



Lufthansa Group



# **Analyst and Investor Conference Call Q2 2017**

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Frankfurt, 2 August 2017

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# New alignment of Group leads to substantially improved results

## Overview

### ► Strongest Q2 and H1 in the history of Lufthansa Group

- Q2 Adjusted EBIT increased by 435m EUR to 1,017m EUR
- H1 Adjusted EBIT almost doubled from 529m EUR to 1,042m EUR
- Free cash flow increases by 87% to 2.1bn EUR in H1; net financial debt reduced by 58% vs. FY 2016

### ► Passenger Airlines and Logistics drive strong result development in Q2

- Network Airlines with an increase in Adjusted EBIT of 346m EUR to 797m EUR
- Point-to-Point Airlines with an increase in Adjusted EBIT of 66m EUR to 55m EUR
- Logistics with an increase in Adjusted EBIT of 71m EUR to 45m EUR

### ► Solid market environment and continued cost focus

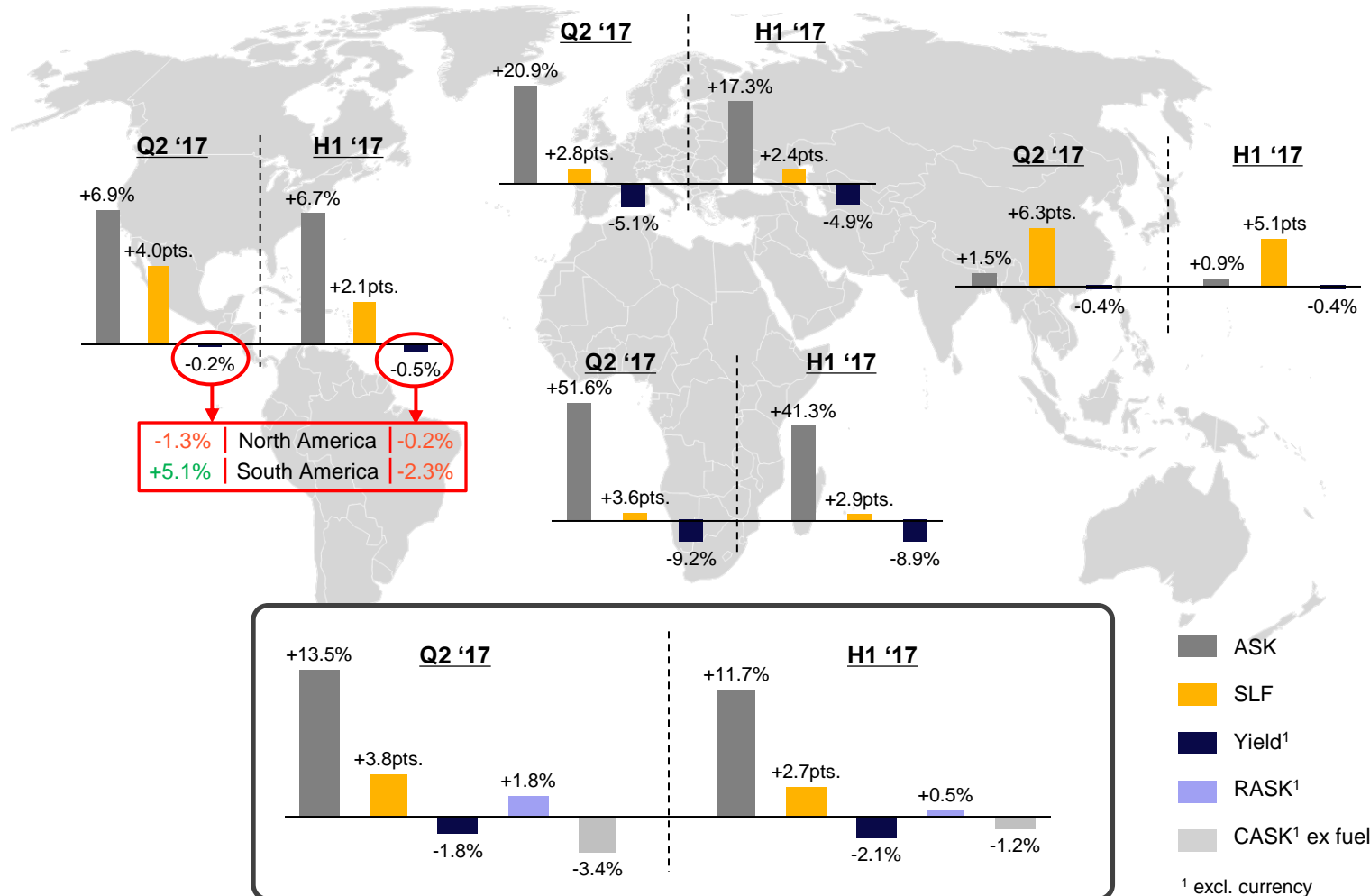
- Q2 constant currency RASK increase by 1.8%, despite dilutive effect from inorganic P2P growth
- Q2 constant currency CASK excl. fuel reduced by 3.4%, despite higher load factors
- Continuing focus on cost reductions

### ► 2017 full year Adjusted EBIT guidance increased to “above previous year”

- Eurowings to break-even in 2017 – one year earlier than planned
- Lufthansa Cargo also to break-even in 2017

# Favourable trading environment particularly in Asia and North America

## Operating KPIs Passenger Airlines



# Group airlines drive strong profit improvement

## Q2 and H1 2017 operating KPIs and key profit figures at a glance

Network Airlines	Point-to-Point Airlines	Aviation Services
	Q2 '17H1 '17	in m EURQ2 '17H1 '17
<b>ASK</b>	+13.5%+11.7%	<b>Adj. EBIT<sup>2</sup></b> 165362
<b>RASK</b> (constant currency)	+1.8%+0.5%	<b>Δ year-on-year</b> +23+185
<b>CASK</b> (constant currency; ex-fuel)	-3.4%-1.2%	
<b>Fuel cost headwind (m EUR)<sup>1</sup></b> (year-on-year)	+84+223	

in m EUR	Q2 '17	vs. Q2 '16	H1 '17	vs. H1 '16
Revenue	9,260	+14.0%	16,951	+12.7%
EBIT	1,015	+79.0%	1,031	+99.0%
Adjusted EBIT	1,017	+74.7%	1,042	+97.0%
Net income	740	+69.3%	672	+56.6%

<sup>1</sup> Including Lufthansa Cargo and Brussels Airlines

<sup>2</sup> 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		
<b><u>Balance Sheet</u></b> <i>in m EUR</i>			<b>H1 '17</b>	<b>vs. FY '16</b>		<b><u>Cash Flow</u></b> <i>in m EUR</i>	<b>H1 '17</b>	<b>vs. H1 '16</b>
Net financial debt			1,139	-57.8%		Operating cash flow		
Pension provisions			8,127	-2.8%		Net invest		
Equity ratio			19.4%	-1.2 pts.		Free cash flow		

# Strong performance of Passenger Airlines and Cargo

## Segment overview Q2 2017

<i>in m EUR</i>	Network Airlines			
<b>Revenue</b> vs. Q2 '16	<b>6,168</b> +472	<b>4,358</b> +302	<b>1,210</b> +100	<b>651</b> +79
<b>Adj. EBIT</b> vs. Q2 '16	<b>797</b> +346	<b>581</b> +265	<b>152</b> +46	<b>62</b> +33
<b>Adj. EBIT Margin</b> vs. Q2 '16	<b>12.9%</b> +5.0pts.	<b>13.3%</b> +5.5pts.	<b>12.6%</b> +3.0pts.	<b>9.5%</b> +4.4pts.

### Point-to-Point Airlines<sup>1</sup>

<b>Revenue</b> vs. Q2 '16	<b>1,089</b> +544
<b>Adj. EBIT</b> vs. Q2 '16	<b>55</b> +66
<b>Adj. EBIT Margin</b> vs. Q2 '16	<b>5.1%</b> +7.1pts.

### Logistics

<b>Revenue</b> vs. Q2 '16	<b>589</b> +93
<b>Adj. EBIT</b> vs. Q2 '16	<b>45</b> +71
<b>Adj. EBIT Margin</b> vs. Q2 '16	<b>7.6%</b> +12.8pts.

### MRO

<b>Revenue</b> vs. Q2 '16	<b>1,299</b> +51
<b>Adj. EBIT</b> vs. Q2 '16	<b>85</b> -32
<b>Adj. EBIT Margin</b> vs. Q2 '16	<b>6.5%</b> -2.9pts.

### Catering

<b>Revenue</b> vs. Q2 '16	<b>828</b> +21
<b>Adj. EBIT</b> vs. Q2 '16	<b>15</b> -13
<b>Adj. EBIT Margin</b> vs. Q2 '16	<b>1.8%</b> -1.7pts.

### Others & Consolidation

<b>Revenue</b> vs. Q2 '16	<b>-713</b> -47
<b>Adj. EBIT</b> vs. Q2 '16	<b>20</b> -3
<b>Adj. EBIT Margin</b> vs. Q2 '16	<b>n.a.</b>

<sup>1</sup> Includes Eurowings, Brussels Airlines and equity stake in SunExpress



# Full year guidance changed to “above previous year”

## Forecast Lufthansa Group for H2 2017

Network Airlines	Point-to-Point Airlines	Aviation Services <sup>1</sup>
<p>ASK <b>4.7% organic growth<sup>2</sup></b> (= 13.5% total growth)</p> <p>RASK <b>Negative</b> (constant currency) Including mix effect from organic growth of P2P segment</p> <p>CASK <b>Slightly negative</b> (constant currency; ex-fuel) Driven by individual cost reductions and change in mix effect</p>		
<p><b>Fuel cost reduction of c. 100m EUR<sup>3</sup></b> (excl. Brussels Airlines) (4.8bn EUR total fuel cost for FY 2017; +280m EUR from Brussels Airlines)</p>		
	<p><b>Small positive contribution from Brussels Airlines and Air Berlin wet lease</b></p>	
		<p><b>Flat development at other business segments</b></p> <p>Differing performances among single group companies</p>
<p><b>No major change in restructuring costs</b> compared to previous year</p>		

<sup>1</sup> Includes Logistics, MRO, Catering, Others and Consolidation

<sup>3</sup> As of 30 Jun 2017; details in appendix of presentation

<sup>2</sup> Organic growth excluding Brussels Airlines and Air Berlin wet lease, excl. strike effect in Q4 2016; details in appendix of presentation



**Appendix**  
– supplementary information –

## Adj. EBIT expected above previous year

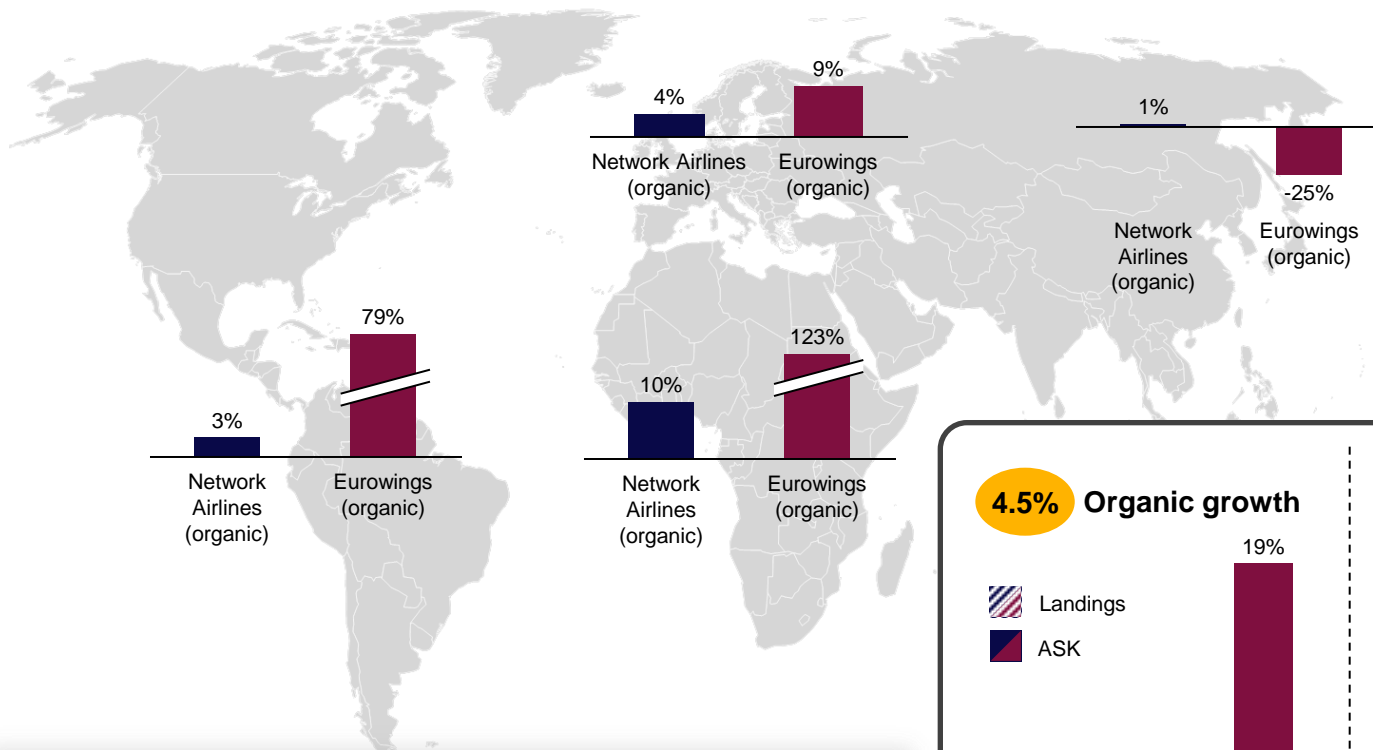
### Forecast 2017 per segment

Segment	Adj. EBIT 2016 (m EUR)	Adj. EBIT Forecast for 2017
Lufthansa German Airlines	1,090	above previous year
SWISS	405	above previous year
Austrian Airlines	58	above previous year
<b>Network airlines</b>	<b>1,555</b>	above previous year
Point-to-point airlines	-104	positive result
Logistics	-50	positive result
MRO	411	on previous year level
Catering	104	significantly below previous year
Other	-182	slightly above previous year
Internal revenue / Reconciliation	18	
<b>Lufthansa Group</b>	<b>1,752</b>	above previous year

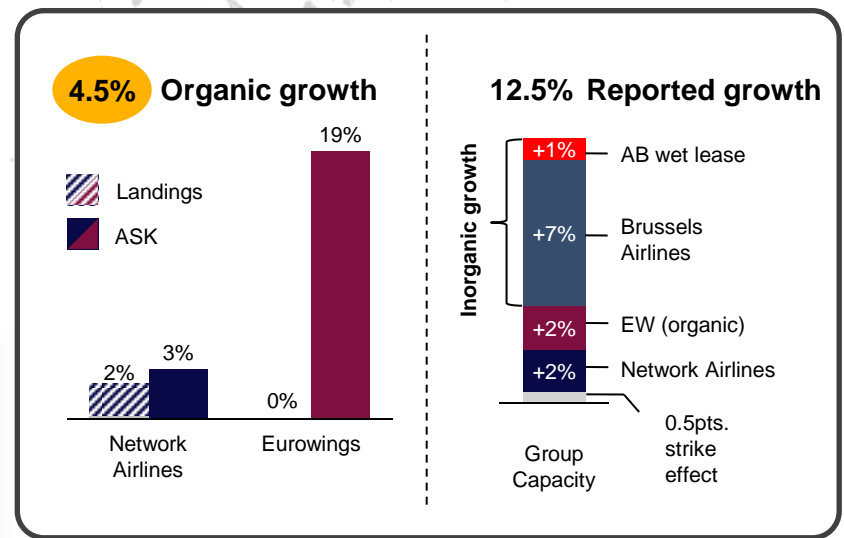
In green: increase versus last guidance

# Focus on capacity discipline, growth driven inorganically

## Lufthansa Group capacity growth 2017 per region



- **4.5% organic, 8.0% inorganic growth**
- **Reduction of market capacity by up to 20 aircraft**






All capacity plans indicative and subject to change

Status: June 2017

**Appendix**  
– financial figures Q2 / H1 2017 –

# Strong performance of cargo and passenger airlines

## Segment overview H1 2017

<i>in m EUR</i>	Network Airlines			
<b>Revenue</b> vs. H1 '16	<b>11,097</b> +696	<b>7,840</b> +434	<b>2,271</b> +177	<b>1,091</b> +119
<b>Adj. EBIT</b> vs. H1 '16	<b>757</b> +270	<b>569</b> +208	<b>187</b> +60	<b>3</b> +4
<b>Adj. EBIT Margin</b> vs. H1 '16	<b>6.8%</b> +2.1pts.	<b>7.3%</b> +2.4pts.	<b>8.2%</b> +2.2pts.	<b>0.3%</b> +0.4pts.

### Point-to-Point Airlines<sup>1</sup>

<b>Revenue</b> vs. H1 '16	<b>1,772</b> +850
<b>Adj. EBIT</b> vs. H1 '16	<b>-77</b> +58
<b>Adj. EBIT Margin</b> vs. H1 '16	<b>-4.3%</b> +10.3pts.

### Logistics

<b>Revenue</b> vs. H1 '16	<b>1,158</b> +182
<b>Adj. EBIT</b> vs. H1 '16	<b>78</b> +123
<b>Adj. EBIT Margin</b> vs. H1 '16	<b>6.7%</b> +11.3pts.

### MRO

<b>Revenue</b> vs. H1 '16	<b>2,754</b> +216
<b>Adj. EBIT</b> vs. H1 '16	<b>222</b> +18
<b>Adj. EBIT Margin</b> vs. H1 '16	<b>8.1%</b> +0.1pts.

### Catering

<b>Revenue</b> vs. H1 '16	<b>1,597</b> +71
<b>Adj. EBIT</b> vs. H1 '16	<b>13</b> -11
<b>Adj. EBIT Margin</b> vs. H1 '16	<b>0.8%</b> -0.8pts.

### Others & Consolidation

<b>Revenue</b> vs. H1 '16	<b>-1,427</b> -106
<b>Adj. EBIT</b> vs. H1 '16	<b>49</b> +55
<b>Adj. EBIT Margin</b> vs. H1 '16	<b>n.a.</b>

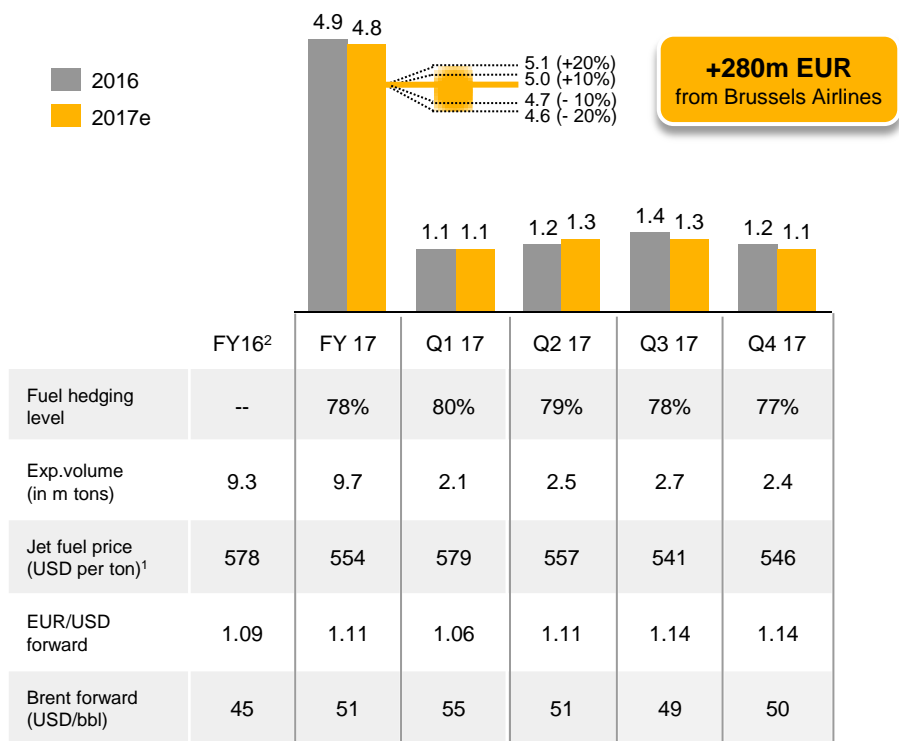
<sup>1</sup> Includes Eurowings, Brussels Airlines and equity stake in SunExpress

# Fuel costs increase due to consolidation of Brussels Airlines

## Fuel forecast and sensitivities FY 2017

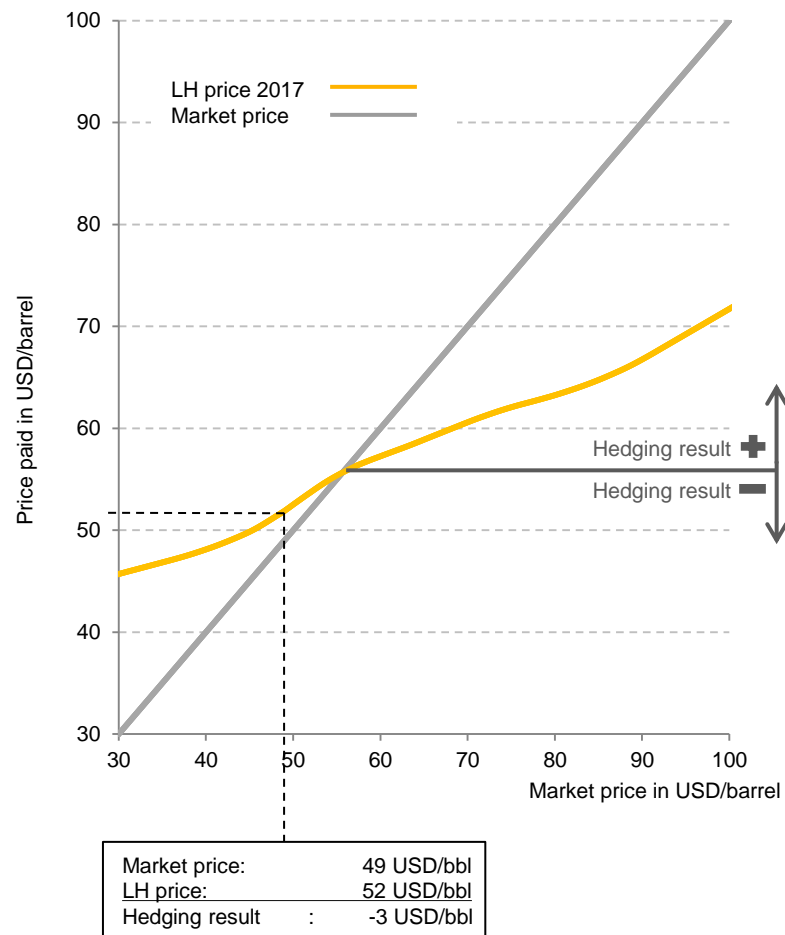
Lufthansa Group fuel expenses after hedging  
(in bn EUR)

Sensitivities with deviating oil price



As of 30 June 2017 <sup>1</sup> incl. fuel hedging <sup>2</sup> forwards are actual numbers for FY16

Lufthansa Group price curve remainder of 2017



# Absolute costs increase in the second quarter and first half-year

## Operating costs and revenues

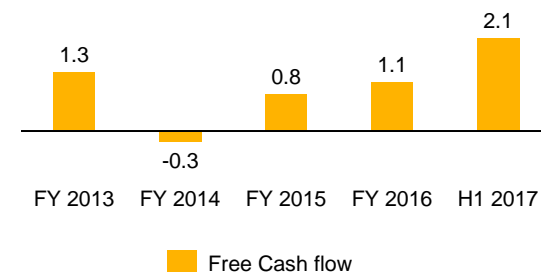
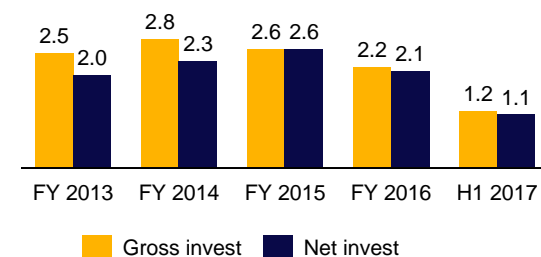
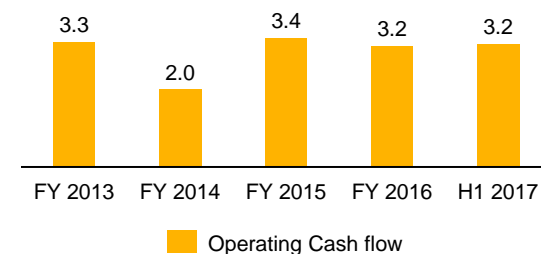
<i>Lufthansa Group</i> (in m EUR)	Q2 '17	vs. Q2 '16	H1 '17	vs. H1 '16
Total revenue	9,260	+14.0%	16,951	+12,7%
Other operating income	613	+5.9%	1,174	-4.7%
Total operating income	9,873	+13.4%	18,125	+11.4%
Operating expenses	8,896	+9.1%	17,138	+8.8%
Non-fuel operating expenses	7,546	+9.5%	14,578	+8.7%
Cost of materials and services	4,883	+12.3%	9,269	+11.9%
Fuel expenses	1,350	+6.6%	2,560	+9.5%
Fees and charges	1,660	+11.2%	3,056	+10.0%
Staff costs	2,213	+9.2%	4,294	+7.8%
Depreciation	438	-2.9%	860	+2.0%
Other operating expenses	1,362	+2.3%	2,715	+3.0%
Result from equity investments	38	+20	44	+54
<b>EBIT</b>	<b>1,015</b>	<b>+448</b>	<b>1,031</b>	<b>+513</b>
Adjustments	2	-13	11	0
<b>Adjusted EBIT</b>	<b>1,017</b>	<b>+435</b>	<b>1,042</b>	<b>+513</b>



# Free cash flow increases despite higher capex

## Cash flow statement

Lufthansa Group (in m EUR)	H1 '17	vs. H1 '16
<b>EBT</b> (earnings before income taxes)	<b>882</b>	<b>+384</b>
Depreciation & amortization (incl. non-current assets)	902	+7
Net proceeds from disposal of non-current assets	-27	+15
Result of equity investments	-44	-54
Net interest	133	-1
Income tax payments/reimbursements	-92	-19
Significant non-cash-relevant expenses / income	3	+219
Change in trade working capital	1,547	+492
Change in other assets / liabilities	-78	-10
<b>Operating cash flow</b>	<b>3,226</b>	<b>+1,033</b>
Capital expenditure (net)	-1,126	-56
<b>Free cash flow</b>	<b>2,100</b>	<b>+977</b>
Cash and cash equivalents as of 30.06.17 <sup>1</sup>	1,515	+213
Current securities	4,402	+1,719
Total Group liquidity	5,917	+1,932



<sup>1</sup> Excluding fixed-term deposits with terms from three to twelve months (2017: 201 m EUR, 2016: 106 m EUR)

# Favourable trading environment particularly in Asia and N. America

## Operating KPIs Group Airlines

Total	Q2 '17	H1 '17
Number of flights	+10.5%	+8.4%
ASK	+13.5%	+11.7%
RPK	+19.1%	+15.6%
SLF	+3.8pts.	+2.7pts.

Europe	Q2 '17	H1 '17
ASK	+20.9%	+17.3%
RPK	+25.4%	+21.2%
SLF	+2.8pts.	+2.4pts.
Yield	-5.2%	-4.9%
Yield ex currency	-5.1%	-4.9%

Asia/Pacific	Q2 '17	H1 '17
ASK	+1.5%	+0.9%
RPK	+9.6%	+7.4%
SLF	+6.3pts.	+5.1pts.
Yield	-0.5%	+0.3%
Yield ex currency	-0.4%	-0.4%

Yield	-1.9%	-1.6%
Yield ex currency	-1.8%	-2.1%
RASK	+1.6%	+0.9%
RASK ex currency	+1.8%	+0.5%
CASK incl. fuel	-3.2%	-0.9%
CASK ex currency ex fuel	-3.4%	-1.2%

Americas	Q2 '17	H1 '17
ASK	+6.9%	+6.7%
RPK	+12.2%	+9.6%
SLF	+4.0pts.	+2.1pts.
Yield	-0.1%	+0.4%
Yield ex currency	-0.2%	-0.5%

Middle East/Africa	Q2 '17	H1 '17
ASK	+51.6%	+41.3%
RPK	+59.1%	+46.7%
SLF	+3.6pts.	+2.9pts.
Yield	-9.5%	-8.4%
Yield ex currency	-9.2%	-8.9%

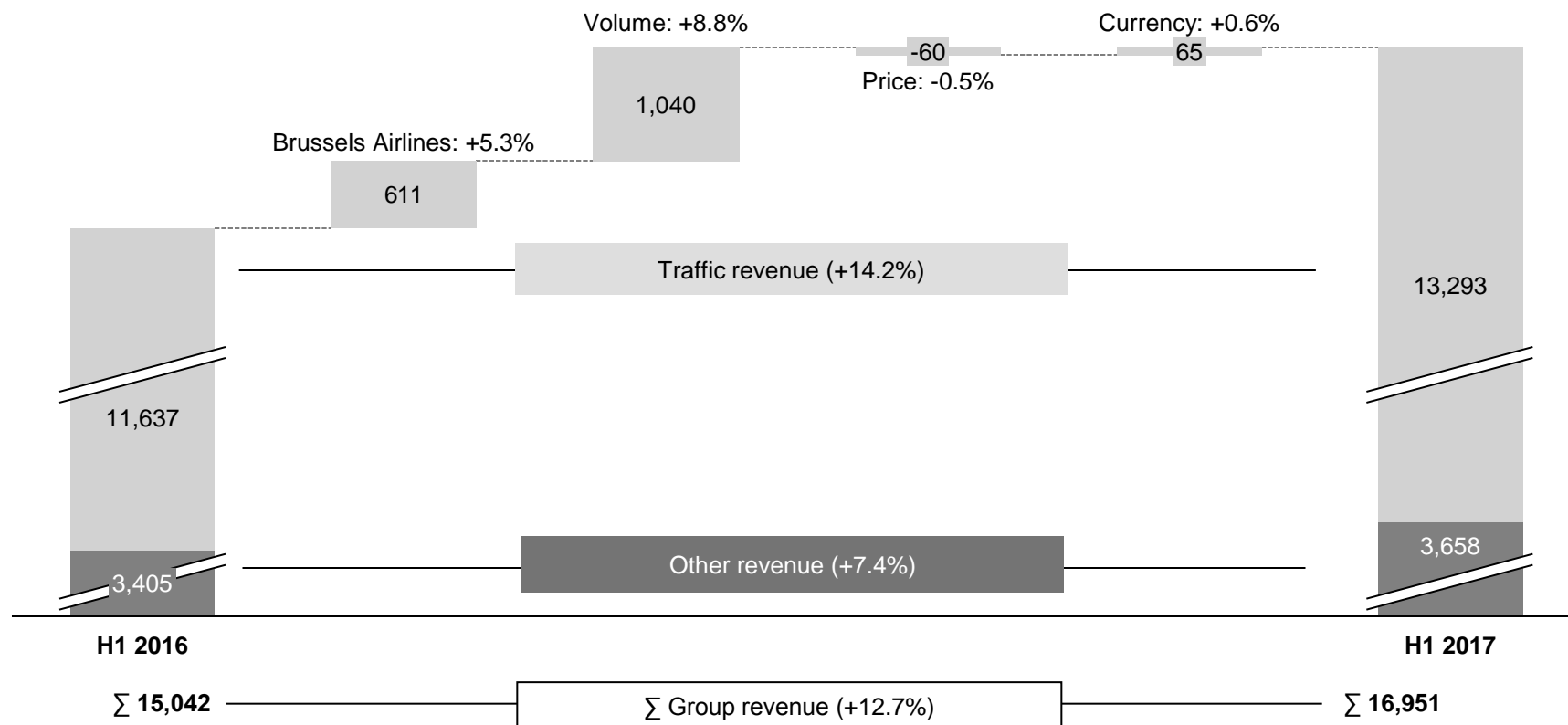
North America	-1.3%	-0.2%
South America	+5.1%	-2.3%

# Group revenue and currency impact

## H1 2017 vs. H1 2016

Currency influence on EBIT (in m EUR)				
Q1	Q2	Q3	Q4	FY (YTD)
-39	34			-5

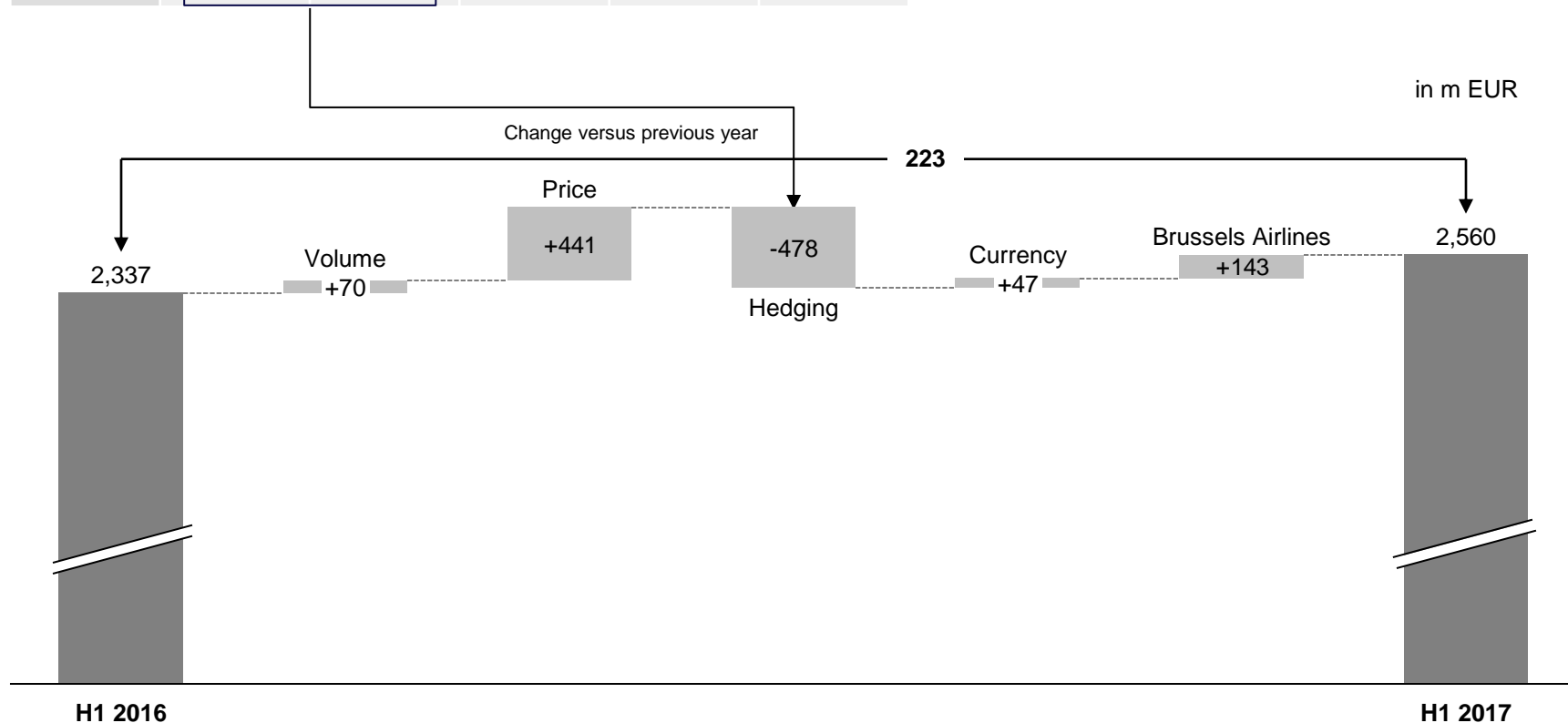
in m EUR



# Fuel cost development

## H1 2017 vs. H1 2016

Hedging result by quarter (in m EUR)					
	Q1	Q2	Q3	Q4	FY (YTD)
2016	-336	-235	-219	-115	-905
2017	-30	-63			-93



# Adjusted EBIT and one-off factors

## Quarterly results 2016-2017

in m EUR

	Q1	Q2	Q3	Q4	6M	9M	Full Year
<b>Adjusted EBIT 2016</b>	<b>-53</b>	<b>582</b>	<b>1,148</b>	<b>75</b>	<b>529</b>	<b>1,677</b>	<b>1,752</b>
<i>Strikes</i>	0	0	0	-100	0	0	100
<b>Adjusted EBIT ex one-off factors</b>	<b>-53</b>	<b>582</b>	<b>1,148</b>	<b>175</b>	<b>529</b>	<b>1,677</b>	<b>1,852</b>
<b>Adjusted EBIT 2017</b>	<b>25</b>	<b>1,017</b>			<b>1,042</b>		
<i>One-off effects</i>	0	0			0		
<b>Adjusted EBIT ex one-off factors</b>	<b>25</b>	<b>1,017</b>			<b>1,042</b>		

# Adjusted EBIT and EBIT per quarter 2017

in m EUR

	Q1	Q2	Q3	Q4	6M	9M	FY
<b>Adj. EBIT</b>	<b>25</b>	<b>1,017</b>			<b>1,042</b>		
<i>pension changes</i>	-32	0			-32		
<i>book gains / losses on asset disposals</i>	+23	+5			+28		
<i>impairments / badwill</i>	0	-7			-7		
<b>EBIT</b>	<b>16</b>	<b>1,015</b>			<b>1,031</b>		
<i>interest on liquidity</i>							
<i>taxes (25% lump sum)</i>							
<i>cost of capital</i>							
<b>EACC</b>							
<i>average capital employed</i>							
<i>WACC</i>							
<b>ROCE</b>							

# Adjusted EBIT and EBIT per quarter 2016

in m EUR

	Q1	Q2	Q3	Q4	6M	9M	FY
<b>Adj. EBIT</b>	<b>-53</b>	<b>582</b>	<b>1,148</b>	<b>75</b>	<b>529</b>	<b>1,677</b>	<b>1,752</b>
<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
<b>EBIT</b>	<b>-49</b>	<b>567</b>	<b>1,812</b>	<b>-55</b>	<b>518</b>	<b>2,330</b>	<b>2,275</b>
<i>interest on liquidity</i>							+64
<i>taxes (25% lump sum)</i>							-585
<i>cost of capital</i>							-937
<b>EACC</b>							<b>817</b>
<i>average capital employed</i>							19,533
WACC							4.8%
<b>ROCE</b>							<b>9.0%</b>