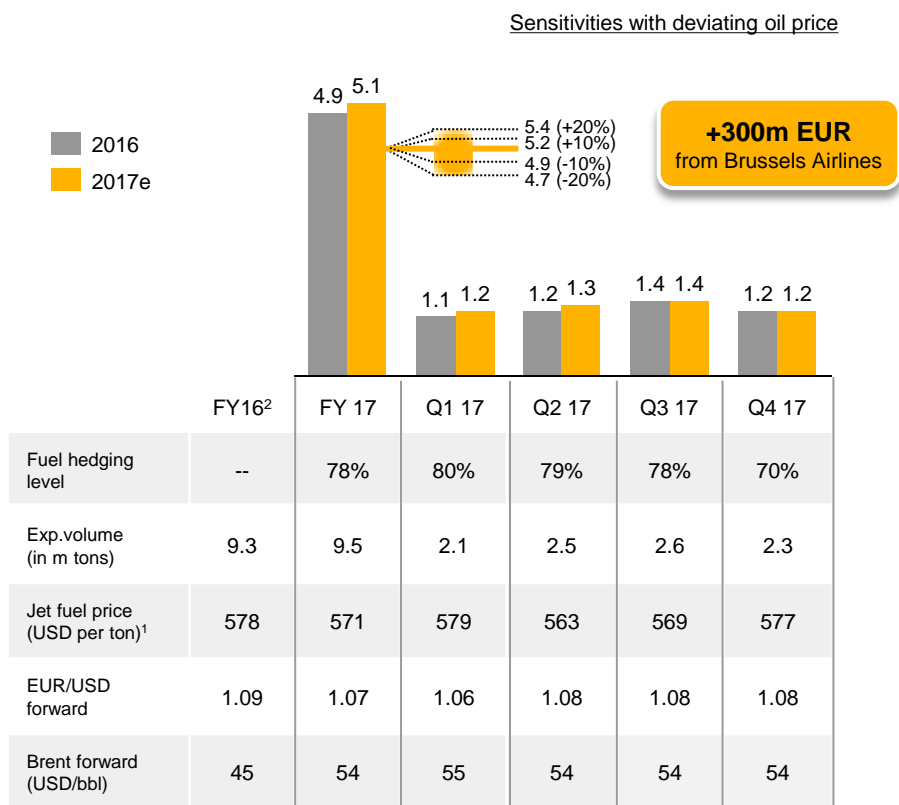
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Appendix
– financial figures Q1 2017 –

Fuel costs increase on the back of stronger USD and higher oil prices

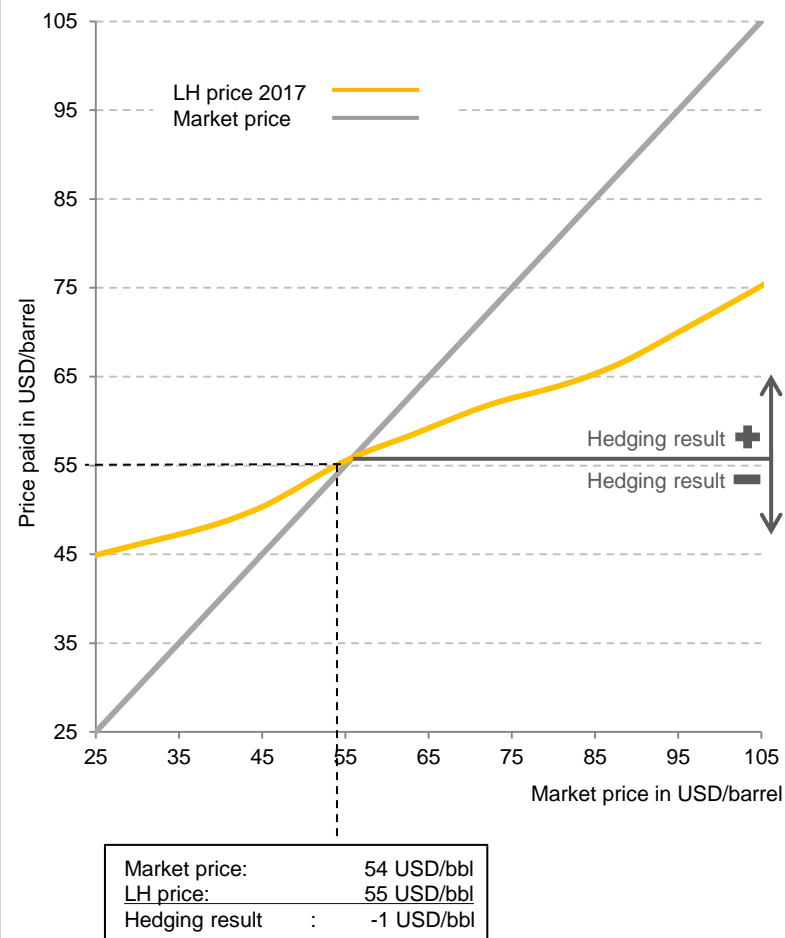
Fuel forecast and sensitivities FY 2017

Lufthansa Group fuel expenses after hedging
(in bn EUR)



As of 31 March 2017 ¹ incl. fuel hedging ² forwards are actual numbers for FY16

Lufthansa Group price curve remainder of 2017



Absolute costs increase in the first quarter

Operating costs and revenues

<i>Lufthansa Group (in m EUR)</i>	Q1 2017	vs. Q1 '16
Total revenue	7,691	+11.2%
Other operating income	561	-14.1%
Total operating income	8,252	+9.0%

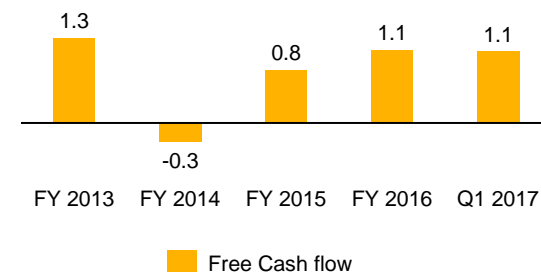
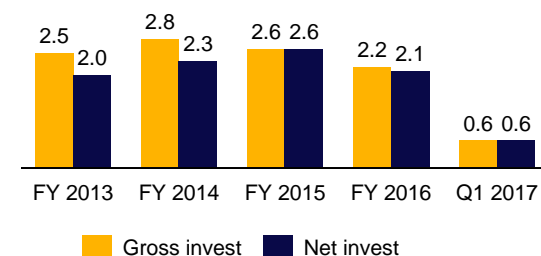
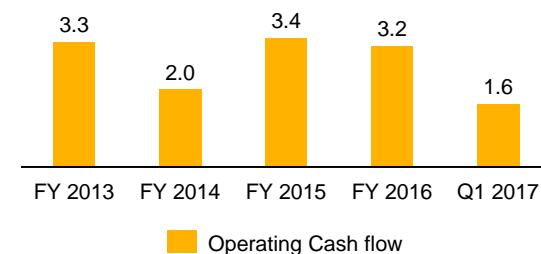
Operating expenses	8,242	+8.6%
Non-fuel operating expenses	7,032	+7.9%
Cost of materials and services	4,386	+11.4%
<i>Fuel expenses</i>	1,210	+13.0%
<i>Fees and charges</i>	1,396	+8.6%
Staff costs	2,081	+6.3%
Depreciation	422	+7.7%
Other operating expenses	1,353	+3.7%

Result from equity investments	6	+34m€
EBIT	16	+65m€
Adjustments	9	+13m€
Adjusted EBIT	25	+78m€

Free cash flow increases despite higher capex

Cash flow statement

Lufthansa Group (in m EUR)	Q1 2017	vs. Q1 '16
EBT (earnings before income taxes)	-55	-30
Depreciation & amortization (incl. non-current assets)	428	+11
Net proceeds from disposal of non-current assets	-23	-18
Result of equity investments	-6	-34
Net interest	77	+10
Income tax payments/reimbursements	-27	-12
Significant non-cash-relevant expenses / income	-12	+111
Change in trade working capital	1,154	+387
Change in other assets / liabilities	112	+121
Operating cash flow	1,648	+546
Capital expenditure (net)	-554	-30
Free cash flow	1,094	+516
Cash and cash equivalents as of 31.03.17 ¹	1,533	+437
Current securities	3,732	+1,553
Total Group liquidity	5,265	+1,990



¹ Excluding fixed-term deposits with terms from three to twelve months (2017: 124 m EUR, 2016: 112 m EUR)

Favourable trading environment particularly in Asia and N. America

Operating KPIs Group Airlines

Total	Q1 '17
Number of flights	+6.0%
ASK	+9.5%
RPK	+11.3%
SLF	+1.2pts.

Europe	Q1 '17
ASK	+12.7%
RPK	+15.1%
SLF	+1.5pts.
Yield	-4.1%
Yield ex currency	-4.4%

Asia/Pacific	Q1 '17
ASK	+0.3%
RPK	+4.8%
SLF	+3.6pts.
Yield	+1.2%
Yield ex currency	-0.4%

Yield	-1.2%
Yield ex currency	-2.4%
RASK	-0.1%
RASK ex currency	-1.1%
CASK incl fuel	+1.8%
CASK ex currency ex fuel	+1.4%

Americas	Q1 '17
ASK	+6.4%
RPK	+6.1%
SLF	-0.2pts.
Yield	+1.1%
Yield ex currency	-0.8%

Middle East/Africa	Q1 '17
ASK	+32.5%
RPK	+36.3%
SLF	+2.2pts.
Yield	-7.5%
Yield ex currency	-9.0%

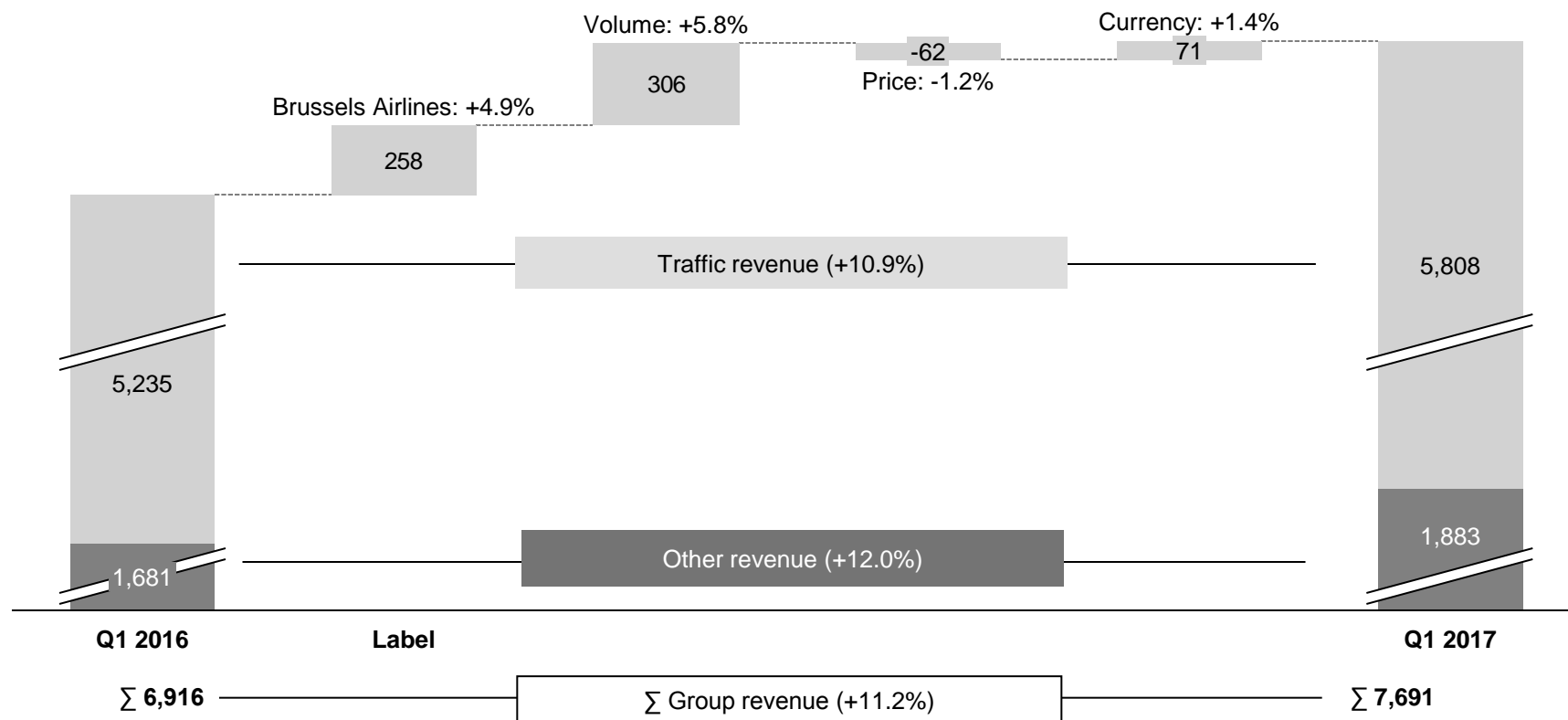
North America	+1.6%
South America	-8.9%

Group revenue and currency impact

Q1 2017 vs. Q1 2016

Currency influence on EBIT (in m EUR)				
Q1	Q2	Q3	Q4	FY (YTD)
-39				-39

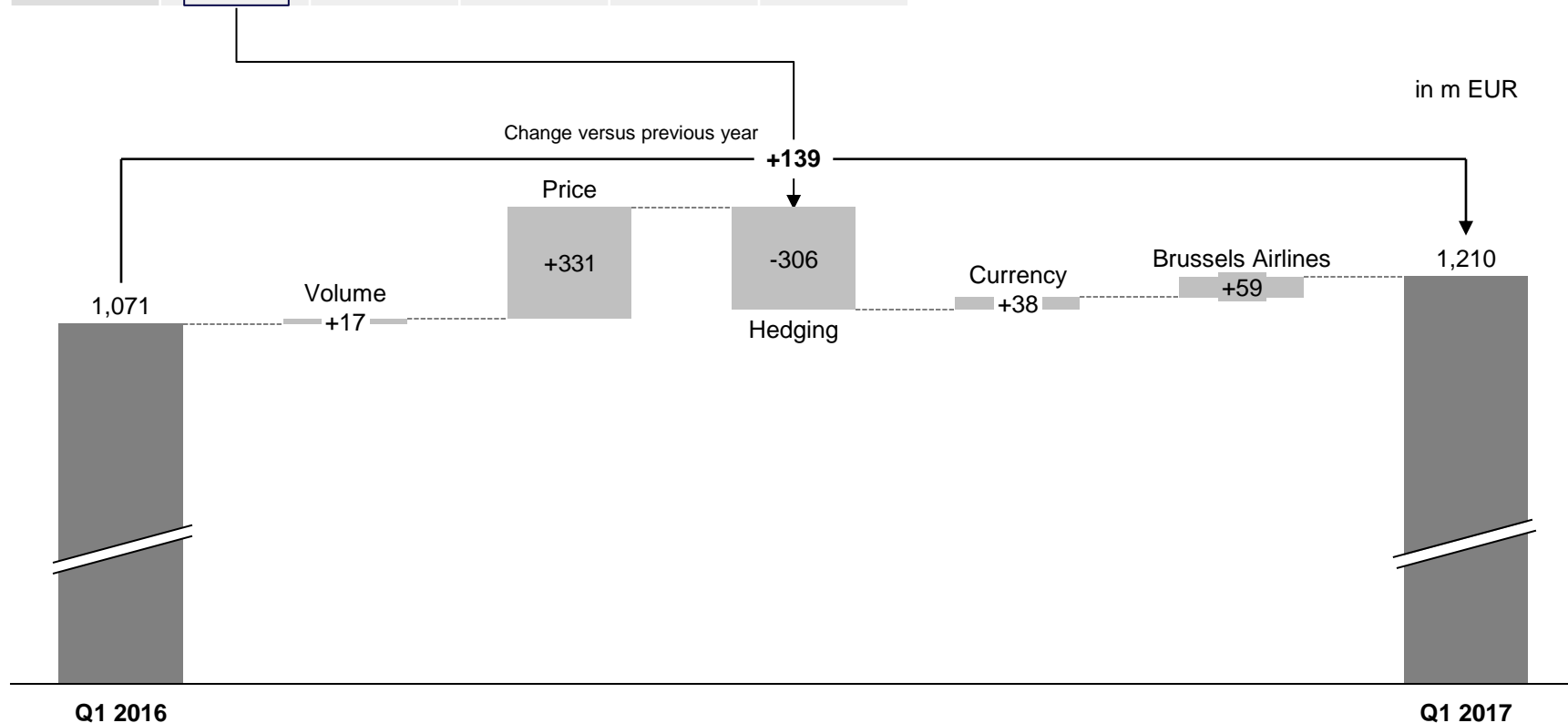
in m EUR



Fuel cost development

Q1 2017 vs. Q1 2016

Hedging result by quarter (in m EUR)					
	Q1	Q2	Q3	Q4	FY (YTD)
2016	-336	-235	-219	-115	-905
2017	-30				



Adjusted EBIT and one-off factors

Quarterly results 2016-2017

<i>in m EUR</i>	Q1	Q2	Q3	Q4	6M	9M	Full Year
Adjusted EBIT 2016	-53	582	1,148	75	529	1,677	1,752
<i>Strikes</i>	0	0	0	-100	0	0	100
Adjusted EBIT ex one-off factors	-53	582	1,148	175	529	1,677	1,852
Adjusted EBIT 2017	25						
<i>One-off effects</i>	0						
Adjusted EBIT ex one-off factors	25						

Adjusted EBIT and EBIT per quarter 2017

in m EUR

	Q1	Q2	Q3	Q4	6M	9M	FY
Adj. EBIT	25						
<i>pension changes</i>	-32						
<i>book gains / losses on asset disposals</i>	+23						
<i>impairments / badwill</i>	0						
EBIT	16						
<i>interest on liquidity</i>							
<i>taxes (25% lump sum)</i>							
<i>cost of capital</i>							
EACC							
<i>average capital employed</i>							
<i>WACC</i>							
ROCE							

Adjusted EBIT and EBIT per quarter 2016

in m EUR

	Q1	Q2	Q3	Q4	6M	9M	FY
Adj. EBIT	-53	582	1,148	75	529	1,677	1,752
<i>pension changes</i>	0	0	+721	-43	0	+721	+678
<i>book gains / losses on asset disposals</i>	+5	+37	+7	-11	+42	+49	+38
<i>impairments / badwill</i>	-1	-52	-64	-76	-53	-117	-193
EBIT	-49	567	1,812	-55	518	2,330	2,275
<i>interest on liquidity</i>							+64
<i>taxes (25% lump sum)</i>							-585
<i>cost of capital</i>							-937
EACC							817
<i>average capital employed</i>							19,533
WACC							4.8%
ROCE							9.0%