



Lufthansa Group



Analyst and Investor Conference Call Q3 2016

Carsten Spohr,
CEO and Chairman of the Executive Board

Frankfurt, 2 November 2016

Overview Q3 2016

- **Adjusted EBIT of 1,148 m EUR only slightly below previous year despite weakness in demand**
MRO and Catering with positive development, Passenger Airlines and Cargo below previous year
- **Unit revenue decreased by 6.7%; demand from corporate travelers in summer months better than expected**
Initiated steering and capacity measures were successful
- **Absolute costs continue to decrease faster than fuel costs**
All key cost positions contribute to successful development
- **Unit costs decrease by 2.1%**
One-off effect from tariff agreement with UFO relieves EBIT by another 713 m EUR
- **Further reduction of Q4 capacity growth by 1 percentage point**
Selective route cancellations and capacity adjustments stabilize development of pricing environment
- **Lufthansa Group now expects Adjusted EBIT 'approximately on previous year's level' for FY 2016**
Assumptions for Q4 2016: RASK -7 to -8%, CASK excl. fuel -2 to -3%, fuel costs 140 m EUR below previous year

Adj. EBIT in 9M on previous year's level; financial stability increased 9M and Q3 2016 at a glance

<i>Lufthansa Group (in m EUR)</i>	9M 16	9M 15	vs. PY
Total revenue	23,870	24,304	-1.8%
of which traffic revenue	18,674	19,486	-4.2%
EBIT	2,330	1,663	+40.1%
Adjusted EBIT	1,677	1,693	-0.9%
Net income	1,851	1,748	+5.9%

	Q3 16	Q3 15	vs. PY
	8,828	8,939	-1.2%
	7,037	7,305	-3.7%
	1,812	1,200	+51.0%
	1,148	1,225	-6.3%
	1,422	794	+79.1%

	9M 16	9M 15	vs. PY
Operating cash flow	3,054	3,160	-3.4%
Net invest	1,536	1,960	-21.6%
Free cash flow	1,518	1,200	+26.5%





	9M 16	FY 15	vs. FY 15
Equity ratio	14.1%	18.0%	-3.9pts.
Net debt (excl. pensions)	2,201	3,347	-34.2%
Pension provisions	10,537	6,626	+59.0%

<i>Passage Airline KPIs</i>	9M 16	Q3 16
No. of flights	+2.9%	+3.8%
ASK (capacity)	+4.1%	+4.0%
RPK (volume)	+1.8%	+2.1%
SLF (load factor)	-1.9pts.	-1.6pts.
Yield (pricing)	-4.7%	-5.0%
RASK (unit revenue)	-6.7%	-6.9%
CASK (unit costs)	-11.9%	-16.5%

¹ IRFS discount rate – FY 2015: 2.8%; 9M 2016: 1.5%; ² incl. pension changes due to tariff agreement with UFO amounting to 713 m EUR

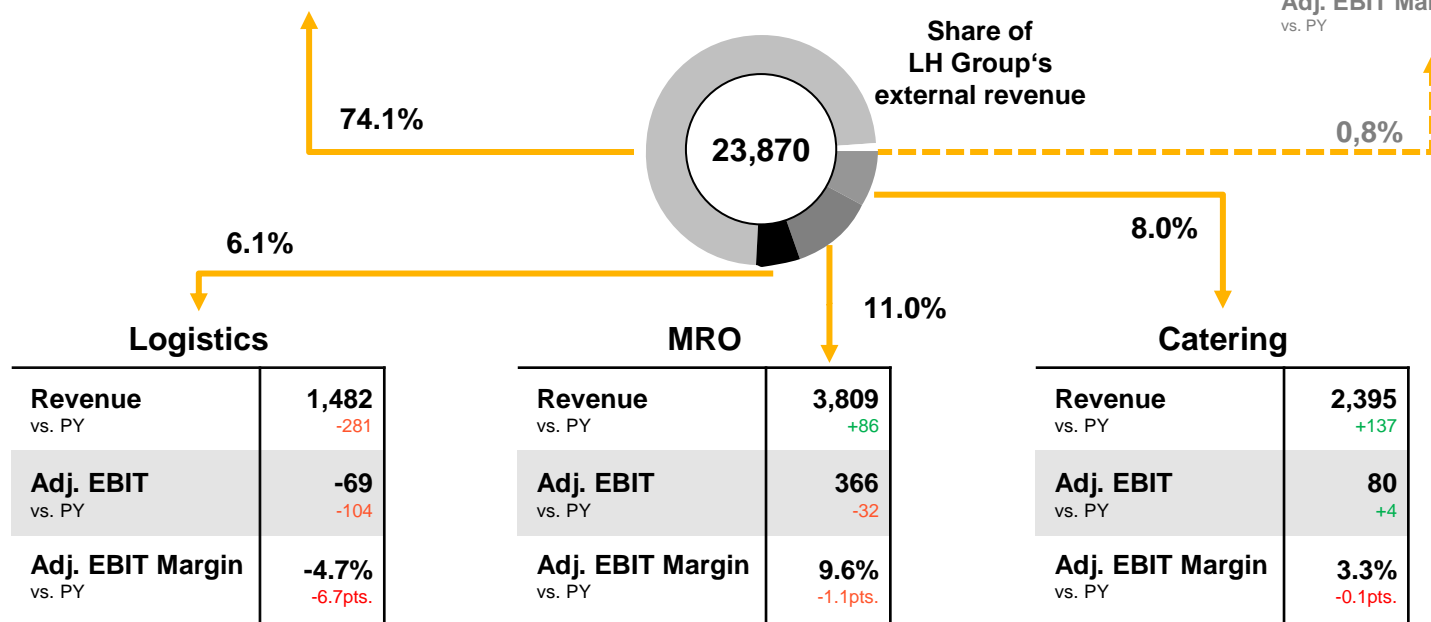
Lufthansa Passage, Austrian and LSG with positive development

Segment overview 9M 2016

in m EUR	Passenger Airline Group				
Revenue vs. PY	18,166 -573	11,767 -557	3,347 -112	1,637 +46	1,562 +109
Adj. EBIT¹ vs. PY	1,406 +56	955 +179	329 -46	79 +22	-35 -95
Adj. EBIT Margin¹ vs. PY	7.7% +0.5pts.	8.1% +1.8pts.	9.8% -1.0pts.	4.8% +1.0pts.	-2.2% -6.3pts.

Others & Consolidation³

Revenue vs. PY	-1,982 +197
Adj. EBIT vs. PY	-106 +60
Adj. EBIT Margin vs. PY	nmf.



¹ Sun Express und SN Brussels proportionally included in PAG;

² mainly AirPlus, IT-Services and central functions included

Constant currency pricing developed better than expected

Operating KPIs Passenger Airline Group

Total	9M '16	Q3 '16
Number of flights	+2.9%	+3.8%
ASK	+4.1%	+4.0%
RPK	+1.8%	+2.1%
SLF	-1.9pts.	-1.6pts.

Europe	9M '16	Q3 '16
ASK	+2.8%	+3.1%
RPK	+0.5%	+1.4%
SLF	-1.7pts.	-1.4pts.
Yield	-0.5%	-1.7%
Yield ex currency	+0.5%	-1.2%
RASK	-2.7%	-3.4%
RASK ex currency	-1.7%	-2.9%

Asia/Pacific	9M '16	Q3 '16
ASK	+1.2%	-0.6%
RPK	-0.8%	-2.7%
SLF	-1.6pts.	-1.9pts.
Yield	-6.0%	-4.7%
Yield ex currency	-5.1%	-5.6%
RASK	-7.8%	-6.9%
RASK ex currency	-6.9%	-7.8%

Yield	-4.7%	-5.0%
Yield ex currency	-3.8%	-4.8%
RASK	-6.7%	-6.9%
RASK ex currency	-5.8%	-6.7%
CASK incl fuel	-11.9%	-16.5%
CASK ¹ ex currency ex fuel	-2.1%	-2.1%

Americas	9M '16	Q3 '16
ASK	+10.1%	+10.7%
RPK	+6.5%	+8.1%
SLF	-2.8pts.	-2.0pts.
Yield	-9.3%	-10.2%
Yield ex currency	-8.6%	-10.0%
RASK	-12.3%	-12.4%
RASK ex currency	-11.7%	-12.2%

Middle East/Africa	9M '16	Q3 '16
ASK	-6.7%	-8.0%
RPK	-6.2%	-7.8%
SLF	+0.3pts.	+0.2pts.
Yield	-3.3%	-2.3%
Yield ex currency	-1.2%	-1.9%
RASK	-2.8%	-2.2%
RASK ex currency	-0.7%	-1.8%

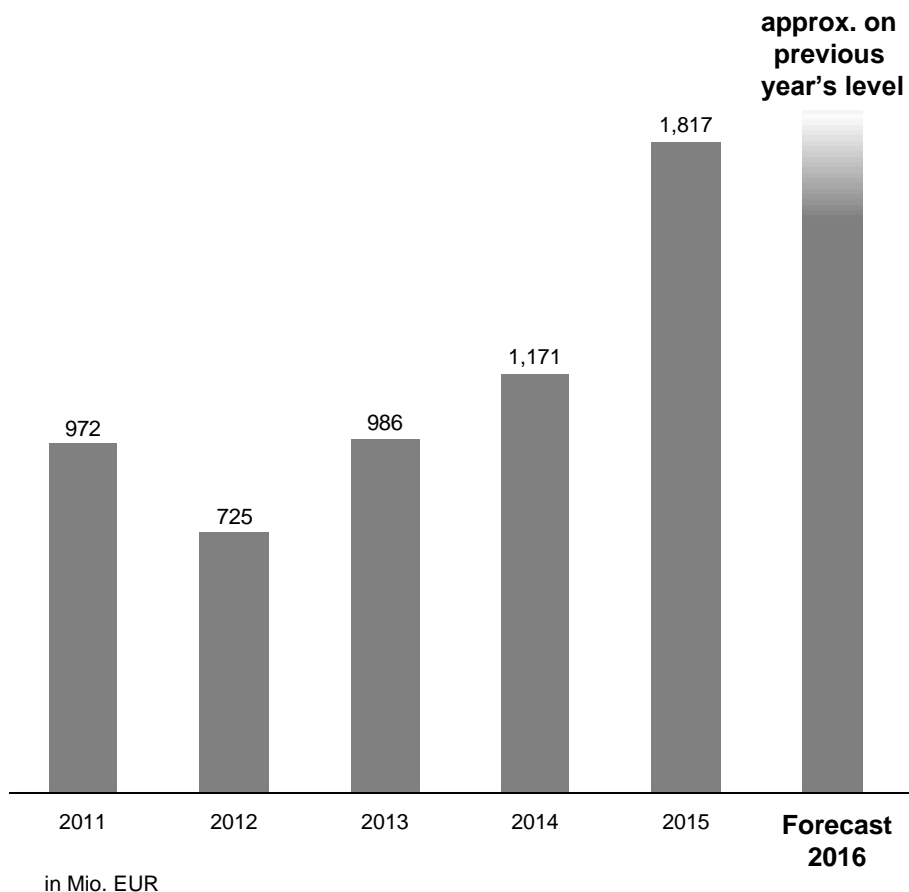
North Amerika -5.3% | -8.7%
South Amerika -21.0% | -15.3%

¹ excl. pension changes due to tariff agreement with UFO amounting to 713 m EUR und impairments on A340 / B737 amounting to 64 m EUR in Q3 16 (Q3 15: 21 m EUR)

LH Group expects Adj. EBIT 2016 approx. on previous year's level

Specified forecast Lufthansa Group 2016

Lufthansa Group Adjusted EBIT
Actual and Forecast



Updated forecast FY 2016:

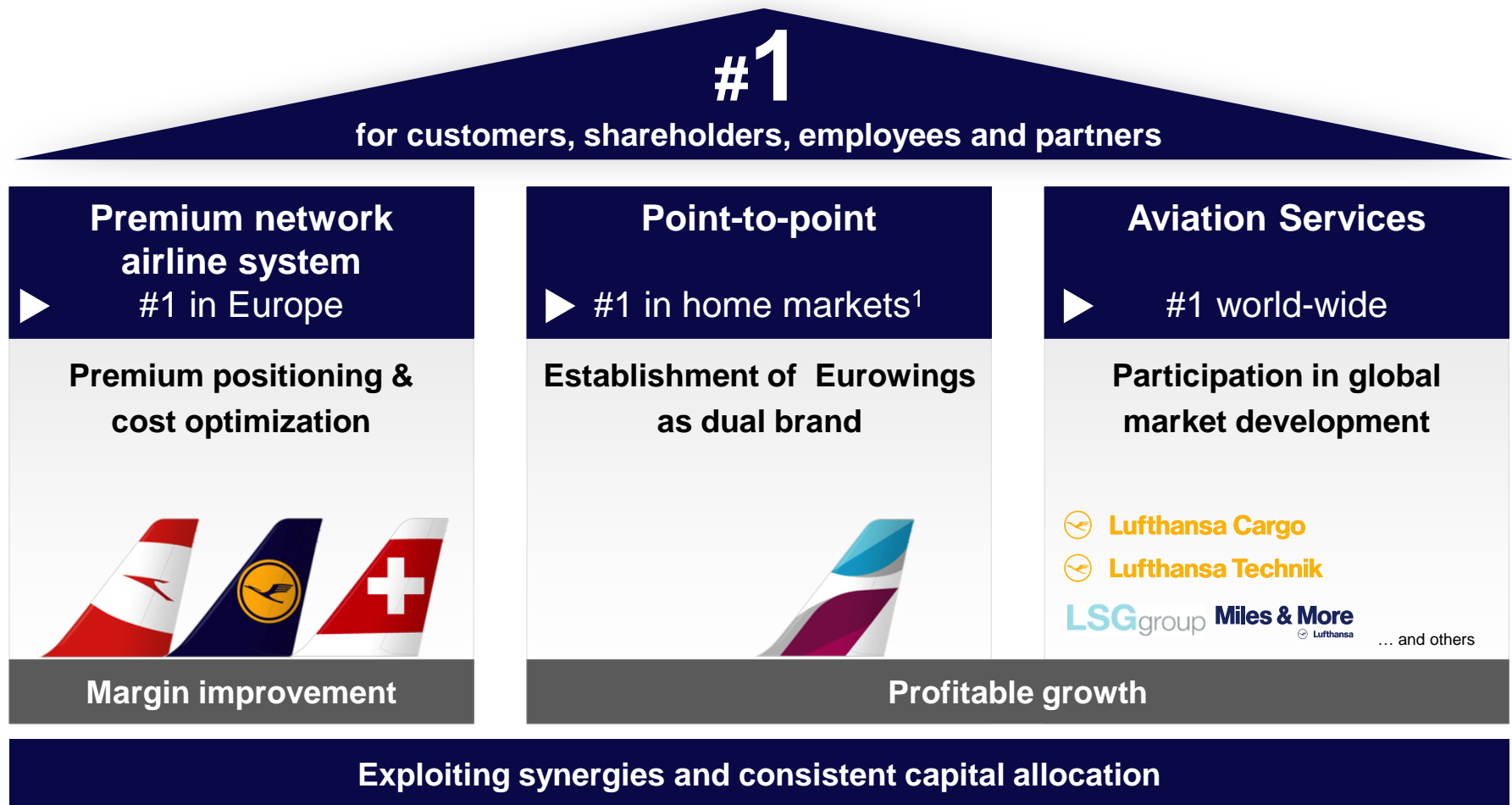
- Expected fuel costs: 4.85 bn EUR¹
 - Improvement of about 950 m EUR vs. PY, thereof c. 140 m EUR in the fourth quarter (at Brent forward of 51 USD/bbl; 1.12 USD/EUR)
- Operating KPIs passenger airlines:
 - ASK growth full year: +5.2%
 - RASK² fourth quarter: -7 to -8%
 - CASK² fourth quarter: -2 to -3%
- Other business segments in fourth quarter (Logistics, MRO, Catering and Others) in total with earnings contribution slightly below fourth quarter 2015
- Additional base effect from strikes in Q4 2015 (c. 100 m EUR)
- EBIT ca. 700 m EUR above Adj. EBIT, in particular due to tariff agreement with UFO
- Ability to pay dividend for FY2016 confirmed

¹ As of 30 Sep 2016; details in appendix of presentation

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

Our goal: #1 for customers, shareholders, employees and partners

Execution of strategy in three strategic pillars



¹ Germany, Austria, Switzerland and Belgium



Successful implementation of further revenue and cost optimization

Update measures at network airlines

Ongoing revenue optimization

Extension of premium product offering Example

Broadband internet on board



- Roll-Out on A320 fleet has started
- Re-launch Flynet on long-haul flights

Progress with Digitalization Example

New direct connects

Connection of more than 1,500 IATA agencies worldwide and global key accounts

SIEMENS



Enhancement of network quality Example

Signing of Joint Venture with Air China



- c. 30 routes between EU and China¹
- c. 3.5 m passengers; 35% market share
- Harmonized processes & flight schedules
- > 50% long-haul connections, i.e. c. 7 bn EUR revenues of the Passenger Airline Group via JVs

¹ JV includes Mainland China, i.e. without Hong Kong

Achieved cost optimization

Fleet renewal Example



- Introduction A320neo & A350 (winter 16/17) at LHP; C-Series & B777 at Swiss
- Decrease in important cost positions:
 - Fees & charges: lower flight-related costs
 - Personnel: less FTE/ASK
 - MRO: newly equipped a/c
 - D&A: moderate increase

Σ Reduction of Cash Operating Costs by 20%

Competitive tariff structures Example

Tariff agreements for 90% of employees in Germany



Tariff agreement with cabin crews with significant effect on financials:

- Reduction of pension provisions by 0.9 bn EUR
- 0.7 bn EUR positive one-time effect on EBIT
- Relief of 60 m EUR on earnings from 2017

Tariff agreement with ver.di reached change of pension system for 33,000 ground staff



Sustainably successful through unique market position

Business Model of the New Eurowings

Development consistent with clear strategy

► #1 or #2 position in all relevant German airports (excl. FRA, MUC):

Clear market leader in markets with high purchasing power

► Federal structure of German market and central location within Europe:

Higher number of frequencies and shorter average sector length cause structurally higher RASK and CASK

► Eurowings with clear path to lower unit costs:

Fleet growth and transfer of assets to most competitive platforms

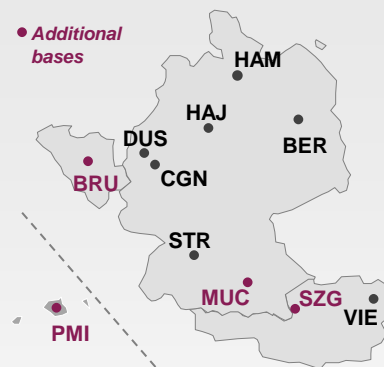
Unique strategic positioning and organic cost reductions secure long-term success

► Strategic growth options

- Organic growth & LH Group internal consolidation
- External growth through selective partnerships in other European markets

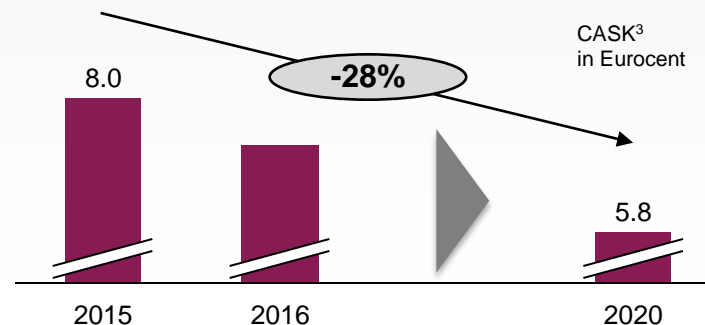
Unique market position and competitive CASK

► Superior market position



- Currently c. 90 a/c in **seven bases**, perspective **>160 a/c** in **eleven bases**¹
- By far **strongest market position** in home bases of major European P2P airlines

► Expected development unit costs 2015 - 2020²



¹ Incl. Brussels Airlines acquisition and Wet Leases of up to 35 a/c from Air Berlin

² Base Case, w/o external growth

³ CASK excl. fuel, ETS, currency effects and project costs



Aviation Services with growth and efficiency improvement targets

Individual projects and programs for each service company

Growth projects

Efficiency programs



- **Development of individual products:**
e.g. myAirCargo
- **Growth via digitalization:**
booking platforms, data links, etc.

- **Elimination of 35% of management positions**
decided and in implementation



- **Strategic partnerships:**
MoU of Joint Venture with MTU signed

- **Long-term profitability engine division:**
up to 80 m EUR savings p.a. until 2021



- **Extension of buy-on-board :**
Retail in Motion
- **Development of additional business opportunities with retailers**

- **Transition to flexible production network:**
Set-up of site in Czech Republic

Consistent implementation of our strategy

Summary and outlook

► **Result Q3**

Successful capacity and revenue management in challenging environment; robust business model

► **Forecast 2016**

Adjusted EBIT expected to be 'approximately on previous year's level'

► **Outlook 2017**

Active capacity management supports revenues; decreasing unit costs; re-organization realizes synergies

► **Solid financial profile**

Capex reduced; free cash flow increases; tariff agreements strengthen balance sheet and reduce costs from FY 2017

► **Forward-thinking strategic measures**

Strengthening of Eurowings Group through Wet Leases and Brussels Airlines

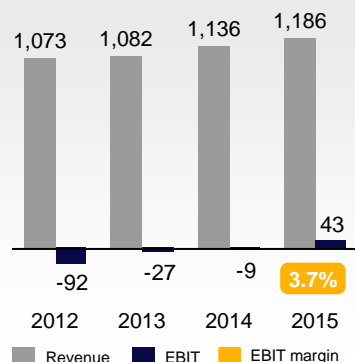
Appendix
– supplementary information –

A sound addition for Eurowings and the Lufthansa Group

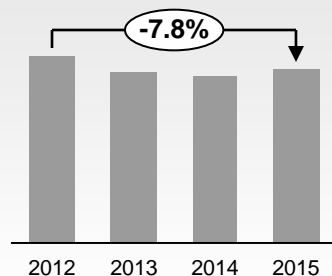
Business profile Brussels Airlines

Attractive cost position

Financial performance



CASK excl. fuel



Adequate fleet and focused network

AR1	12
A320Fam	25
A330	8
< 90-seaters	3
	48*

Long-haul: 23 destinations



Focus on Western Africa

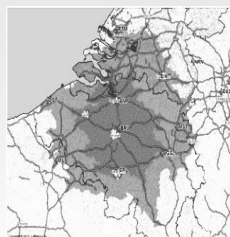
Short-haul: 78 destinations



Business & leisure destinations all over Europe

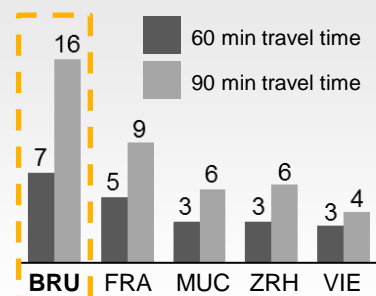
* As of year end 2015

Biggest catchment of LH Group hubs



- High purchasing power
- Growing market
- Base of numerous institutional bodies
- High potential for business and leisure travel

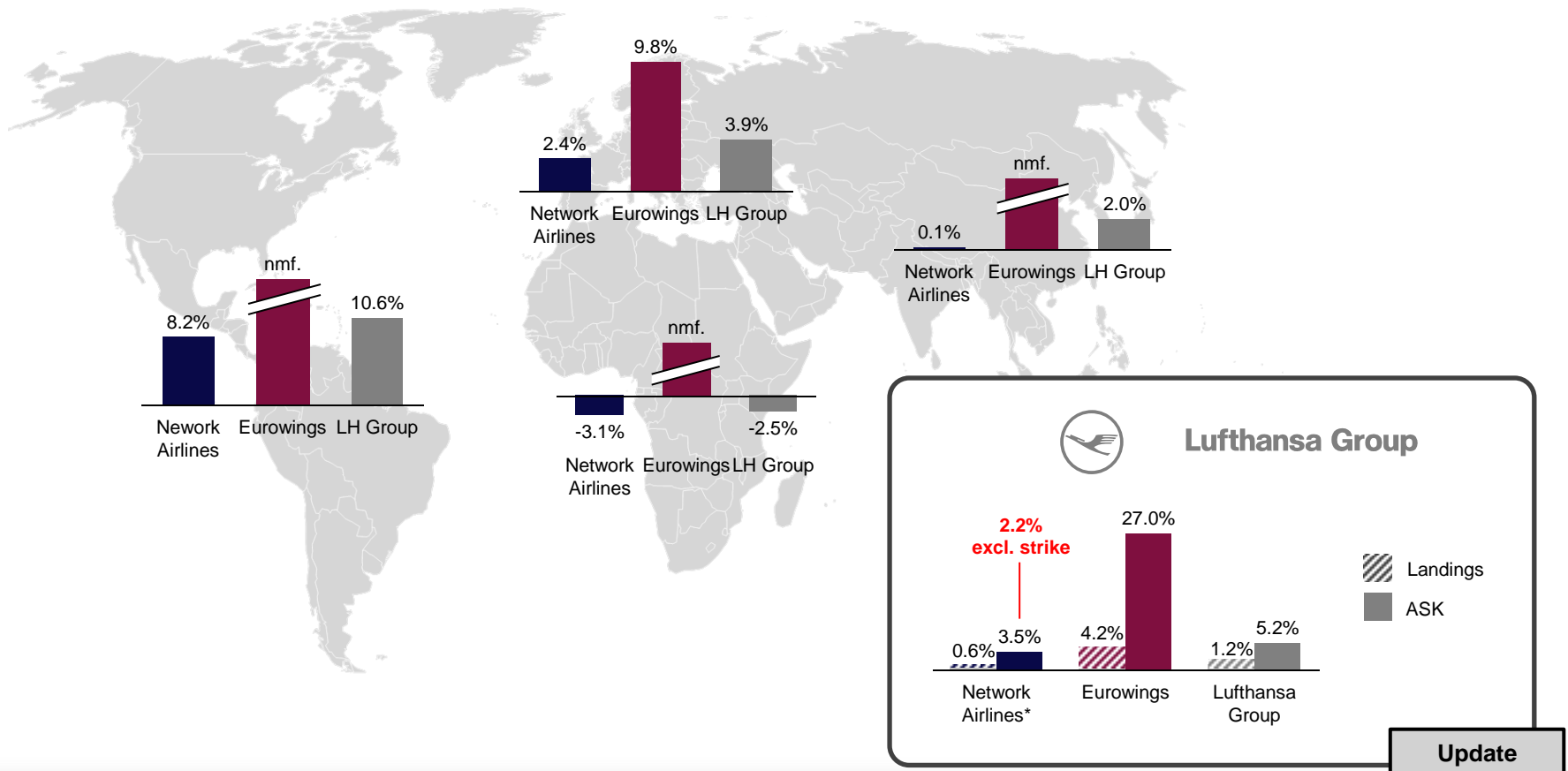
Inhabitants in m



Strategic and economic sensible transaction

- Step-wise cultural and technological integration; Details currently being coordinated
- Decrease of Eurowings' unit costs as integration progresses
- Attractive purchasing price

Capacity planning at network airlines and Eurowings further reduced Lufthansa Group capacity growth 2016 per region



Network airlines below 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.)

Status: October 2016

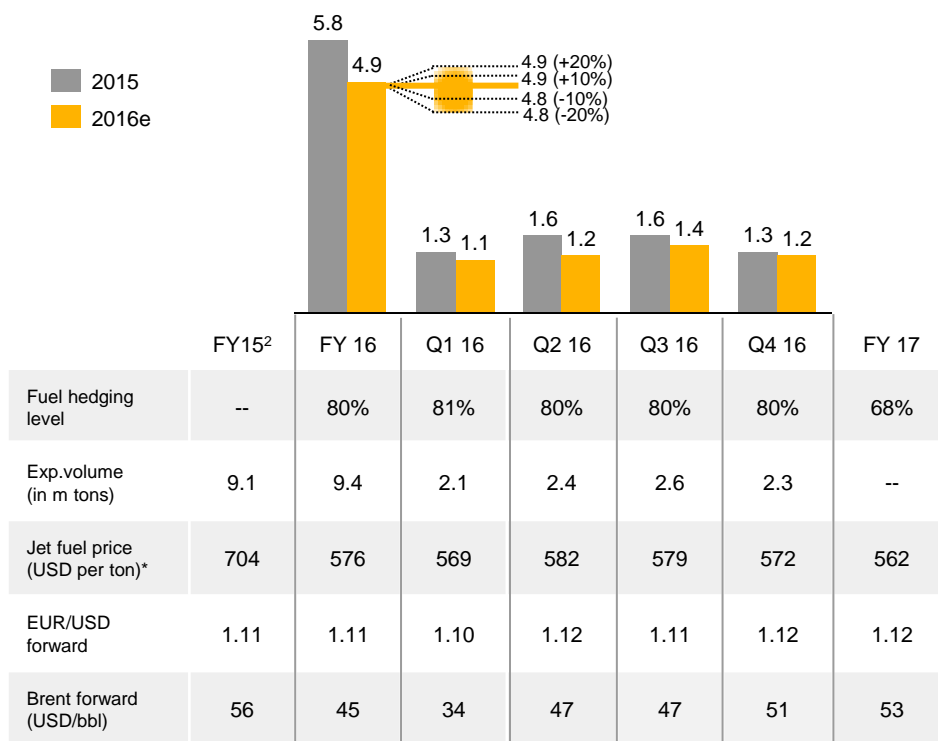
Appendix
– financial figures 9M 2016 –

Expected Fuel costs decrease versus previous year

Fuel forecast and sensitivities FY 2016 und 2017

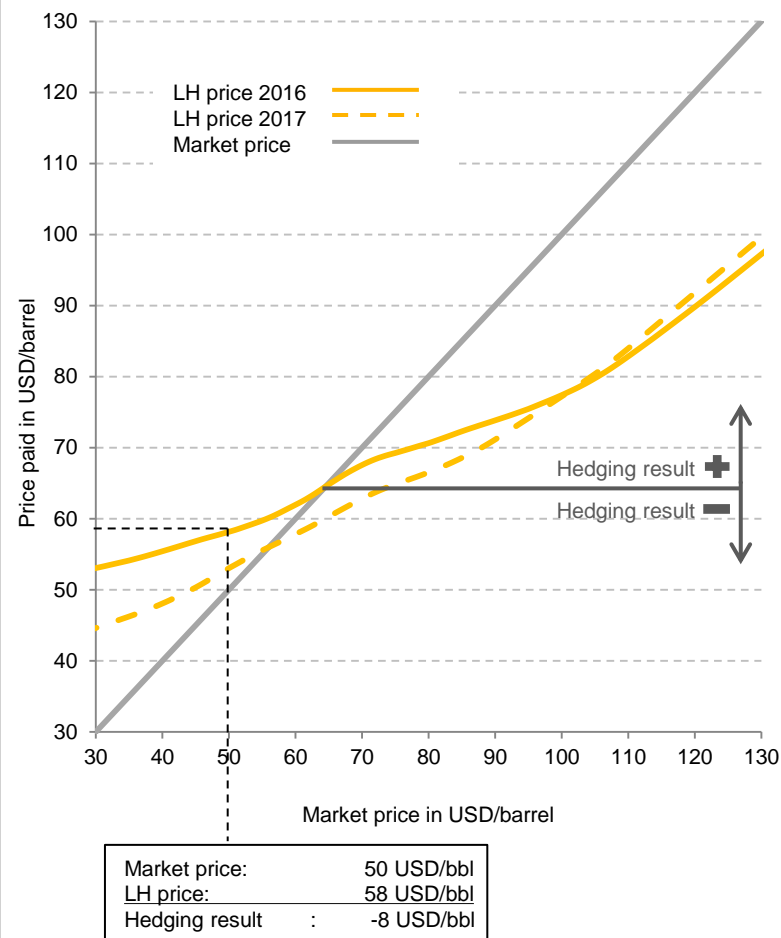
Lufthansa Group fuel expenses after hedging
(in bn EUR)

Sensitivities with deviating oil price



As of 30 September 2016 ¹ incl. fuel hedging ² forwards are actual numbers for FY15

Lufthansa Group price curve remainder of 2016 and 2017



Trading assumptions indicate profit approx. on previous year's level

Updated Trading assumptions FY 2015 and 2016

	FY15	FY16 assumptions	Explanation FY16 assumptions
No. of Flights	+0.2%	c. 1.4%	Slight increase at network airlines; increase mainly due to Eurowings fleet growth
Capacity (ASK)	+2.2%	c. 5.2%	Network airlines +2.2% (plus 1.3pts. Strike effect); below mid-term growth rate of 3% p.a.; Eurowings +27.0% due to growing long-haul operations
Volume (RPK)	+2.7%	below capacity growth	
Load Factor (SLF)	+0.3pts.	decreasing	
Pricing (Yield ex currency)	-3.5%	clearly negative	Yield decline partly driven by Eurowings (long-haul); development at network airlines less negative; yield pressure correlates with lower fuel prices
Unit Revenue (RASK ex currency)	-3.0%	-7% to -8% in fourth quarter	
Unit Costs (CASK ex fuel ex currency)	+2.4	-2% to -3% in fourth quarter (excl. strike)	Strong reduction at Eurowings; also reduction at network airlines; assumption in the absence of further strikes
Cargo Capacity	slight increase	slight decrease	Reduction in freighter capacity; slightly growing belly capacity of passenger aircraft

Passenger Airlines now expected Adj. EBIT above previous year Forecast 2016 per segment

Segment	Adj. EBIT 2015 (m EUR)	Adj. EBIT Forecast for 2016
Lufthansa Passenger Airlines	970	above previous year*
SWISS	429	below previous year
Austrian Airlines	52	above previous year
Eurowings		negative result
Reconciliation	54	

Passenger Airline Group	1,505	above previous year*
Logistics	74	negative result
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	approximately on previous year's level*
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* Forecast changed compared second interim report 2016

Stand: 02.11.2016

Absolute costs (excl. fuel) continue to decrease in third quarter

Operating costs and revenues

Lufthansa Group (in m EUR)	9M 2016	vs. PY		Q3 2016	vs. PY	
Total revenue	23,870	-1.8%		8,828	-1.2%	
Other operating income	1,641	-24.9%		409	-30.1%	
Total operating income	25,511	-3.7%		9,237	-3.0%	
Operating expenses	23,269	-6.7%		7,523	-10.5%	
Non-fuel operating expenses	19,573	-4.3%		6,164	-10.0%	
Cost of materials and services	12,869	-3.3%		4,586	-1.6%	
Fuel expenses	3,696	-17.8%		1,359	-12.9%	
Fees and charges	4,373	+1.3%		1,595	+2.0%	
Staff costs	5,221	-11.5%		1,237	-37.5%	
Depreciation	1,283	+1.4%		440	+6.3%	
Other operating expenses	3,896	-12.9%	+2.5% excl. FX losses	1,260	-7.0%	+1.3% excl. FX losses
Result from equity investments	88	-24.1%		98	+18.1%	
EBIT	2,330	+40.1%		1,812	+51.0%	
Adjustments*	-653	nmf.		-664	nmf.	
Adjusted EBIT	1,677	-0.9%		1,148	-6.3%	

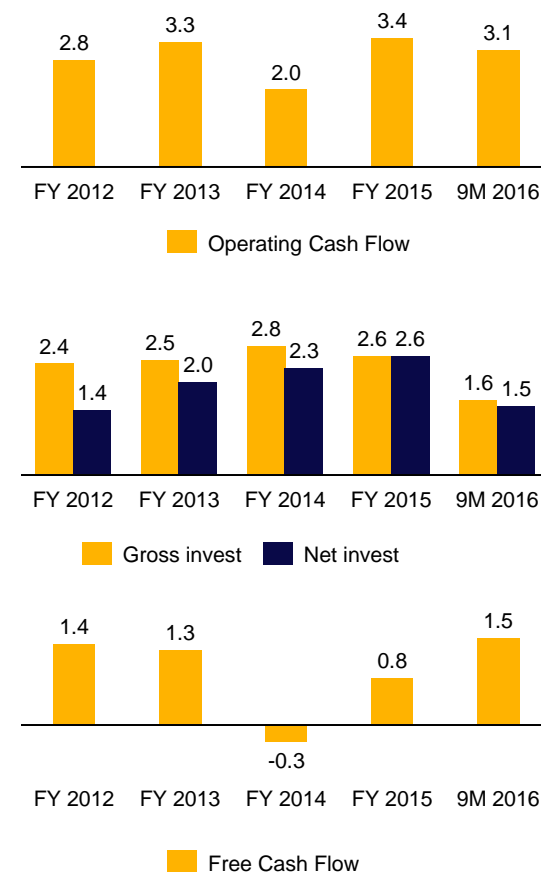
* Details on p. 24 of presentation

Free cash flow increases due to lower capex

Cash flow statement

Lufthansa Group (in m EUR)	9M 2016	vs. PY
EBT (earnings before income taxes)	2,303	308
Depreciation & amortization (incl. non-current assets)	1,340	54
Net proceeds from disposal of non-current assets	-49	-3
Result of equity investments	-88	28
Net interest	191	67
Income tax payments/reimbursements	-78	130
Significant non-cash-relevant expenses / income	-1,011	-484
Change in trade working capital	325	219
Change in other assets / liabilities	121	-425
Operating cash flow	3,054	-106
Capital expenditure (net)	-1,536	424
Free cash flow	1,518	318
Cash and cash equivalents as of 30.09.16*	1,163	328
Current securities	2,327	-635
Total Group liquidity	3,490	-307

* Excluding fixed-term deposits with terms from three to twelve months (2016: 124 m EUR, 2015: 84 m EUR)

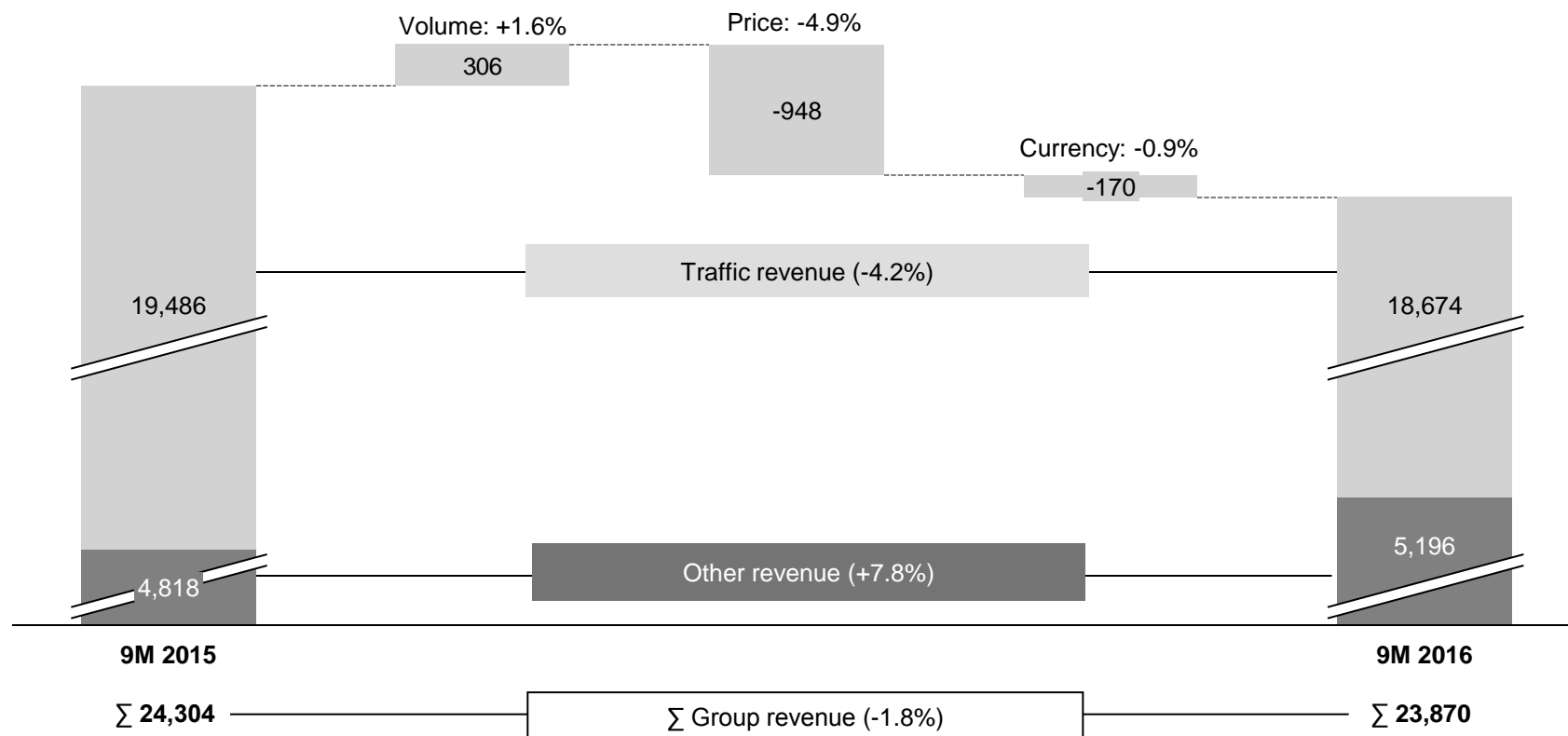


Group revenue and currency influence

9M 2016 vs. 9M 2015

Currency influence on EBIT (in m EUR)				
Q1	Q2	Q3	Q4	FY (YTD)
+85	-28	-22		+35

in m EUR

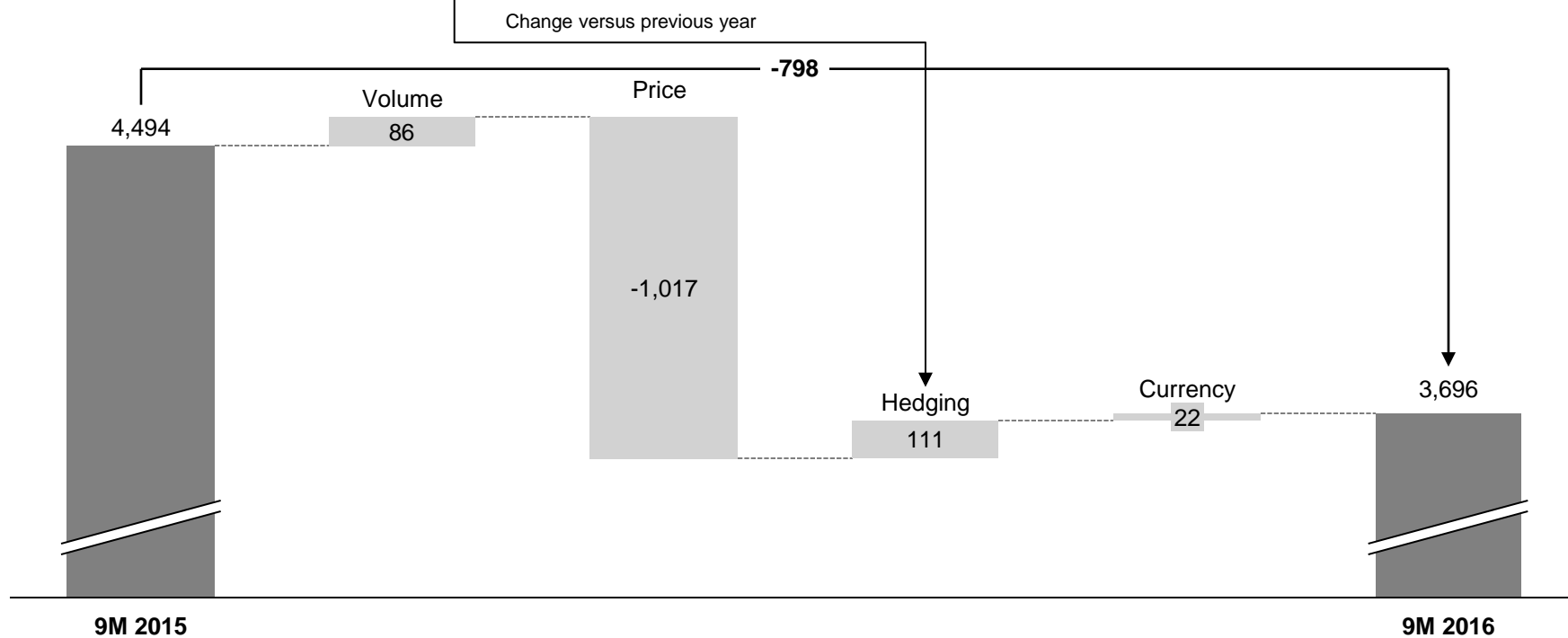


Fuel costs

9M 2016 vs. 9M 2015

Hedging result by quarter (in m EUR)					
	Q1	Q2	Q3	Q4	FY (YTD)
2015	-203	-205	-271	-309	-988
2016	-336	-235	-219		-790

in m EUR



Adjusted EBIT and one-off factors

Quarterly results 2015-2016

in m EUR

	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	582	1,148		529	1,677	
<i>incl. one-offs</i>	0	0	0		0	0	
Adjusted EBIT ex one-off factors	-53	582	1,148		529	1,677	

Reconciliation from EBIT to Adjusted EBIT per segment

9M 2016

Segment	EBIT 9M 16 (m EUR)	Impairments	Pension changes	Book gains/losses on asset disposals	Adj. EBIT 9M 16 (m EUR)
LH Passenger Airlines	1,580	+116	-713	-28	955
SWISS	329				329
Austrian Airlines	83			-4	79
Eurowings	-35				-35
Consolidation	52			+26	78

Passenger Airline Group	2,009	+116	-713	-6	1,406
Logistics	-63	-3		-3	-69
MRO	365	+1			366
Catering	90	+2	-8	-4	80
Others / Consolidation	-71	+1		-36	-106

Lufthansa Group	2,330	+117		-721	1,677
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Adjusted EBIT and EBIT per quarter 2015

in m EUR

	Q1	Q2	Q3	Q4	6M	9M	FY
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	-6	+46	+46	+39
<i>impairments</i>	+1	-84	-25	-48	-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%

Adjusted EBIT and EBIT per quarter 2016

in m EUR

	Q1	Q2	Q3	Q4	6M	9M	FY
Adj. EBIT	-53	582	1,148		529	1,677	
<i>pension changes</i>	0	0	+721		0	+721	
<i>book gains / losses on asset disposals</i>	+5	+37	+7		+42	+49	
<i>impairments</i>	-1	-52	-64		-53	-117	
EBIT	-49	567	1,812		518	2,330	
<i>interest on liquidity</i>							
<i>taxes (25% lump sum)</i>							
<i>cost of capital</i>							
EACC							
<i>average capital employed</i>							
WACC							
ROCE							

Disclaimer in respect of forward-looking statements

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