



Lufthansa Group



Analyst and Investor Conference Call Q3 2017

Frankfurt, 25 October 2017

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Carsten Spohr,
CEO and Chairman of the Executive Board

Frankfurt, 25 October 2017

Modernization of the Lufthansa Group has made strong progress

Highlights of first nine months



Best nine-month result of all times – third consecutive year with record result expected



Strong share price performance, leading in the German DAX 2017



**Premium positioning strengthened:
LH: “Best Airline in Europe”**



Competitiveness strengthened through agreements with Vereinigung Cockpit¹ and UFO



Strong growth of Eurowings to 210 aircrafts



**Actively shaping and consolidating the industry:
Acquiring parts of the Air Berlin Group**

¹ Union ballot still pending



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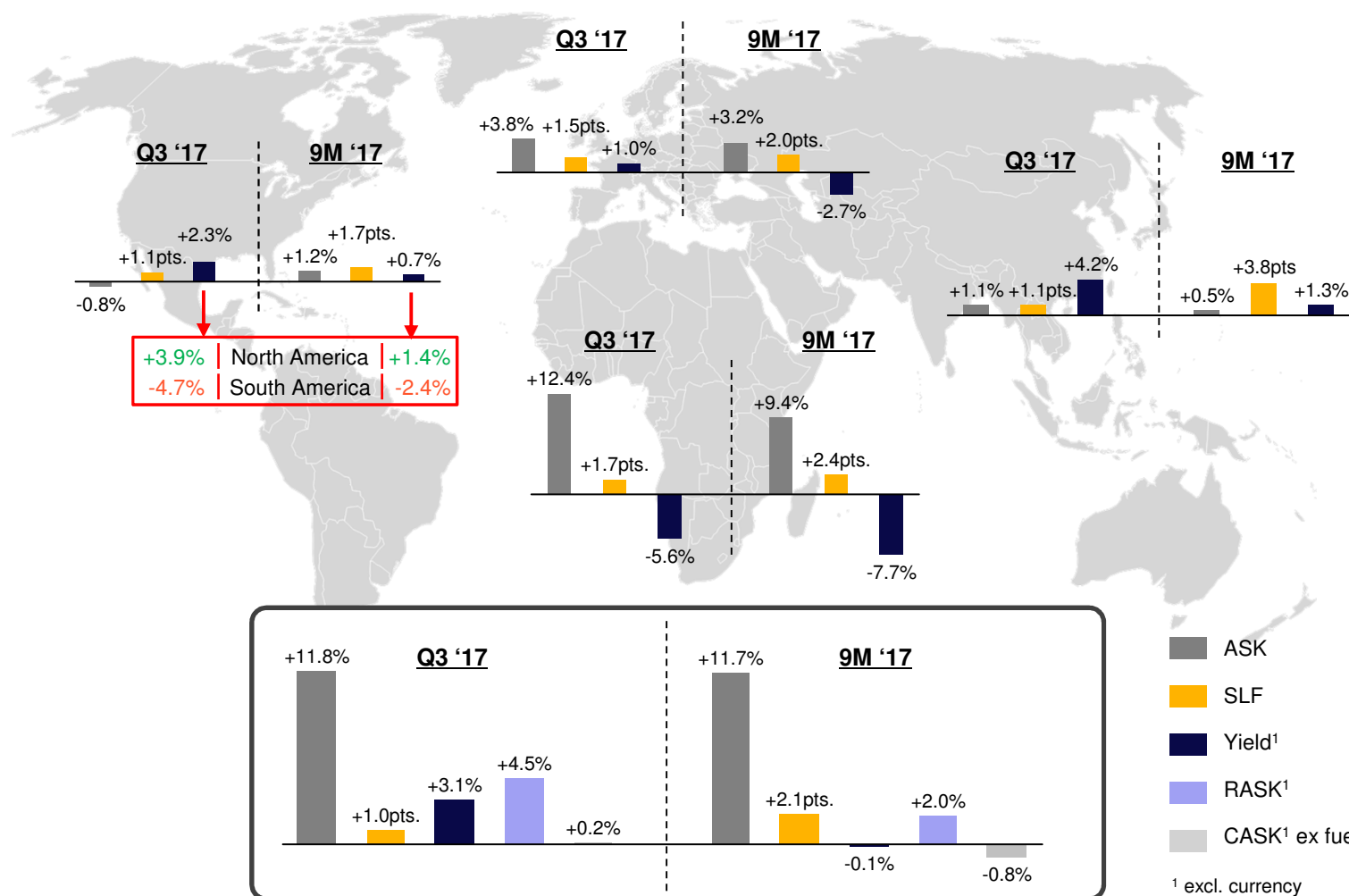
Analyst and Investor Conference Call Q3 2017

Ulrik Svensson,
CFO and Member of the Executive Board

Frankfurt, 25 October 2017

Favourable trading environment in all major traffic areas

Operating KPIs Passenger Airlines



Group airlines drive strong profit improvement

Q3 and 9M 2017 operating KPIs and key profit figures at a glance

| Network Airlines | Point-to-Point Airlines | Aviation Services |
|-----------------------------------------------------------|-------------------------|-------------------------------|
| | Q3 '179M '17 | in m EURQ3 '179M '17 |
| ASK | +11.8%+11.7% | Adj. EBIT ² 106468 |
| RASK (constant currency) | +4.5%+2.0% | Δ year-on-year-94+91 |
| CASK (constant currency; ex-fuel) | +0.2%-0.8% | |
| Fuel cost headwind (m EUR) ¹ (year-on-year) | +20+243 | |

| in m EUR | Q3 '17 | vs. Q3 '16 | 9M '17 | vs. 9M '16 |
|---------------|--------|------------|--------|------------|
| Revenue | 9,810 | +11.1% | 26,761 | +12.1% |
| EBIT | 1,404 | -22.5% | 2,435 | +4.5% |
| Adjusted EBIT | 1,518 | +32.2% | 2,560 | +52.7% |
| Net income | 1,181 | -16.9% | 1,853 | +0.1% |

¹ Including Lufthansa Cargo

² Includes Logistics, MRO, Catering, Others and Consolidation

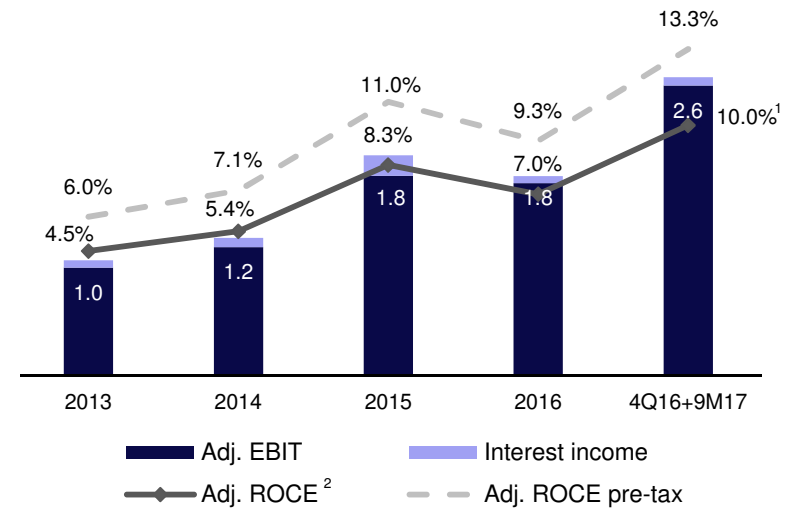
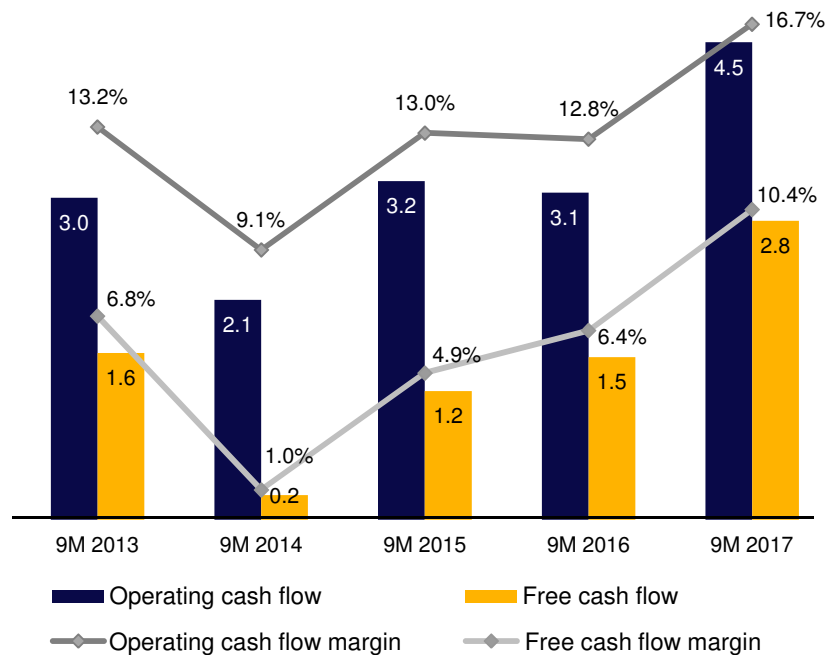
Strong cash flow development drives reduction of net debt

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> | | | 9M '17 | vs. FY '16 | | <u>Cash Flow</u> <i>in m EUR</i> | | |
| Net financial debt | | | 521 | -80.7% | | Operating cash flow | | |
| Pension provisions | | | 7,888 | -5.7% | | Net invest | | |
| Equity ratio | | | 22.3% | +1.7 pts. | | Free cash flow | | |

Focus on cash generation and return of capital

Long-term development of cash flow and ROCE



Positive cash flow and ROCE progress mainly based on good results development

→ Optimization of working capital




→ Active management of capital employed

¹ Excluding 1.6bn EUR of liquidity reserved for pension funding by year-end 2017

² After tax

Strong performance of Passenger Airlines and Cargo

Segment overview Q3 2017

| <i>in m EUR</i> | Network Airlines |  |  |  |
|---------------------------------------|--------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Revenue vs. Q3 '16 | 6,598 +369 | 4,627 +265 | 1,297 +44 | 723 +58 |
| Adj. EBIT vs. Q3 '16 | 1,190 +353 | 836 +275 | 255 +60 | 97 +17 |
| Adj. EBIT Margin vs. Q3 '16 | 18.0% +4.6pts. | 18.1% +5.2pts. | 19.7% +4.1pts. | 13.4% +1.4pts. |

Point-to-Point Airlines¹

| | |
|---------------------------------------|--------------------------|
| Revenue vs. Q3 '16 | 1,259 +619 |
| Adj. EBIT vs. Q3 '16 | 222 +111 |
| Adj. EBIT Margin vs. Q3 '16 | 17.6% +0.3pts. |

| Logistics | |
|---------------------------------------|-------------------------|
| Revenue vs. Q3 '16 | 594 +88 |
| Adj. EBIT vs. Q3 '16 | 20 +44 |
| Adj. EBIT Margin vs. Q3 '16 | 3.4% +8.1pts. |

| MRO | |
|---------------------------------------|-------------------------|
| Revenue vs. Q3 '16 | 1,249 -22 |
| Adj. EBIT vs. Q3 '16 | 111 -51 |
| Adj. EBIT Margin vs. Q3 '16 | 8.9% -3.8pts. |

| Catering | |
|---------------------------------------|-------------------------|
| Revenue vs. Q3 '16 | 840 -29 |
| Adj. EBIT vs. Q3 '16 | 53 -3 |
| Adj. EBIT Margin vs. Q3 '16 | 6.3% -0.1pts. |

| Others & Consolidation | |
|---------------------------------------|--------------------|
| Revenue vs. Q3 '16 | -730 -43 |
| Adj. EBIT vs. Q3 '16 | -78 -84 |
| Adj. EBIT Margin vs. Q3 '16 | n.a. |

¹ Includes Eurowings, Brussels Airlines and equity stake in SunExpress

Forecast Lufthansa Group for Q4 2017

| Network Airlines | Point-to-Point Airlines | Aviation Services ¹ |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| <p>ASK 5.5% organic growth²; corresp. to 14.4% total growth</p> <p>RASK Slightly positive (constant currency) Including mix effect from organic growth of P2P segment</p> <p>CASK Slightly negative (constant currency; ex-fuel) Driven by individual cost reductions and change in mix</p> | | |
| <p>Fuel headwind of c. 50m EUR³ (excl. Brussels Airlines) (5.0bn EUR total fuel cost for FY 2017; +280m EUR from 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 30 Sep 2017; details in appendix of presentation

² Organic growth excluding Brussels Airlines and Air Berlin wet lease, excl. strike effect in Q4 2016



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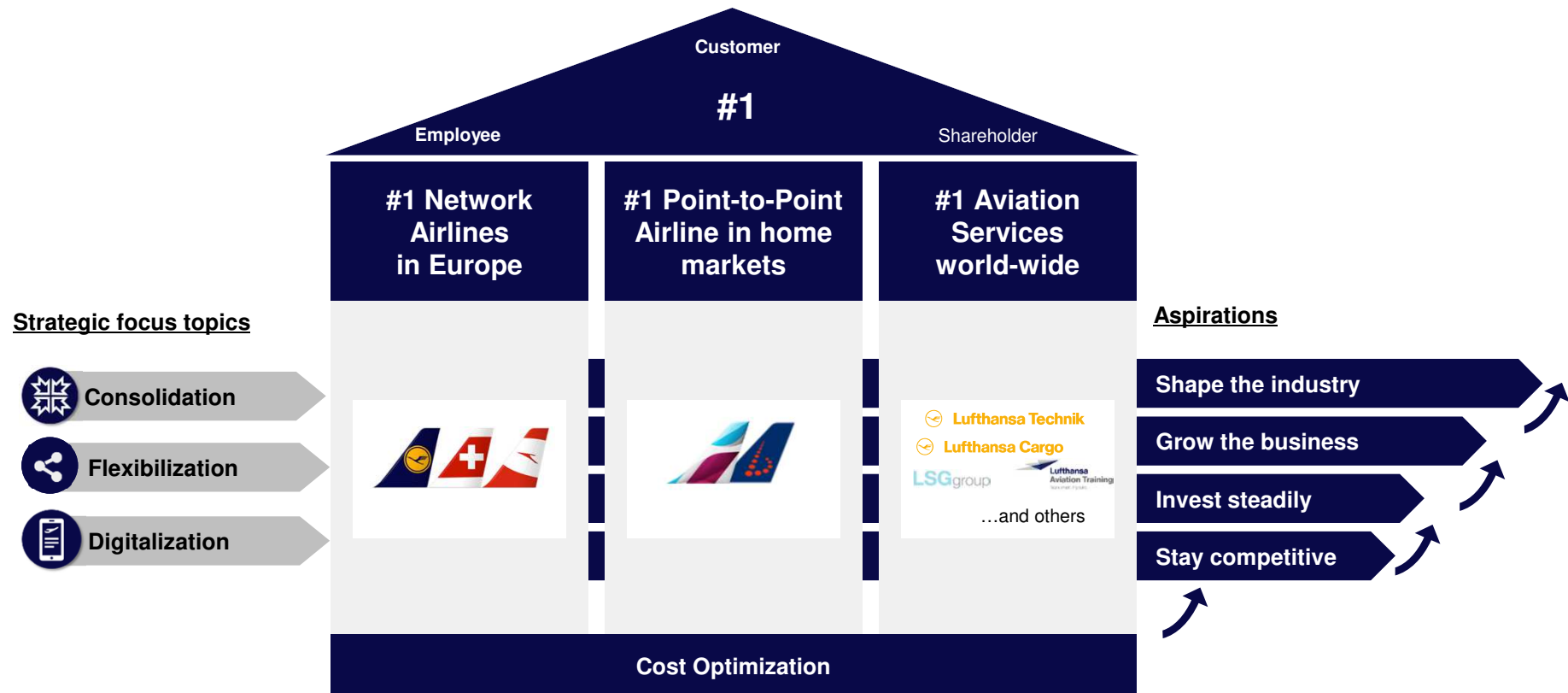
Carsten Spohr,
CEO and Chairman of the Executive Board

Frankfurt, 25 October 2017

Our objective remains: #1 for customers, shareholders, employees

Set-up of Lufthansa Group

Goal: #1 for customers, shareholders, employees





Network Airlines: Customer centricity and cost reduction

Current measures



Commercial integration Network Airlines

Customer centricity and strengthening of premium positioning



Skytrax: Lufthansa = „Best Airline in Europe“



Enhancing product and service offers (e.g. Introducing Premium Economy at Austrian Airlines)



Improving digital services (e.g. shopping en route)

Cost reduction and flexibilization



Focus on reducing unit costs of all airlines



VEREINIGUNG
COCKPIT

Agreement with Vereinigung Cockpit – structural reduction of staff costs by 15%, 150 m EUR p.a. as of 2018



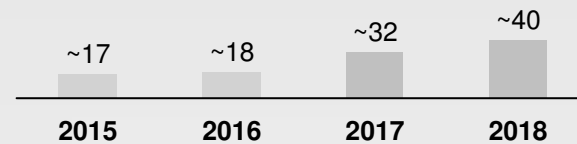
Short-term cost reduction in FRA and new cooperation model in preparation



Eurowings: Europe's third largest Point-to-Point Airline

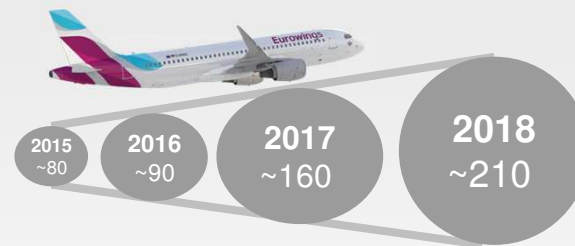
Key figures Eurowings Group

Passengers (in m)



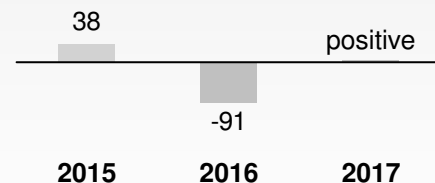
80,000 additional flights and 50 new connections in the network as of 2018

Aircraft (# in operation)



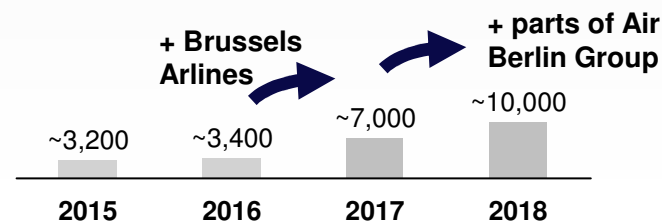
Eurowings to become third largest Point-to-Point-Airline in Europe

Adj. EBIT (in m EUR)



Eurowings expected to be profitable in 2017

Employees (headcount)



Growing by 3,000 employees through parts of Air Berlin Group



Eurowings: Acquisition of parts of Air Berlin Group

Key facts of the transaction

Overview

Taking over two AOCs of Air Berlin Group



Eurowings grows by 81 aircraft¹



Eurowings grows by 3,000 employees
(1,700 from LGW & Niki, 1,300 job postings at Eurowings)



17 x DH-8 Q400-aircraft
13 x A320-aircraft
~870 Employees



20 x Aircraft of A320-Family
~830 Employees



24 x Aircraft of A320-Family
7 x Boeing 737-800 in wetlease
from TUIfly

Project volume in total:
~1.5 bn EUR, of which ~210 m EUR for LGW and Niki

¹ Operational fleet

Timeline

Signing

13 October 2017

Anti-trust approval

Review by EU Commission

Closing at beginning of January in 2018

- Expected closing of transaction after approval of anti-trust authorities
- Start of integration phase of Niki & LGW – focus on operational stability
- Beginning of Tuifly wetlease



Aviation Services: Current developments and outlook

Highlights

Current developments



- Significant increase in revenues and freight load factor
- Ongoing restructuring leads to reduction of unit costs



- Key decisions taken regarding production sites, efficiency improved
- Successful implementation of new aircraft types (among others A350 and B787)



- Improved process orientation and efficient organizational structure
- Selective expansion in growing markets (e.g. Asia)

Outlook

- Extending partnerships (e.g. ANA Cargo, United)
- Digitalizing business (e.g. eFreight)
- Implementation of OEM partnerships (e.g. General Electric)
- Focus on digitalization and growth of LCC maintenance services
- Transformation of European business
- Growth of buy-on-board, in-flight Equipment and convenience retail business

The modernization of the Lufthansa Group continues

Executive Summary

Strengthening competitiveness: Modernization of Lufthansa Group has made strong progress

Structural cost reductions and modern pension systems through labor agreements, cost reduction remains in focus

Historical record result improves financial profile: capacity for further modernization

Adj. EBIT of 2.6 bn EUR after nine months, result in 2017 expected to be “above previous year”, debt significantly reduced

Lufthansa Group is growing again

Profitable growth in all segments, Eurowings to become the third-largest point-to-point airline in Europe

Our goal is to actively shape the industry: # 1 for customers, employees and shareholders

Active driver of industry consolidation, flexibilization and cost focus, pioneer in digitalization and customer centricity



Appendix
– supplementary information –

Adj. EBIT expected “above previous year”

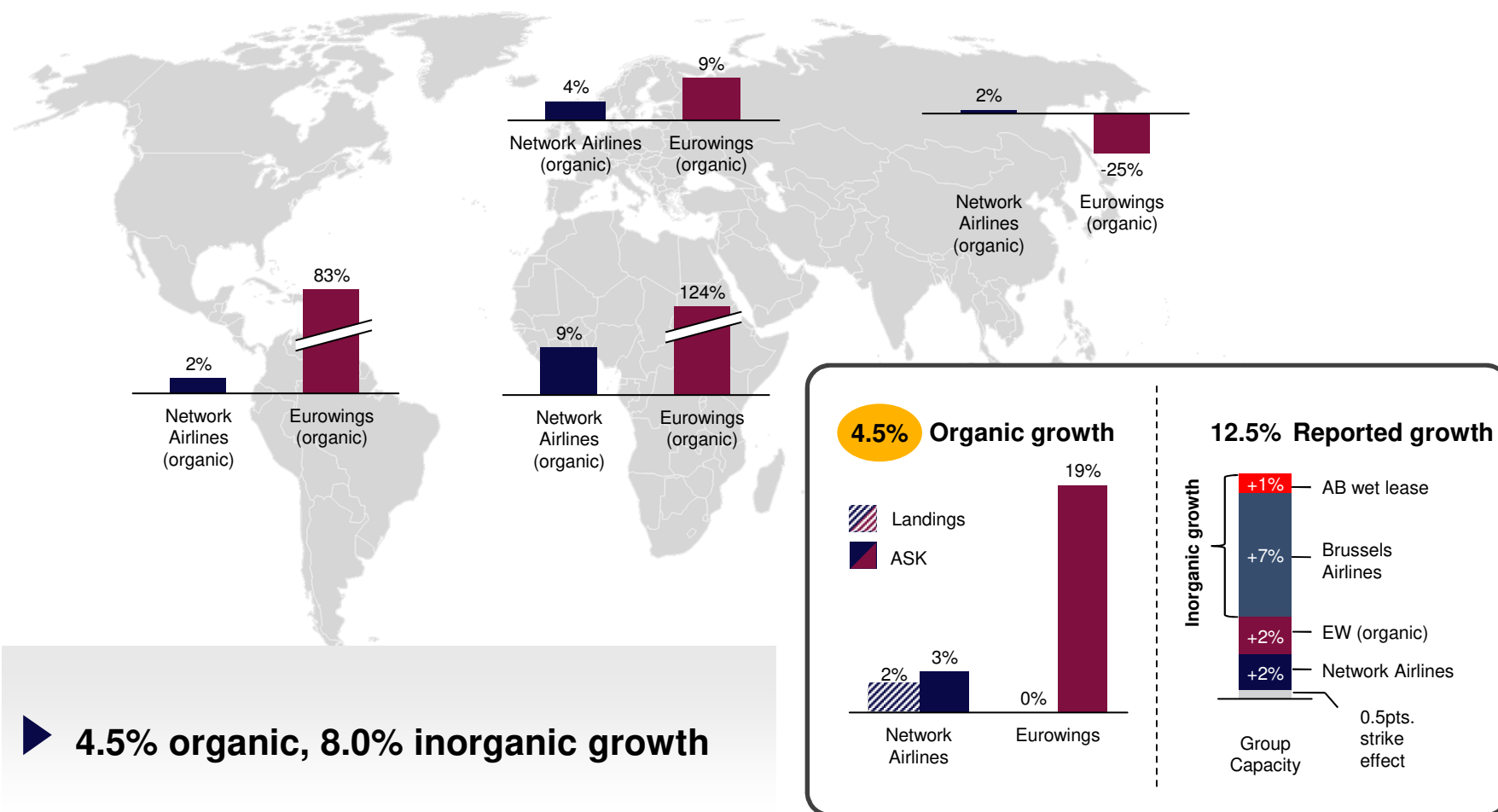
Forecast 2017 per segment

| 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 |
| Network Airlines | 1,555 | above previous year |
| Point-to-Point Airlines | -104 | positive result |
| Logistics | -50 | positive result |
| MRO | 411 | below previous year |
| Catering | 104 | significantly below previous year |
| Other | -182 | slightly above previous year |
| Internal Revenue / Reconciliation | 18 | |
| Lufthansa Group | 1,752 | above previous year |

In green: change versus last guidance

Focus on capacity discipline, growth driven inorganically

Lufthansa Group capacity growth 2017 per region






All capacity plans indicative and subject to change

Status: September 2017

Appendix
– financial figures Q3 / 9M 2017 –

Strong performance of passenger airlines and cargo

Segment overview 9M 2017

| <i>in m EUR</i> | Network Airlines |  |  |  |
|---------------------------------------|--------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Revenue vs. 9M '16 | 17,695 +1,065 | 12,467 +699 | 3,568 +221 | 1,814 +177 |
| Adj. EBIT vs. 9M '16 | 1,947 +623 | 1,405 +483 | 442 +120 | 100 +21 |
| Adj. EBIT Margin vs. 9M '16 | 11.0% +3.0pts. | 11.3% +3.5pts. | 12.4% +2.8pts. | 5.5% +0.7pts. |

Point-to-Point Airlines¹

| | |
|---------------------------------------|-------------------------|
| Revenue vs. 9M '16 | 3,031 +1,469 |
| Adj. EBIT vs. 9M '16 | 145 +169 |
| Adj. EBIT Margin vs. 9M '16 | 4.8% +6.3pts. |

| Logistics | |
|---------------------------------------|--------------------------|
| Revenue vs. 9M '16 | 1,752 +270 |
| Adj. EBIT vs. 9M '16 | 98 +167 |
| Adj. EBIT Margin vs. 9M '16 | 5.6% +10.2pts. |

| MRO | |
|---------------------------------------|-------------------------|
| Revenue vs. 9M '16 | 4,003 +194 |
| Adj. EBIT vs. 9M '16 | 333 -33 |
| Adj. EBIT Margin vs. 9M '16 | 8.3% -1.3pts. |

| Catering | |
|---------------------------------------|-------------------------|
| Revenue vs. 9M '16 | 2,437 +42 |
| Adj. EBIT vs. 9M '16 | 66 -14 |
| Adj. EBIT Margin vs. 9M '16 | 2.7% -0.6pts. |

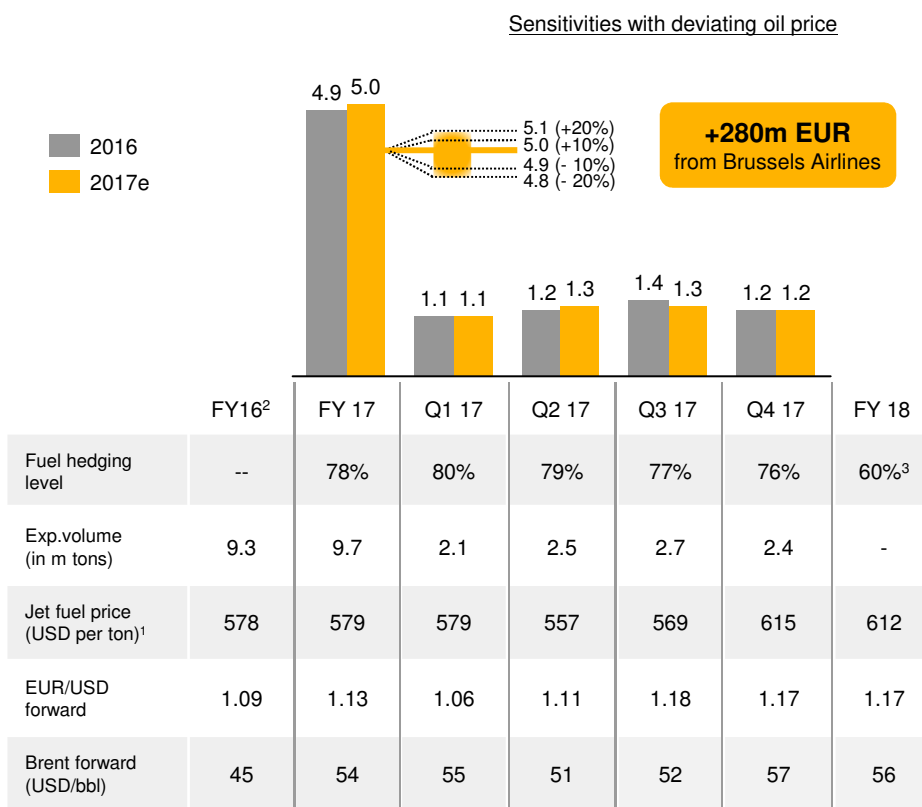
| Others & Consolidation | |
|---------------------------------------|-----------------------|
| Revenue vs. 9M '16 | -2,157 -149 |
| Adj. EBIT vs. 9M '16 | -29 -29 |
| Adj. EBIT Margin vs. 9M '16 | n.a. |

¹ Includes Eurowings, Brussels Airlines and equity stake in SunExpress

Fuel costs expected above previous year

Fuel forecast and sensitivities FY 2017 and 2018

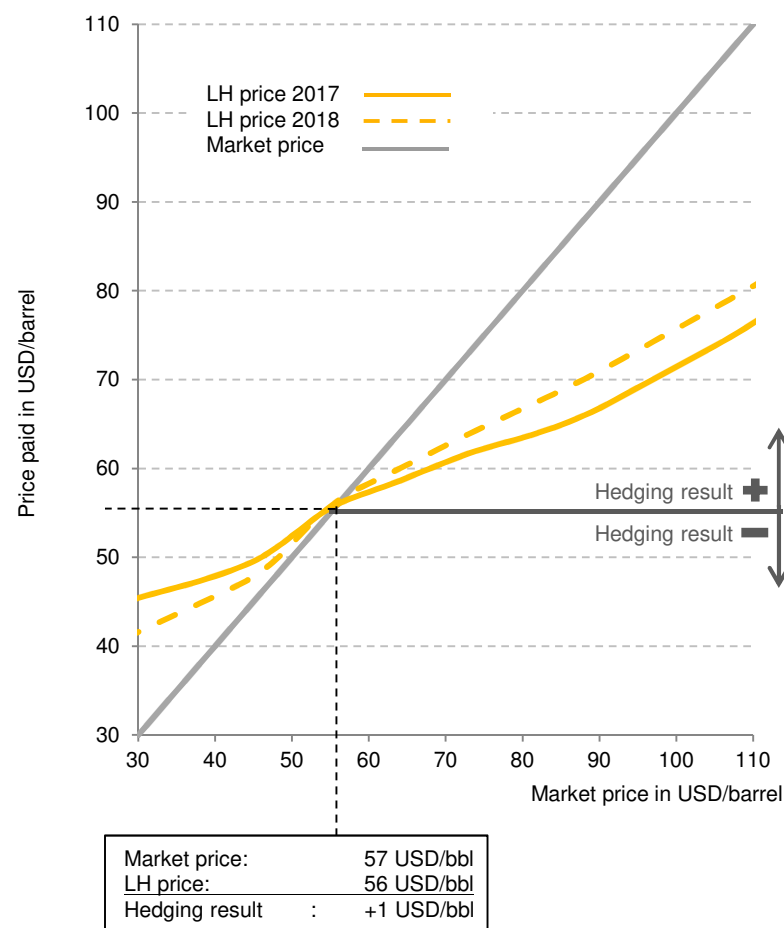
Lufthansa Group fuel expenses after hedging
(in bn EUR)



As of 30 Sep 2017 ¹ incl. fuel hedging ² forwards are actual numbers for FY16

³ excluding acquisition of parts of Air Berlin

Lufthansa Group price curve remainder of 2017 and 2018



Revenue increases faster than absolute costs in Q3 and 9M 2017

Operating costs and revenues

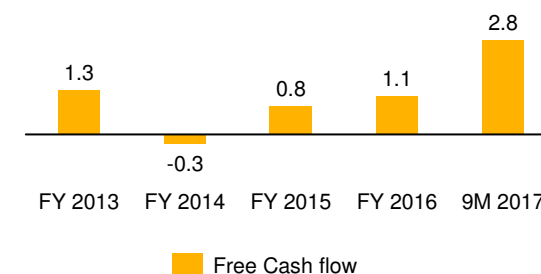
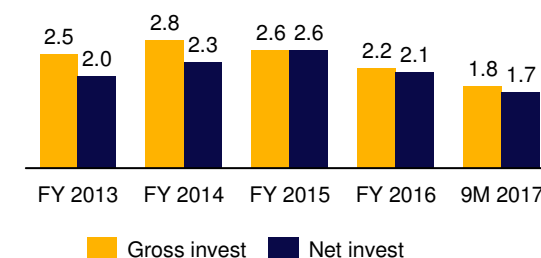
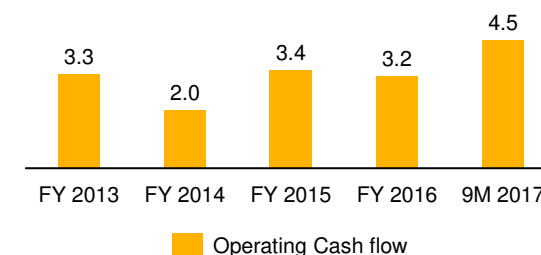
| <i>Lufthansa Group (in m EUR)</i> | Q3 '17 | vs. Q3 '16 | 9M '17 | vs. 9M '16 |
|-----------------------------------|---------------|---------------------|---------------|---------------------|
| <i>Total revenue</i> | 9,810 | +11.1% | 26,761 | +12.1% |
| <i>Other operating income</i> | 573 | +40.1% | 1,747 | +6.5% |
| Total operating income | 10,383 | +12.4% | 28,508 | +11.7% |
| Operating expenses | 9,075 | +20.6% | 26,213 | +12.7% |
| Non-fuel operating expenses | 7,696 | +24.9% | 22,274 | +13.8% |
| Cost of materials and services | 4,961 | +8.2% | 14,230 | +10.6% |
| <i>Fuel expenses</i> | 1,379 | +1.5% | 3,939 | +6.6% |
| <i>Fees and charges</i> | 1,734 | +8.7% | 4,790 | +9.5% |
| Staff costs | 2,162 | +74.8% ¹ | 6,456 | +23.7% ¹ |
| Depreciation | 600 | +36.4% | 1,460 | +13.8% |
| Other operating expenses | 1,352 | +7.3% | 4,067 | +4.4% |
| Result from equity investments | 96 | -2 | 140 | +52 |
| EBIT | 1,404 | -408 | 2,435 | +105 |
| Adjustments | 114 | +778 | 125 | +778 |
| Adjusted EBIT | 1,518 | +370 | 2,560 | +883 |

¹ includes 713m EUR one-off gain from union agreement in 08/2016

Free cash flow increases strongly despite higher capex

Cash flow statement

| Lufthansa Group (in m EUR) | 9M '17 | vs. 9M '16 |
|--------------------------------------------------------|--------------|---------------|
| EBT (earnings before income taxes) | 2,350 | +47 |
| Depreciation & amortization (incl. non-current assets) | 1,449 | +109 |
| Net proceeds from disposal of non-current assets | -34 | +15 |
| Result of equity investments | -140 | -52 |
| Net interest | 201 | +10 |
| Income tax payments/reimbursements | -179 | -101 |
| Significant non-cash-relevant expenses / income | -139 | +872 |
| Change in trade working capital | 596 | +193 |
| Change in other assets / liabilities | 355 | +312 |
| Operating cash flow | 4,459 | +1,405 |
| Capital expenditure (net) | -1,669 | -133 |
| Free cash flow | 2,790 | +1,272 |
| Cash and cash equivalents as of 30.09.17 ¹ | 1,301 | +138 |
| Current securities | 4,942 | +2,615 |
| Total Group liquidity | 6,243 | +2,753 |



¹ Excluding fixed-term deposits with terms from three to twelve months (2017: 217 m EUR, 2016: 124 m EUR)

Favourable trading environment in all major traffic areas

Operating KPIs Group Airlines

| Total | Q3 '17 | 9M '17 |
|-------------------|----------|----------|
| Number of flights | +10.8% | +9.3% |
| ASK | +11.8% | +11.7% |
| RPK | +13.2% | +14.6% |
| SLF | +1.0pts. | +2.1pts. |

| Europe | Q3 '17 | 9M '17 |
|-------------------|----------|----------|
| ASK | +3.8% | +3.2% |
| RPK | +5.7% | +6.0% |
| SLF | +1.5pts. | +2.0pts. |
| Yield | -0.6% | -3.3% |
| Yield ex currency | +1.0% | -2.7% |

| Asia/Pacific | Q3 '17 | 9M '17 |
|-------------------|----------|----------|
| ASK | +1.1% | +0.5% |
| RPK | +2.4% | +5.2% |
| SLF | +1.1pts. | +3.8pts. |
| Yield | +0.2% | +0.3% |
| Yield ex currency | +4.2% | +1.3% |

| | | |
|--------------------------|-------|-------|
| Yield | +1.0% | -0.6% |
| Yield ex currency | +3.1% | -0.1% |
| RASK | +2.5% | +1.5% |
| RASK ex currency | +4.5% | +2.0% |
| CASK incl. fuel | -2.7% | -1.6% |
| CASK ex currency ex fuel | +0.2% | -0.8% |

| Americas | Q3 '17 | 9M '17 |
|-------------------|----------|----------|
| ASK | -0.8% | +1.2% |
| RPK | +0.4% | +3.3% |
| SLF | +1.1pts. | +1.7pts. |
| Yield | +0.2% | +0.3% |
| Yield ex currency | +2.3% | +0.7% |

| Middle East/Africa | Q3 '17 | 9M '17 |
|--------------------|----------|----------|
| ASK | +12.4% | +9.4% |
| RPK | +14.7% | +12.9% |
| SLF | +3.6pts. | +2.9pts. |
| Yield | -7.0% | -7.8% |
| Yield ex currency | -5.6% | -7.7% |

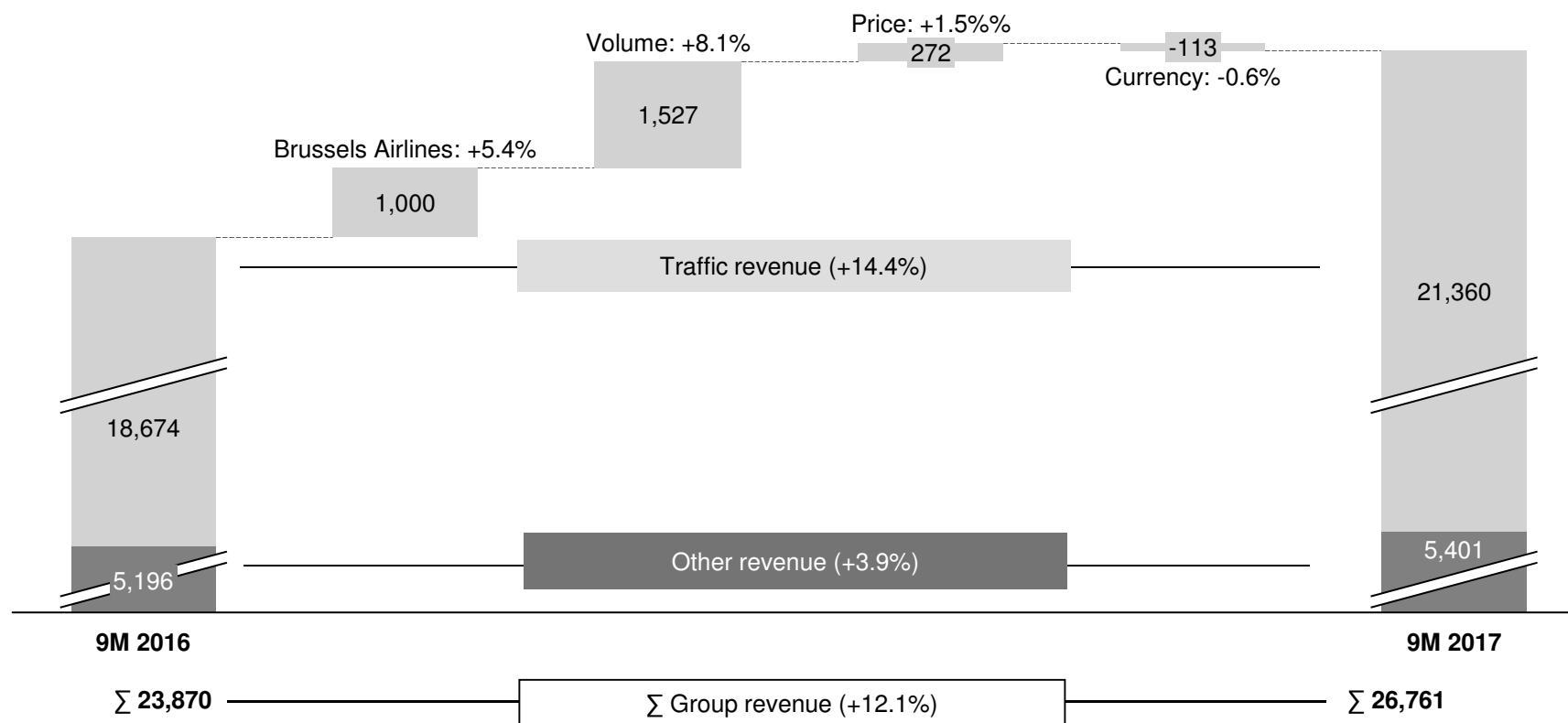
| | | |
|---------------|-------|-------|
| North America | +3.9% | +1.4% |
| South America | -4.7% | -2.4% |

Group revenue and currency impact

9M 2017 vs. 9M 2016

| Currency influence on EBIT (in m EUR) | | | | |
|---------------------------------------|----|-----|----|----------|
| Q1 | Q2 | Q3 | Q4 | FY (YTD) |
| -39 | 34 | -73 | | -78 |

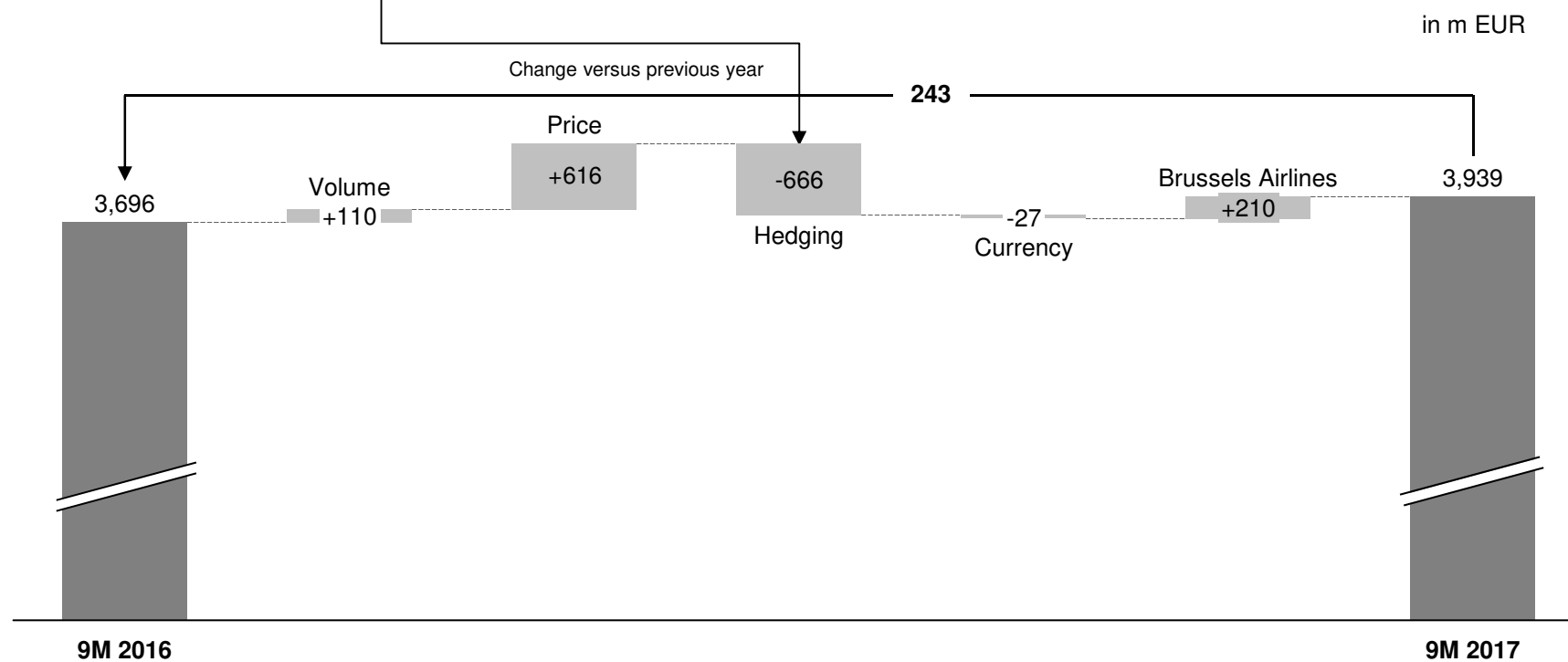
in m EUR



Fuel cost development

9M 2017 vs. 9M 2016

| Hedging result by quarter (in m EUR) | | | | | |
|--------------------------------------|------|------|------|------|----------|
| | Q1 | Q2 | Q3 | Q4 | FY (YTD) |
| 2016 | -336 | -235 | -217 | -115 | -903 |
| 2017 | -30 | -63 | -29 | | -122 |



Adjusted EBIT and one-off effects

Quarterly results 2016-2017

in m EUR

| | 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 | 1,017 | 1,518 | | 1,042 | 2,560 | |
| <i>One-off effects</i> | 0 | 0 | 0 | | 0 | 0 | |
| Adjusted EBIT ex one-off factors | 25 | 1,017 | 1,518 | | 1,042 | 2,560 | |

Adjusted EBIT and EBIT per quarter 2017

| <i>in m EUR</i> | Q1 | Q2 | Q3 | Q4 | 6M | 9M | FY |
|-----------------------------------------------|-----------|--------------|--------------|----|--------------|--------------|----|
| Adj. EBIT | 25 | 1,017 | 1,518 | | 1,042 | 2,560 | |
| <i>pension changes</i> | -32 | 0 | -9 | | -32 | -41 | |
| <i>book gains / losses on asset disposals</i> | +23 | +5 | +6 | | +28 | +34 | |
| <i>impairments / badwill</i> | 0 | -7 | -111 | | -7 | -118 | |
| EBIT | 16 | 1,015 | 1,404 | | 1,031 | 2,435 | |
| <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

| <i>in m EUR</i> | 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 |
| <i>WACC</i> | | | | | | | 4.8% |
| ROCE | | | | | | | 9.0% |