



# Analyst and Investor Conference Call – Q1 2018

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# Good development in Q1: Driven by Network Airlines and Cargo

## Overview Q1 2018

### ► Q1 '18 Adjusted EBIT and operating cash flow stable on last year's level

- Adjusted EBIT of 26m EUR (+1m EUR)
- Operating cash flow of 1,625m EUR (-23m EUR)

### ► Airlines continue to perform well: Unit revenues increase while unit costs continue to come down

- Network Airlines improve their Adjusted EBIT to 114m EUR (+154m EUR)
- Eurowings Group sees Adjusted EBIT of -203m EUR (-71m EUR) due to significant one-off costs
- Combined constant currency RASK of all Passenger Airlines +1.2% (Eurowings Group +3.5%)
- Combined constant currency CASK excl. fuel of all Passenger Airlines -0.5% (Network Airlines - 1.9%)
- Strong margin improvement, in particular at Lufthansa German Airlines (2.8pts.) and Swiss (6.0pts.)

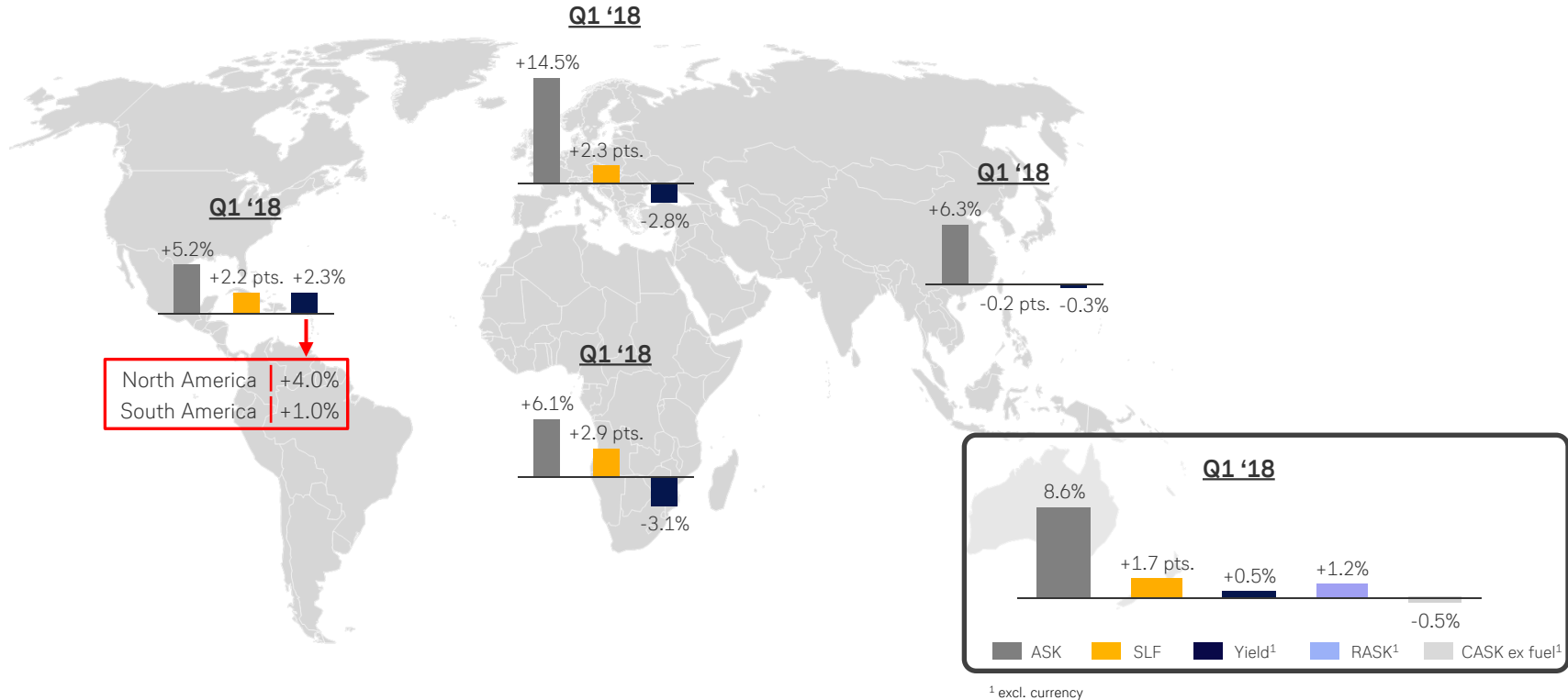
### ► Aviation Services: Cargo strong, MRO and Others & Consolidation with normalized contribution

- Cargo improves its Adjusted EBIT to 65m EUR (+32m EUR)
- MRO sees Adjusted EBIT of 103m EUR (-34m EUR) after last year's extraordinary good Q1 performance
- LSG Group with stable result of 1m EUR (+3m EUR)
- Others and Consolidation see normalization of Adjusted EBIT after positive one-off effects in Q1 2017

### ► 2018 full year guidance remains unchanged

# Unit revenues positive while unit costs continue to come down

## Operating KPIs Passenger Airlines



# Airlines with good underlying profit improvement

## Q1 2018 operating KPIs and key profit figures at a glance

Network Airlines		Eurowings Group		Aviation Services	
			<b>Q1 '18</b>	<i>in m EUR</i>	<b>Q1 '18</b>
<b>ASK</b>			+8.6%	<b>Adj. EBIT<sup>2</sup></b>	115
<b>RASK</b> (constant currency)			+1.2%	<b>Δ year-on-year</b>	-82
<b>CASK</b> (constant currency; ex-fuel)			-0.5%		
<b>Fuel cost (m EUR)<sup>1</sup></b> (year-on-year)			+11		

<i>in m EUR</i>	<b>Q1 '18</b>	<b>vs. Q1 '17</b>
Revenue	7,640	-0.7% <sup>3</sup>
EBIT	27	+68.8%
Adjusted EBIT	26	+4.0%
Net income	-57	+16.2%

<sup>1</sup> Including Lufthansa Cargo

<sup>2</sup> Includes Logistics, MRO, Catering, Others and Consolidation

<sup>3</sup> +4.5% excl. IFRS 15 adjustment

# Cash flow generation remains on strong level




## Key balance sheet and cash flow figures at a glance

Network Airlines			Eurowings Group			Aviation Services		
<b><u>Balance Sheet</u></b> <i>in m EUR</i>	<b>Q1 '18</b>	<b>vs. FY '17</b>	<b><u>Cash Flow</u></b> <i>in m EUR</i>	<b>Q1 '18</b>	<b>vs. Q1 '17</b>			
Net financial debt	2,090	-27,5%	Operating cash flow	1,625	-1.4%			
Pension provisions	5,541	+8.3%	Gross investments <sup>1</sup>	714	-5.4%			
Equity ratio	22.5%	-4.0pts.	Free cash flow	790	-27.8%			
<b><u>Financial Stability</u></b> <i>in m EUR</i>			<b>Q2 '17 -Q1 '18</b>	<b>vs. FY '17</b>				
Adjusted Net Debt/ Adjusted EBITDA			1,6x	-0.1x				

<sup>1</sup> Excluding cash-outs from equity investments

# Network Airlines and Cargo with strong margin improvement

## Segment overview Q1 2018

<i>in m EUR</i>	Network Airlines			
<b>Revenue<sup>1</sup></b> vs. Q1 '17	<b>4,728</b> -201	<b>3,340</b> -142	<b>1,061</b> 0	<b>396</b> -44
<b>Adj. EBIT</b> vs. Q1 '17	<b>114</b> +154	<b>83</b> +95	<b>99</b> +64	<b>-67</b> -8
<b>Adj. EBIT Margin<sup>1</sup></b> vs. Q1 '17	<b>2.4%</b> +3.2pts.	<b>2.5%</b> +2.8pts.	<b>9.3%</b> +6.0pts.	<b>-16.9%</b> -3.5pts.

<i>in m EUR</i>	Eurowings Group <sup>2</sup>
<b>Revenue<sup>1</sup></b> vs. Q1 '17	<b>793</b> +110
<b>Adj. EBIT</b> vs. Q1 '17	<b>-203</b> -71
<b>Adj. EBIT Margin<sup>1</sup></b> vs. Q1 '17	<b>-25.6%</b> -6.3pts.

<i>in m EUR</i>	Logistics
<b>Revenue</b> vs. Q1 '17	<b>641</b> +72
<b>Adj. EBIT</b> vs. Q1 '17	<b>65</b> +32
<b>Adj. EBIT Margin</b> vs. Q1 '17	<b>10.1%</b> +4.3pts.

<i>in m EUR</i>	MRO
<b>Revenue</b> vs. Q1 '17	<b>1,428</b> -27
<b>Adj. EBIT</b> vs. Q1 '17	<b>103</b> -34
<b>Adj. EBIT Margin</b> vs. Q1 '17	<b>7.2%</b> -2.2pts.

<i>in m EUR</i>	Catering
<b>Revenue</b> vs. Q1 '17	<b>722</b> -47
<b>Adj. EBIT</b> vs. Q1 '17	<b>1</b> +3
<b>Adj. EBIT Margin</b> vs. Q1 '17	<b>0.1%</b> +0.4pts.

<i>in m EUR</i>	Others & Consolidation
<b>Revenue</b> vs. Q1 '17	<b>-672</b> +42
<b>Adj. EBIT</b> vs. Q1 '17	<b>-54</b> -83
<b>Adj. EBIT Margin</b> vs. Q1 '17	nmf.

<sup>1</sup> Includes IFRS 15 impact, adjusted numbers on page 14 of this presentation

<sup>2</sup> Includes Eurowings, Brussels Airlines and equity stake in SunExpress

# Focus on profitable investments: Boeing 777-300ER at SWISS

## Benefits compared to A343



### Increasing revenues

- c. **50%** additional capacity per aircraft
- c. **30%** additional revenue per flight

### Clear savings on cost side

- c. **25%** unit cost reduction per aircraft

Numbers are averages over a bundle of flown routes; unit cost including fuel and cost of capital / depreciation



# Adjusted EBIT expected to be slightly below previous year

## 2018 full year guidance remains unchanged

		<u>Forecast</u>	<u>Comments</u>
<b>Organic Capacity Growth</b> (ASK)		<b>c. +6%</b>	<ul style="list-style-type: none"> <li><u>Network Airlines</u>: Driven by short-haul growth in FRA, upgauging in MUC, ZRH and VIE</li> <li><u>Eurowings Group</u>: Taking over parts of Air Berlin operations, long-haul growth</li> <li><u>vs. last forecast</u>: Reduction due to late A320neo deliveries, weather cancellations in Q1, slower growth</li> </ul>
<b>Unit Revenue</b> (RASK, ex. currency)		<b>roughly stable</b>	<ul style="list-style-type: none"> <li>Continuation of regional trends; slightly positive RASK excl. currency expected for Q2 (below Q1) and H1</li> <li>Current assumption (based on capacity plans) is for roughly stable RASK in FY18</li> <li>Including mix effect from organic growth of Eurowings Group</li> </ul>
<b>Unit Cost</b> (CASK, ex. currency, ex. fuel)		<b>-1 to -2%</b>	<ul style="list-style-type: none"> <li>Cost reduction in line with long-term guidance</li> <li>Driven by individual cost reductions and change in mix</li> <li>H1 CASK development at Eurowings burdened by significant one-off costs</li> </ul>
<b>Fuel</b>		<b>additional cost of c. 600m EUR</b>	<ul style="list-style-type: none"> <li>As of 31 March 2018</li> <li>Includes additional fuel cost from inorganic growth</li> <li>100m EUR less than last forecast because of reduced capacity growth and weaker USD</li> </ul>
<b>Contribution</b>	<b>Aviation Services <sup>1</sup></b>	<b>flat</b>	<ul style="list-style-type: none"> <li>Differing performance among single Group companies</li> <li>Overall, no major change in total contribution</li> </ul>
	<b>Inorganic growth</b>	<b>flat</b>	<ul style="list-style-type: none"> <li>One-off cost compensate for positive contribution from operating business</li> <li>Full integration and positive contribution from winter flight plan 2018/19</li> </ul>

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



Thank you for your attention

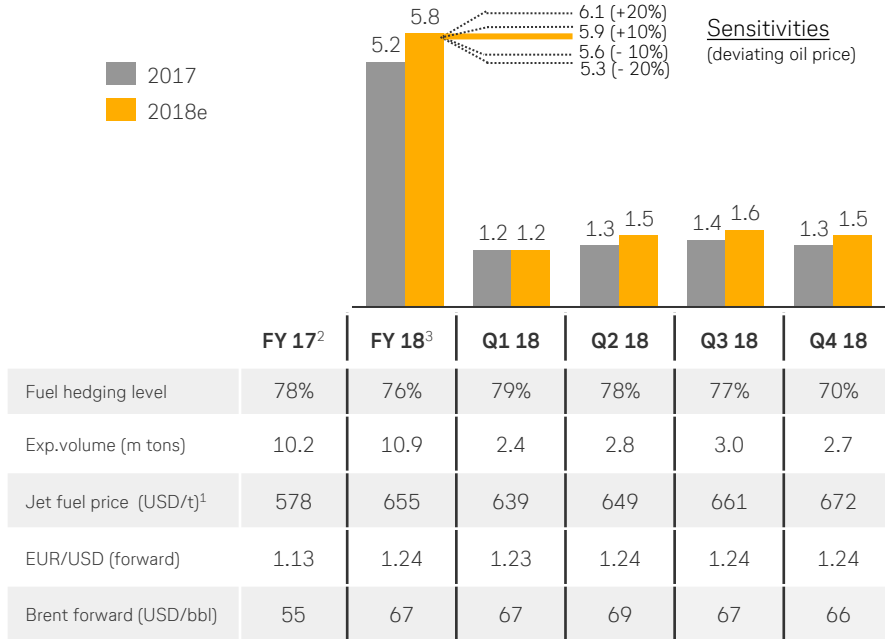
# **Appendix**

- supplementary information-

# Fuel costs expected c. 600m EUR above previous year

## Fuel forecast and sensitivities FY 2018

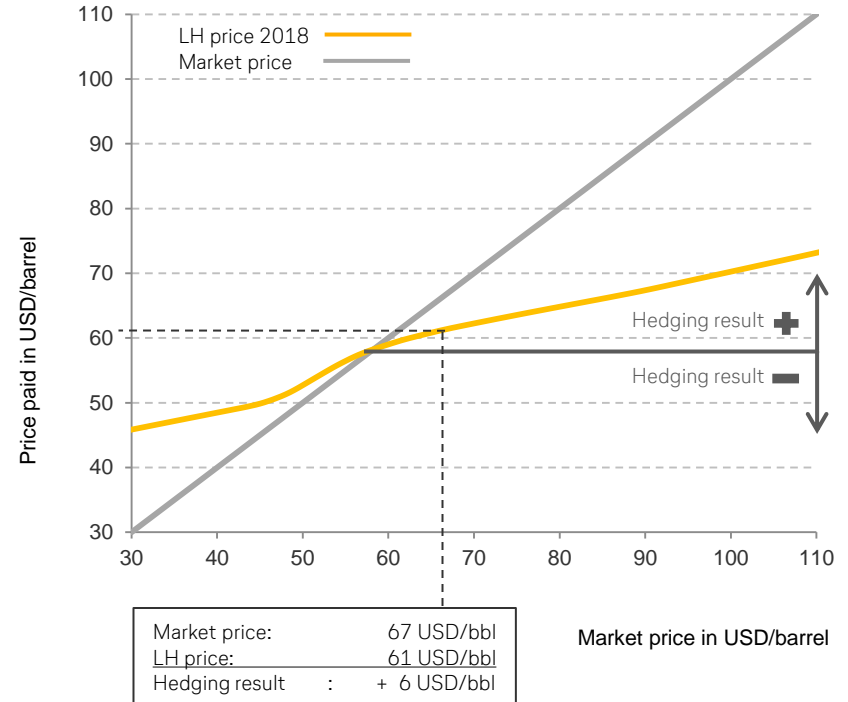
Lufthansa Group fuel expenses after hedging (in bn EUR)



As of 31 March 2018 <sup>1</sup> incl. fuel hedging and into-plane charge <sup>2</sup> Incl. Brussels Airlines

<sup>3</sup> Incl. inorganic growth indication

Lufthansa Group price curve for 2018



# IFRS 15 will structurally improve the Adj. EBIT margin by around 0.4 pts.

## Profit & Loss effect of IFRS 15

Context

- IFRS 15 relates to the accounting of revenues arising from contracts with customers
- Netting of revenues and related expenses required in some cases (e.g. ticket related taxes, airport fees)

Effect on Lufthansa Group

P&L	
	2017
Revenue	25.5
Cost of sales	(18.5)
Operating profit	7.0
Operating expenses	(1.5)
Operating profit	5.5
Finance income	0.5
Finance expense	(0.5)
Other income	0.5
Other expense	(0.5)
Profit before tax	5.0
Income tax expense	(1.0)
Profit after tax	4.0



### Revenues and costs:

- ▶ Both reduced in absolute terms
- ▶ RASK (c. -8%); CASK (c. -10%)
- ▶ EBIT remains unaffected, thus higher EBIT Margin

IFRS 15 will be applied prospectively, thus no adjustment for previous years will be made. A note in the appendix of the 2018 Annual Accounts will quantify the like for like development

### IFRS 15 effect in Q1 '18 on traffic revenue and fee expenses

in m EUR




Lufthansa German Airlines	+280.0
Swiss	+8.6
Austrian Airlines	+74.0
<b>Network Airlines</b>	<b>+362.6</b>
<b>Eurowings Group</b>	<b>+119.0</b>
<b>Lufthansa Group</b>	<b>+481.6</b>

▶ **Structural improvement of Adj. EBIT margin around 0.4 pts.<sup>1</sup>**

<sup>1</sup> Calculated for FY 2017

# Network Airlines and Cargo with good profit momentum

## Segment overview Q1 2018 – excluding IFRS 15 effect

<i>in m EUR</i>	Network Airlines				Eurowings Group <sup>1</sup>	
<b>Revenue</b> vs. Q1 '17	<b>5,091</b> +161	<b>3,620</b> +138	<b>1,070</b> +9	<b>470</b> +30	<b>Revenue</b> vs. Q1 '17	<b>912</b> +229
<b>Adj. EBIT</b> vs. Q1 '17	<b>114</b> +154	<b>83</b> +95	<b>99</b> +64	<b>-67</b> -8	<b>Adj. EBIT</b> vs. Q1 '17	<b>-203</b> -71
<b>Adj. EBIT Margin</b> vs. Q1 '17	<b>2.2%</b> +3.1pts.	<b>2.3%</b> +2.6pts.	<b>9.3%</b> +6.0pts.	<b>-14.3%</b> -0.9pts.	<b>Adj. EBIT Margin</b> vs. Q1 '17	<b>-22.3%</b> -3.0pts.

<i>in m EUR</i>	Logistics	<i>in m EUR</i>	MRO	<i>in m EUR</i>	Catering	Others & Consolidation
<b>Revenue</b> vs. Q1 '17	<b>641</b> +72	<b>Revenue</b> vs. Q1 '17	<b>1,428</b> -27	<b>Revenue</b> vs. Q1 '17	<b>722</b> -47	<b>-759</b> -45
<b>Adj. EBIT</b> vs. Q1 '17	<b>65</b> +32	<b>Adj. EBIT</b> vs. Q1 '17	<b>103</b> -34	<b>Adj. EBIT</b> vs. Q1 '17	<b>1</b> +3	<b>-54</b> -83
<b>Adj. EBIT Margin</b> vs. Q1 '17	<b>10.1%</b> +4.3pts.	<b>Adj. EBIT Margin</b> vs. Q1 '17	<b>7.2%</b> -2.2pts.	<b>Adj. EBIT Margin</b> vs. Q1 '17	<b>0.1%</b> +0.4pts.	nmf.

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

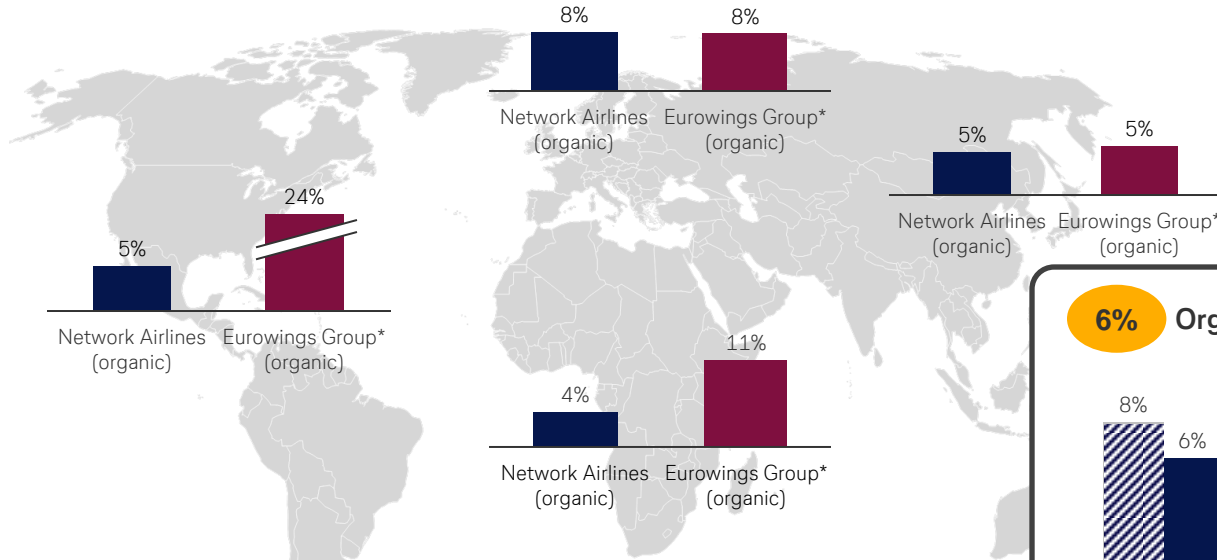
# Adjusted EBIT expected “slightly below previous year”

Forecast 2018 per segment unchanged

Segment	Adj. EBIT 2017 (m EUR)	Adj. EBIT Forecast for 2018
Lufthansa German Airlines	1,627	slightly below previous year
SWISS	542	slightly below previous year
Austrian Airlines	94	slightly below previous year
<b>Network Airlines</b>	<b>2,263</b>	slightly below previous year
Point-to-Point Airlines	94	slightly below previous year
Logistics	242	slightly below previous year
MRO	415	slightly above previous year
Catering	66	slightly above previous year
Other	-130	slightly below previous year
Internal Revenue / Reconciliation	23	
<b>Lufthansa Group</b>	<b>2,973</b>	<b>slightly below previous year</b>

# Passenger Airlines growing capacity into a consolidating market

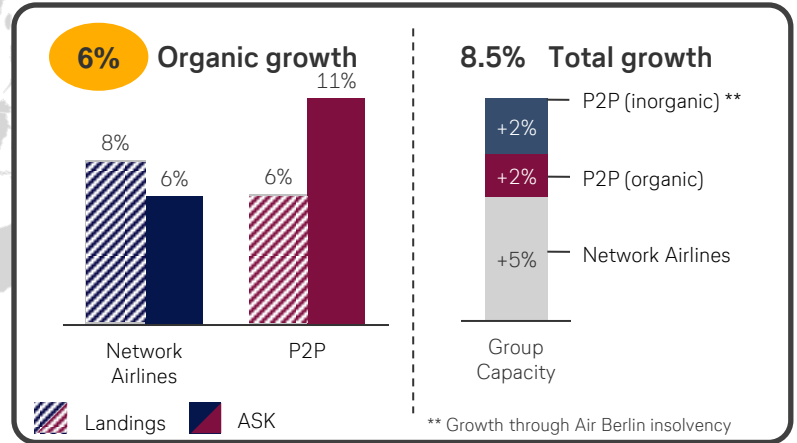
## Lufthansa Group capacity growth 2018 per region



\* incl. Eurowings and Brussels Airlines

**▶ c. 6% organic and 2.5% inorganic growth**

All capacity plans (in particular inorganic) indicative and subject to change



Status: April 2018

**LUFTHANSA GROUP**



# **Appendix**

- financial figures Q1-

# Revenue increases faster than absolute costs in Q1 2018

## Operating costs and revenues

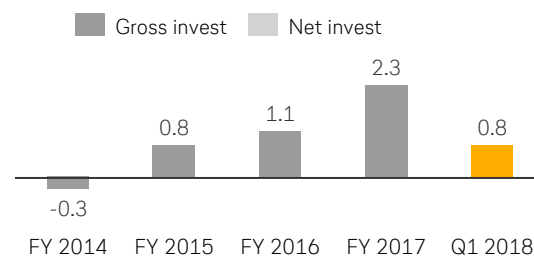
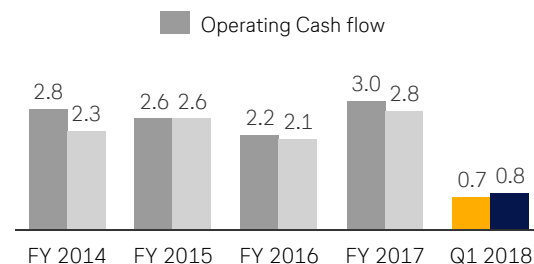
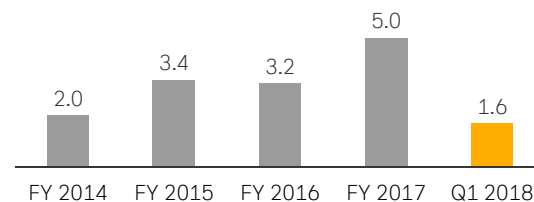
Lufthansa Group (in m EUR)	Q1 '18	vs. Q1 '17
Total revenue	7,640	-0.7%
Other operating income	405	-27.8%
Total operating income	8,045	-2.5%
Operating expenses	8,021	-2.7%
Non-fuel operating expenses	6,800	-3.3%
Cost of materials and services	4,083	-6.9%
Fuel expenses	1,221	+0.9%
Fees and charges	1,022	-26.8%
Staff costs	2,106	+1,2%
Depreciation	446	+5.7%
Other operating expenses	1,386	+2.4%
Result from equity investments	3	-3
<b>EBIT</b>	<b>27</b>	<b>+11</b>
Adjustments	-1	-10
<b>Adjusted EBIT</b>	<b>26</b>	<b>+1</b>

Q1 '18 excl. IFRS 15 adj.	vs. Q1 '17
8,035	+4.5%
492	-12.3%
8,527	+3.3%
1,504	+7.7%

# Operating cash flow on par with Q1 2017

## Cash flow statement

Lufthansa Group (in m EUR)	Q1'18	vs. Q1 '17
<b>EBT</b> (earnings before income taxes)	<b>-39</b>	<b>+16</b>
Depreciation & amortization (incl. non-current assets)	462	+34
Net proceeds from disposal of non-current assets	-3	+20
Result of equity investments	-3	+3
Net interest	41	-36
Income tax payments/reimbursements	-45	-27
Significant non-cash-relevant expenses / income	14	+26
Change in trade working capital	1,390	+236
Change in other assets / liabilities	-192	-304
<b>Operating cash flow</b>	<b>1,625</b>	<b>-23</b>
Capital expenditure (net)	-835	-281
<b>Free cash flow</b>	<b>790</b>	<b>-304</b>
Cash and cash equivalents as of 31.03.18 <sup>1</sup>	1,401	-132
Current securities	3,071	-661
Total Group liquidity	4,472	-793



<sup>1</sup> Excluding fixed-term deposits with terms from three to twelve months (2018: 157m EUR, 2017: 124m EUR)

# Positive RASK development despite visible growth in most regions

## Operating KPIs Passenger Airlines

Total	Q1 '18
Number of flights	+8.5%
ASK	+8.6%
RPK	+10.9%
SLF	+1.7pts.

Yield	-3.8%
Yield ex currency	+0.5%
RASK	-2.9%
RASK ex currency	+1.2%
CASK incl. fuel	-4.5%
CASK ex currency ex fuel	-0.5%

Europe	Q1 '18
ASK	+14.5%
RPK	+18.3%
SLF	+2.3pts.
Yield	-5.1%
Yield ex currency	-2.8%

Americas	Q1 '18
ASK	+5.2%
RPK	+8.3%
SLF	+2.2pts.
Yield	-4.8%
Yield ex currency	+2.3%

North America	+4.0%
South America	+1.0%

Asia/Pacific	Q1 '18
ASK	+6.3%
RPK	+6.1%
SLF	-0.2pts.
Yield	-4.8%
Yield ex currency	-0.3%

Middle East/Africa	Q1 '18
ASK	+6.1%
RPK	+10.1%
SLF	+2.9pts.
Yield	-7.4%
Yield ex currency	-3.1%

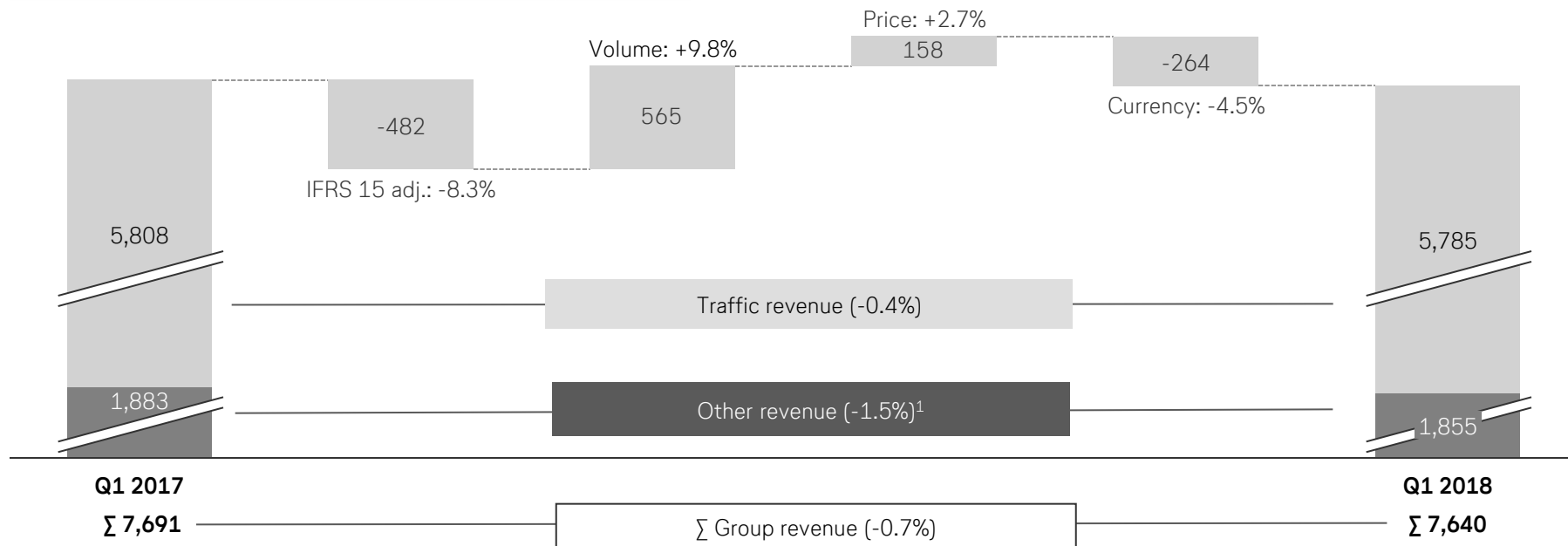
# Group revenue and currency impact

## Q1 2018 vs. Q1 2017

Currency influence on EBIT (in m EUR)

Q1	Q2	Q3	Q4	FY (YTD)
-21				

in m EUR

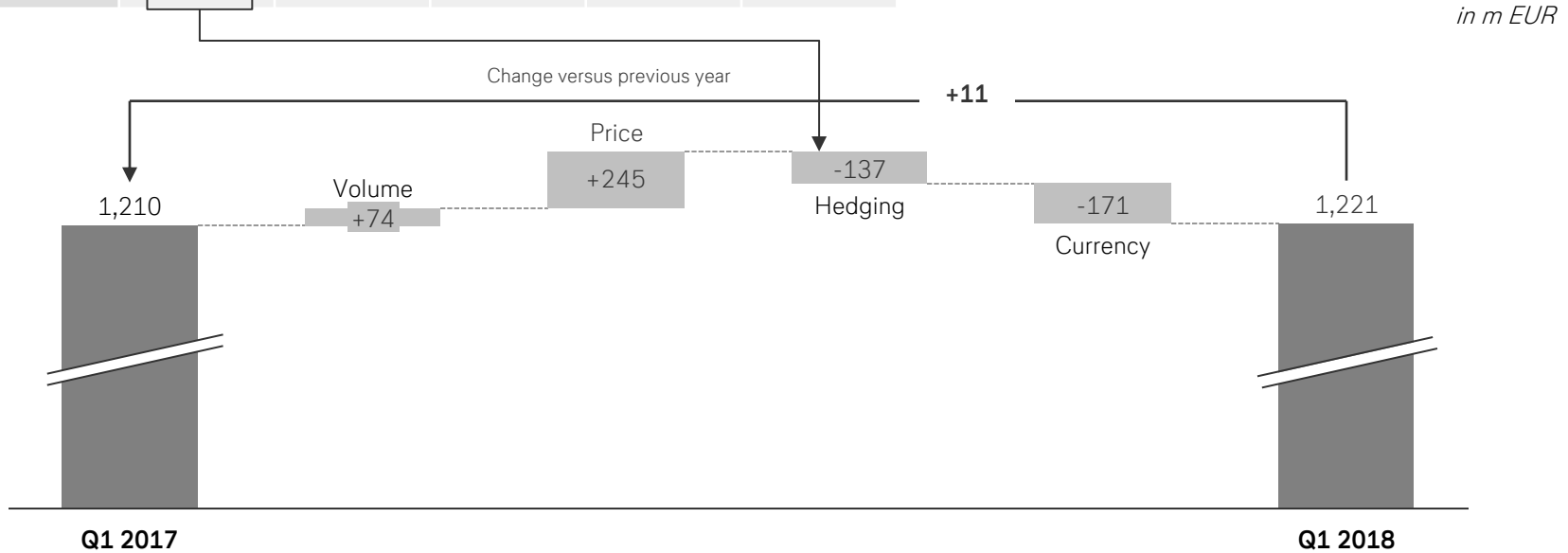


<sup>1</sup> Including positive 87m EUR IFRS 15 effect from reclassification of LAT and AirPlus commissions from other operating income into other revenue

# Fuel cost development

## Q1 2018 vs. Q1 2017

Hedging result by quarter (in m EUR)					
	Q1	Q2	Q3	Q4	FY (YTD)
2017	-30				-30
2018	107				



# Adjusted EBIT and one-off effects

## Quarterly results 2017-2018

in m EUR

	Q1	Q2	Q3	Q4	6M	9M	Full Year
<b>Adjusted EBIT 2017</b>	25	1,017	1,518	413	1,042	2,560	2,973
<i>Strikes</i>	0	0	0	0	0	0	0
<b>Adjusted EBIT ex one-off factors</b>	25	1,017	1,518	413	1,042	2,560	2,973
<b>Adjusted EBIT 2018</b>	26						
<i>One-off effects</i>	0						
<b>Adjusted EBIT ex one-off factors</b>	26						

# EBIT and Adjusted EBIT per quarter 2018

*in m EUR*

	Q1	Q2	Q3	Q4	6M	9M	FY
<b>EBIT</b>	27						
<i>pension changes</i>	+2						
<i>book gains / losses on asset disposals</i>	-3						
<i>impairments / badwill</i>	0						
<b>Adj. EBIT</b>	26						
<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 (after tax)</b>							
<b>Adj. ROCE (after tax)</b>							



# EBIT and Adjusted EBIT per quarter 2017

in m EUR

	Q1	Q2	Q3	Q4	6M	9M	FY
<b>EBIT</b>	<b>16</b>	<b>1,015</b>	<b>1,404</b>	<b>875</b>	<b>1,031</b>	<b>2,435</b>	<b>3,310</b>
<i>pension changes</i>	+32	0	+9	-592	+32	+41	-551
<i>book gains / losses on asset disposals</i>	-23	-5	-6	-3	-28	-34	-37
<i>impairments / badwill</i>	0	+7	+111	+133	+7	+118	+251
<b>Adj. EBIT</b>	<b>25</b>	<b>1,017</b>	<b>1,518</b>	<b>413</b>	<b>1,042</b>	<b>2,560</b>	<b>2,973</b>
<i>interest on liquidity</i>							+178
<i>taxes (25% lump sum)</i>							-872
<i>cost of capital</i>							-858
<b>EACC</b>							<b>1,758</b>
<i>average capital employed</i>							20,441
<i>WACC</i>							4.2%
<b>ROCE (after tax)</b>							<b>12.8%</b>
<b>Adj. ROCE (after tax)</b>							<b>11.6%</b>