Lufthansa Group Investor Presentation

September 2014

Executive Summary

- **The Lufthansa Group Road Map**
  Change in all areas; committed to value creation and shareholder returns

- **Growth focused on new airline platforms and non-flying businesses**
  Revenue share of new platforms and non-flying segments to increase from 30 to 40%

- **Strengthen market positioning and constantly reduce costs on classic platforms**
  Offset cost inflation and yield pressure through unit cost measures, product initiatives; partnerships secure mature markets

- **Financial Outlook**
  2014: approx. 1.3 bn EUR normalized operating profit, 2015: approx. 2 bn EUR; strong financial profile to be maintained

The Lufthansa Group
Strong global market position but facing multiple challenges

Our strengths	Our challenges
World's largest aviation group with >30 bn EUR in revenue	Compete with low-cost and Gulf carriers while securing strong market position
Europe's largest passenger network with strong brands	Lower unit costs and offset cost inflation and possible yield pressure
Global leader in MRO and airline catering	Become quality leader and innovation driver again
Leading positions in air cargo and airline IT as well as other aviation services	Execute faster, use of group synergies better and explore potential of service companies
Strong financials: constant FCF generation, investment grade rating, dividend payments	Reach higher profitability and strengthen return on capital focus

Lufthansa Group

The Way Forward consistently follows steps already taken

Overview of major past and future initiatives

since start of SCORE → today → 2015 onwards

Dimensioning

- stable legacy fleet size; ASK to grow at half of market rate (ca. 3% p.a.) mainly through roll-over
- reduce # of sub-fleets
- intro of two class long-haul fleet
- exit 70-seaters

Structure / Portfolio

- target 40% rev from non-hub and service companies by 2020
- exit from bmi, LH Italia, Jade Cargo
- grow Miles & More business
- explore adjacent catering and MRO markets
- grow and strengthen MRO (e.g. Air China JV; McKinsey JV)
- new use for Amadeus, Fraport, jetBlue
- withdraw from IT Infrastructure

New concepts for growth

- Austrian transfer to lower cost Tyrolean
- multi-platform WINGS to focus on private travelers
- German non-hub routes transfer to Germanwings
- Atlantic++ and Japan Joint Venture
- Air China cooperation, deepen United partnership

Customer centricity & quality focus

- New First Class roll-out
- New Business Class roll-out
- Premium Economy
- LH Passenger to become Europe's first 5 Star Airline

Innovation & digitalization

- Wifi on long-haul roll-out
- systematical annual invest into innovations
- foundation of an innovation hub

Effective organization & cultural change

- Shared services for overhead functions
- central Group network development
- joint Group procurement
- process optimization at LH Passenger and MRO
- turn LH Group into process-oriented company

Constant Improvement in efficiency

- SCORE generated >3,000 projects worth >2.5 bn EUR
- generate min level of measures to offset annual headwinds

Value based steering

- positive CVA generation (CVA concept introduced in 1999)
- introduction of new value creation metric, revision of dividend policy

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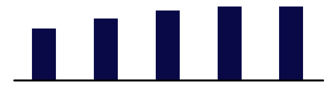
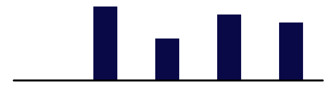
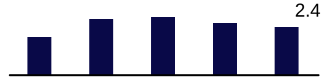
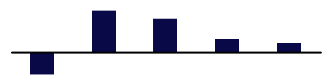
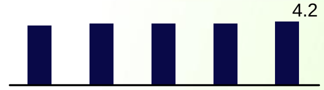
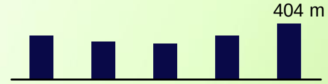
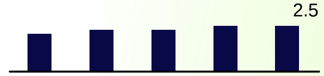
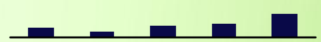
Today, service companies have strong and stable profit contribution

Service companies contribute up to 550 m EUR operating profit p.a.

	Revenue	Operating result	Op. margin range
Airlines			
Passenger Airline Group	23.5 bn  2009 2010 2011 2012 2013	495 m  2009 2010 2011 2012 2013	+4.8% / -0.1%
Logistics (Cargo)	2.4 bn  2009 2010 2011 2012 2013	77 m  2009 2010 2011 2012 2013	+11.4% / -8.0%
Service Companies			
MRO	4.2 bn  2009 2010 2011 2012 2013	404 m  2009 2010 2011 2012 2013	+10.9% / +6.9%
Catering	2.5 bn  2009 2010 2011 2012 2013	105 m  2009 2010 2011 2012 2013	+4.3% / +3.1%
IT Services	0.6 bn  2009 2010 2011 2012 2013	36 m  2009 2010 2011 2012 2013	+6.2% / +1.8%
Others incl. Group Functions		-420 m  2009 2010 2011 2012 2013	(burdened by restructuring costs)

non-airline profits of ca. 300-550 m EUR

Lufthansa Group

Service companies have attractive growth opportunities

Extending business models geographically and into adjacent markets

Lufthansa Technik

International expansions and new partnerships

- Grow APAC, MidEast, North America revenue
- Extension of Joint Venture with Air China (MoU signed in 2014)
- Joint Venture with McKinsey

LSG Sky Chefs

International expansion and exploring adjacent markets

- Grow global catering network via JVs, acquisitions and new sites
- Assess opportunities in adjacent markets, e.g. train catering
- Margin improvement from restructuring underperforming parts of the network

Miles & More Lufthansa

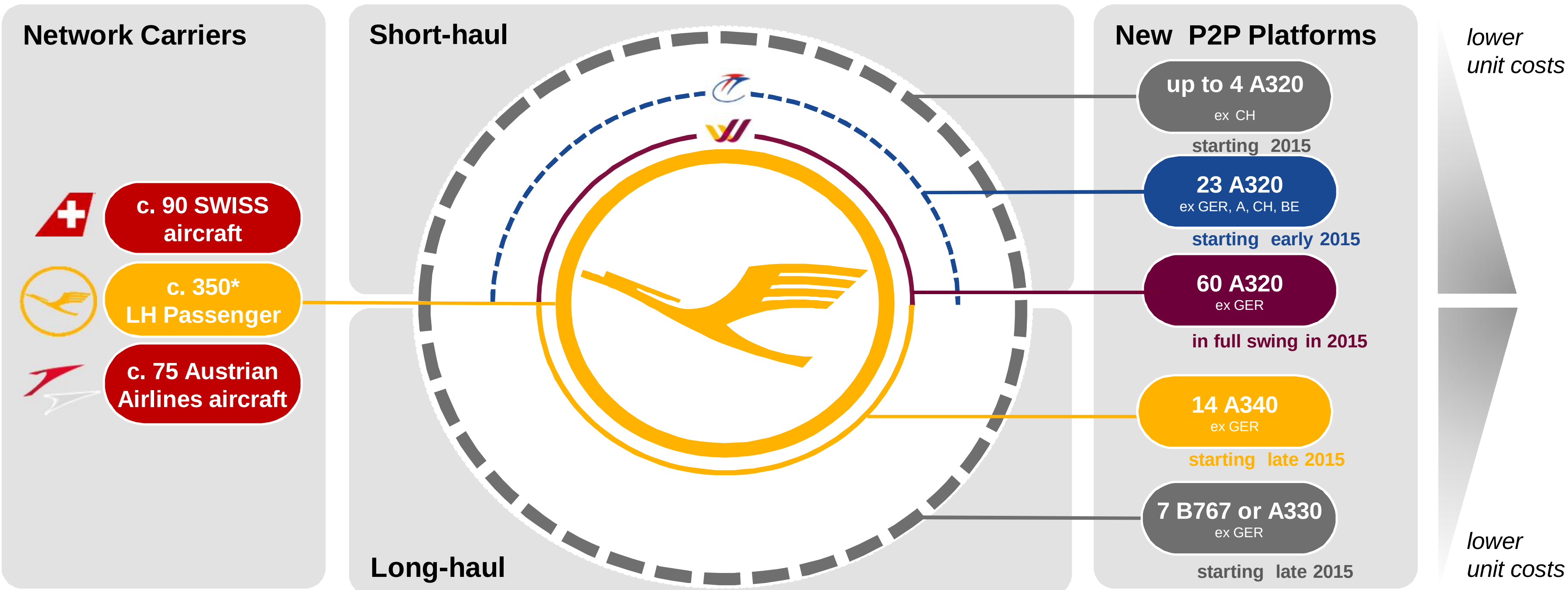
AirPlus INTERNATIONAL

Extend business models to adjacent customer segments

- Attract new partner companies also from non-travel industries
- Enhance attractiveness for "less frequent" fliers
- Implement dedicated mileage program for point-to-point platforms

Lufthansa Group is expanding its point-to-point platforms

New platforms allow to participate in growing leisure market



* LH Passenger Airlines incl. regional partners, excl. germanwings, eurowings

Strong emphasis on innovations helps drive business

Standing out through innovation and digitization

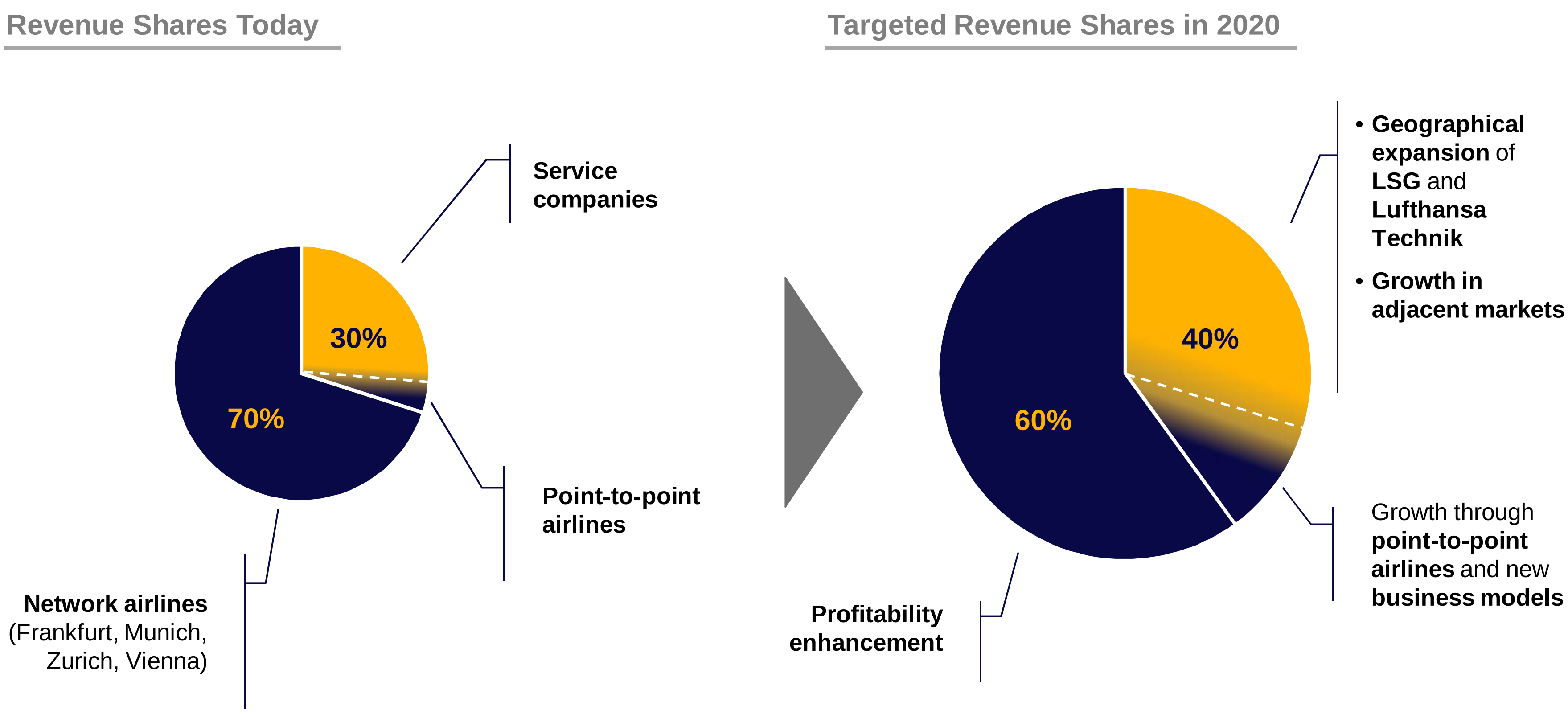
- Strengthen **internal innovation culture** by creating a new Group Innovation Unit
- Establish “**innovation budget**” to expedite the **development of innovative products and ideas**
- **Consistently promote existing innovative projects within the Lufthansa Group** (Lufthansa Technik Innovation Fund, eCargo, Board Connect, SMILE and similar)

- “**Innovation Hub**” company in **Berlin** to get close to the world of start-ups and the digital technology scene
- Close collaborations and partnerships with **Silicon Valley** companies
- Use potential of some **300,000 passengers a day** to **develop new products and services** with partners

Lufthansa Group

Growth to be focused on service companies and new platforms

Revenue share to increase from 30% to 40% by 2020



Lufthansa Group

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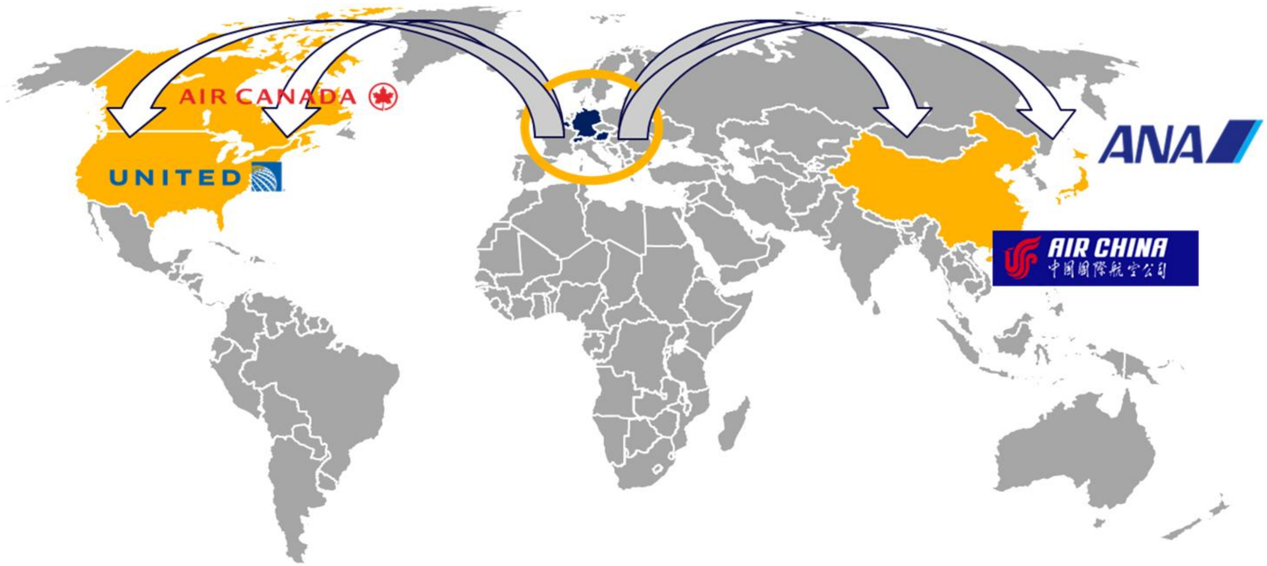
Partnerships and product upgrades protect market positioning

Strategic JVs in major markets and LH target to become "5-Star" airline



→ **Strengthen existing partnerships**

→ **New Joint Venture to China from 2016 (MoU signed, ongoing negotiations)**

5 STAR

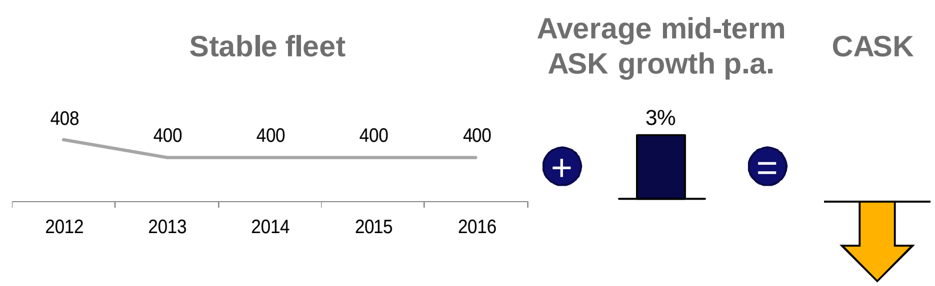
- LH Passenger to become 5 Star rated by 2015
- New First & Business Class
- Accelerated roll-out of new Business class
- Introduction of Premium Economy
- Comprehensive product and service upgrades

LHP fleet strategy constantly lowers unit costs on classic platforms

Restrictive growth and focus on roll-over accelerates unit costs reductions

<u>Restrict growth of classic LH Passenger fleet</u>

- Freeze fleet size at ca. 400 aircraft
- Aircraft orders focused on replacement
- Unit costs reductions targeted, e.g. -4% in 2014



<u>Sub fleet for lower yield long-haul destinations</u>

- 14 (9+5) aircraft of existing long-haul fleet (A340-300) of Lufthansa Passenger Airlines
- 5 aircraft to take over existing routes (e.g. SEA, PHL),
  9 aircraft for new routes* (e.g. LAS, CPT, MRU)
- Significantly lower unit costs through high Economy Class seat share (18 business/19 premium economy/ 261 economy), staff cost reductions and further reductions from other stakeholders

* subject to negotiatons

Proven measures and fleet strategy successfully lowered unit costs

Airline KPIs 2013 vs. start of restructuring program in 2011

	FY 2013 vs. FY 2011	Explanation
Fleet Size (no. of aircraft)	-2.6%	fleet rollover, phase-out of small, non-efficient aircraft
Capacity (ASK)	+1.7%	capacity growth realized through larger aircraft with more seats per aircraft
Volume (RPK)	+4.6%	
Load Factor (SLF)	+2.2%	
Pricing (Yield)	+1.2%	
Unit Revenue (RASK)	+4.1%	increase driven by higher load factor and yield increases
Unit Costs (CASK ex fuel)	-1.9%	SCORE cost reductions: transfer of non-hub traffic to Germanwings, Austrian restructuring, etc.
Cargo Capacity	-8.5%	Reduction mainly due to terminated joint ventures and decrease in belly capacity

Strategy is being continued in FY 2014

Fleet, costs and revenue assumptions

	Full Year 2014 assumptions	Explanation
Fleet Size (no. of aircraft)	**overall stable**	Fleet rollover: Phase-out of small, non-efficient aircraft
Capacity (ASK)	**c. +3%**	Capacity growth mainly achieved through more seats per aircraft / flight. Capacity reductions in winter schedule of 5 short-haul and 3 long-haul a/c.
Volume (RPK)	**above capacity growth**	
Load Factor (SLF)	**slightly up**	
Pricing (Yield)	**negative**	
Unit Revenue (RASK ex currency)	**negative**	Unchanged volatility from short-term bookings
Unit Costs (CASK ex currency, ex fuel)	**c. -4%**	Drivers: More capacity (ASK) at stable fleet and SCORE measures; -2pts. from new depreciation policy
Cargo Capacity	**c. -1%**	Reduction of freighter fleet by two MD 11 aircraft

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Lufthansa Group is committed to value creation

Return on capital and dividend parameters are currently being reworked

2000 — Strong track record in value creation — *2014*

2015 — New KPIs to be introduced

CMD planned December 2014

Return on Capital

- **CVA** (cash value added) concept introduced in 1999
- **Positive CVA generation:** cumulated CVA of > 6 bn EUR in last 14 years

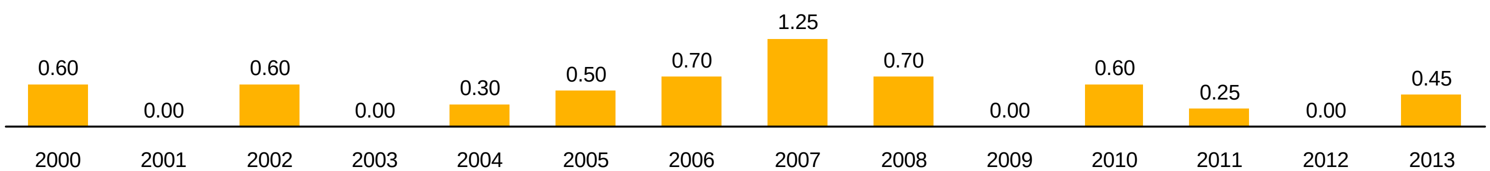
- **New return on capital KPI** to be introduced in late 2014
- **Objective:** Enhanced transparency, standard KPI (e.g. ROCE), easier for capital allocation and operational steering

Dividends

- **Regular dividend payments** 30-40% of operating result
- **Dividends paid in 11 of 15 years** Cumulated dividends of 5.95 EUR

- **New dividend policy** to be introduced in late 2014
- **Objective:** Continue regular dividend payments, adjust for non-cash profit effects from change in new depreciation policy

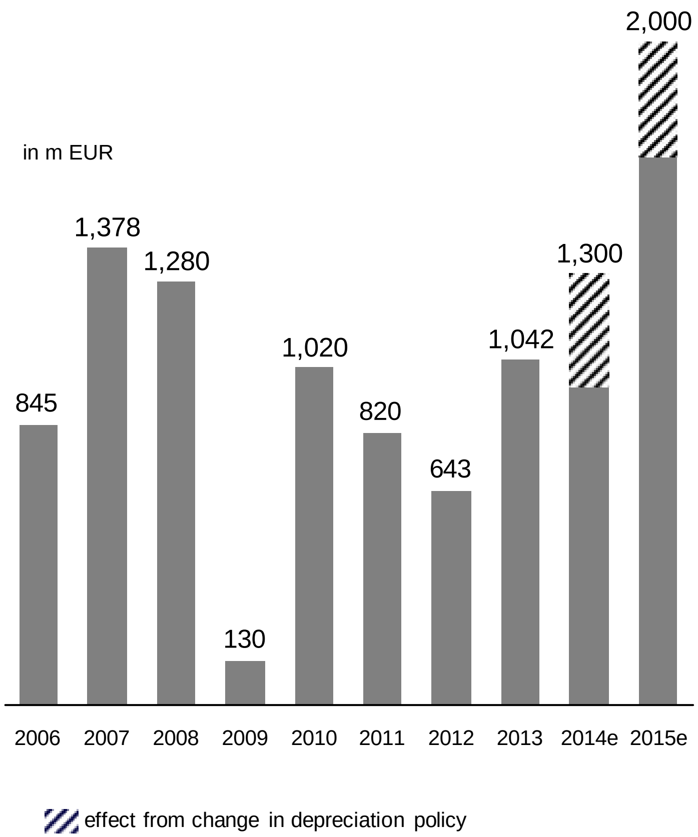
Historical dividend payments in EUR



Operating profit is expected to grow in FY14 and FY15

Group Outlook FY14 and FY15

Lufthansa Group - Normalized operating result
excluding one-off effects



Lufthansa Group – long-term financial targets
and current status as of 31.12.2013

	Target	Year-end 2013
Equity Ratio	**25% mid-term**	**21%**
Debt Repayment Ratio	**45% (min. 35%)**	**37%**
Minimum Liquidity	**2.3 bn EUR**	**4.7 bn EUR**
ROCE*	**tbd**	
Dividend pay-out ratio*	**tbd**	**30-40%**

* new definition by the end of FY2014

Disclaimer in respect of forward-looking statements

Information published in this presentation concerning the future development of the Lufthansa Group and its subsidiaries consists purely of forecasts and assessments and not of definitive historical facts. These forward-looking statements are based on all discernible information, facts and expectations available at the time. They can, therefore, only claim validity up to the date of their publication. Since forward-looking statements are by their nature subject to uncertainties and imponderable risk factors – such as changes in underlying economic conditions – and rest on assumptions that may not occur, or may occur differently, it is possible that the Group's actual results and development may differ materially from the forecasts. Lufthansa makes a point of checking and updating the information it publishes. However, the Company is under no obligation to update forward-looking statements or adapt them to subsequent events or developments. Accordingly, it neither explicitly nor implicitly accepts liability, nor gives any guarantee for the actuality, accuracy or completeness of this data and information.

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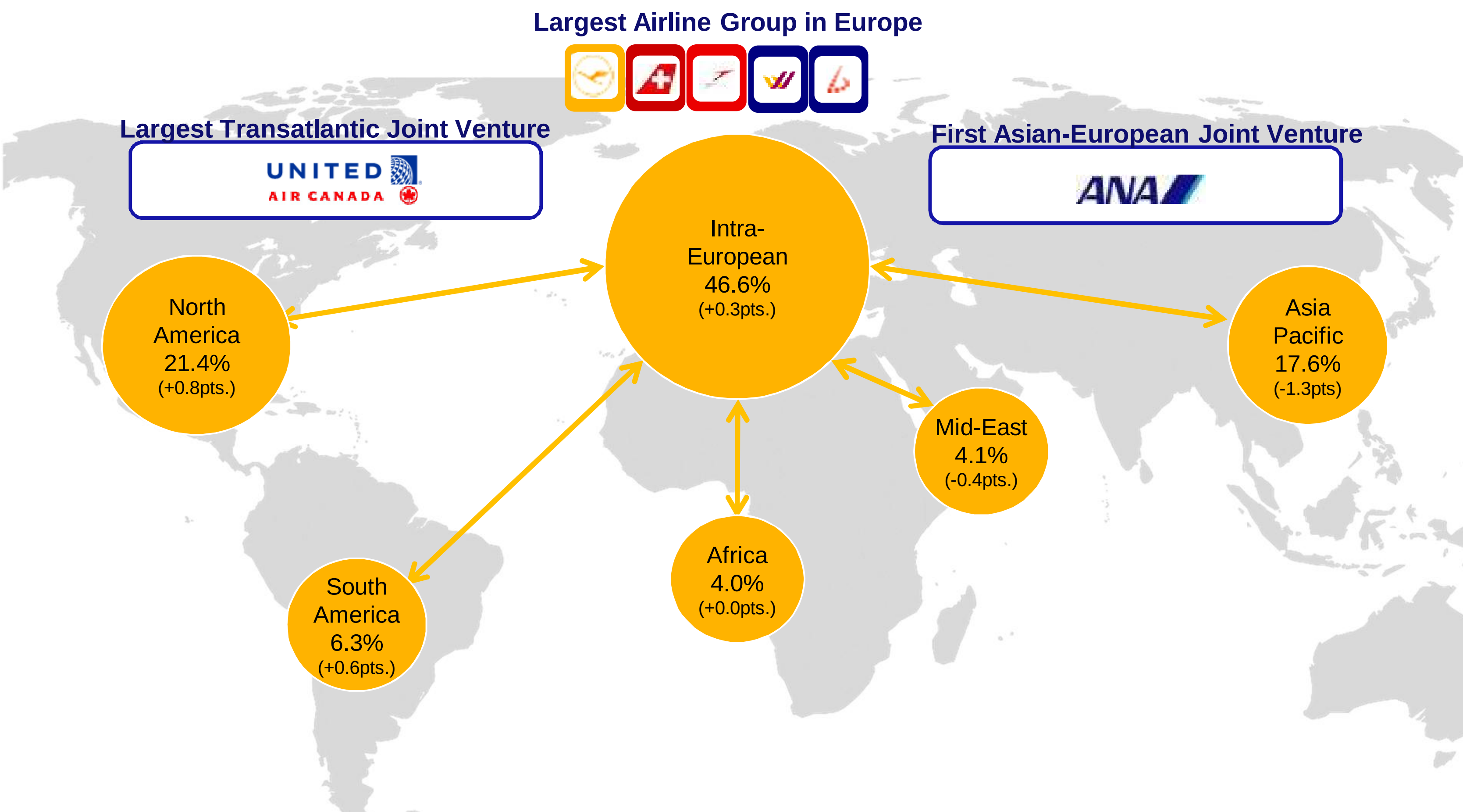
– Supplementary Information –

Lufthansa Group has identified multiple areas of action

The Way Forward

Balanced network supported by leading intercontinental JVs

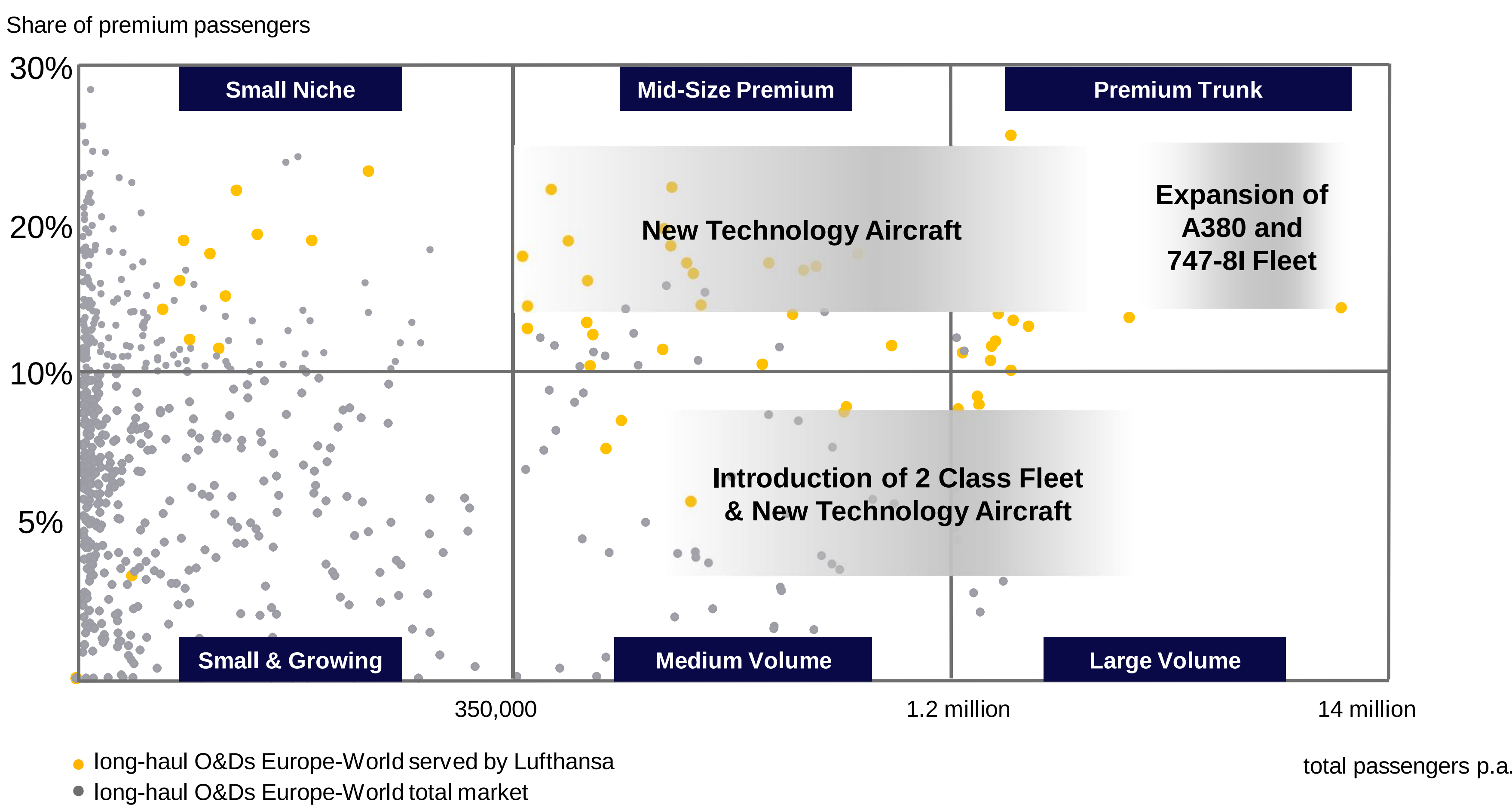
Passenger network overview



Traffic revenue shares Passenger Airline Group as of 31 December 2013 (comparison to previous year)

LHP focuses on markets with highest margins: large and premium

Fleet and network clusters



Lufthansa Group conducts comprehensive fleet rollover

Lufthansa Passage aims at becoming the first Western 5 Star airline

Aircraft order book 2014 et sqq.

Total Orders: 261 aircraft

- Short haul: 177 aircraft
- Long haul: 84 aircraft
- Equals EUR 32 bn in list prices

Aircraft Orders 2013

- 30x A320ceo, 70x A320neo
- 25x A350-900
- 34x 777-9X
- Unit cost reduction of 20% (CASK)
- Superior comfort, lower emissions

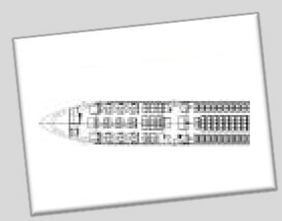
Planned product improvements

Premium Economy

- Available for sale as of May
- Up in the air from October

New Business Class

- 80% of long-haul fleet by end 2014
- More than 100 aircraft



Two-Class Fleet

- 30 - 45 aircraft to be reconfigured
- Revenue maximization per flight

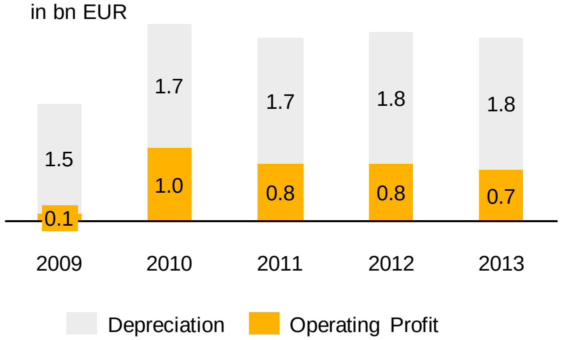
5 STAR

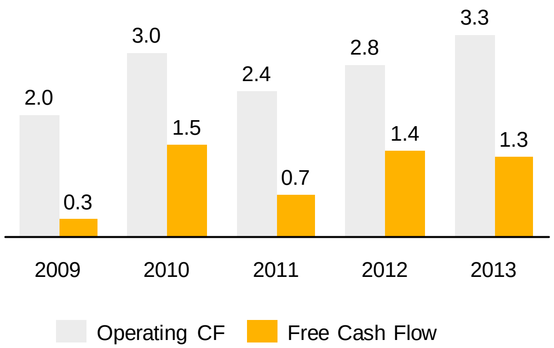
– Supplementary Financials –

Strong cash flow generation and conservative financial setup

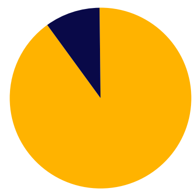
Strong balance sheet, fleet in ownership

1. Lufthansa Group is profitable and produces strong cash flows

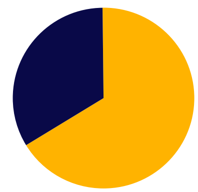




2. Conservative fleet structure and ambitious balance sheet targets provide security buffer



ca. 90% of fleet is owned vs. 10% leased



>70% of fleet is financially unburdened
(not used as security for financing deals)

	Target	Year-end 2013
Equity Ratio	**25% mid-term**	**21%**
Debt Repayment Ratio	**45% (min. 35%)**	**37%**
Minimum Liquidity	**2.3 bn EUR**	**4.7 bn EUR**

Status: 31.12.2013

3. Solid financial profile provides competitive edge in financing conditions and allows for constant capex

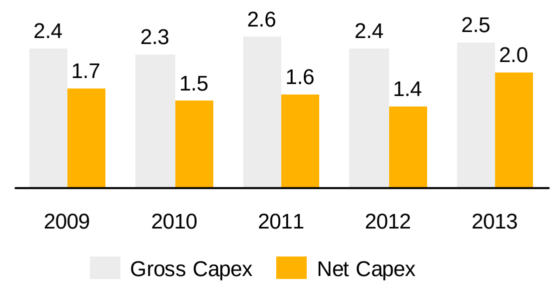
STANDARD &POOR'S

S&P Investment Grade Rating (BBB-, stable) confirmed in April 2014

high liquidity

moderate net debt

pension provision flexible funding model, no "margin call" for additional fundings



LH Group operating profit 2014 expected at approx. 1.0 billion Euros
Operating profit excl. one-offs expected at approx. 1.3 billion Euros

Segment	Result 2013 (m EUR)	Forecast for 2014
Lufthansa Passenger Airlines	265	slightly above previous year
SWISS	226	significantly above previous year
Austrian Airlines	25	on previous year
Consolidation	-21	
Passenger Airline Group	495	slightly above previous year
Logistics	77	slightly above previous year
MRO	404	slightly above 2012 (328 m EUR)
Catering	105	slightly above previous year
IT Services	36	slightly below previous year
Others	-378	significant improvements due to lower restructuring costs
Internal Result / Consolidation	-42	
LH Group (reported)	**697**	**approx. 1,000**
Restructuring costs	245	80
Project costs Lufthansa Passenger Airlines	100	200
LH Group (normalised)	**1,042**	**approx. 1,300**

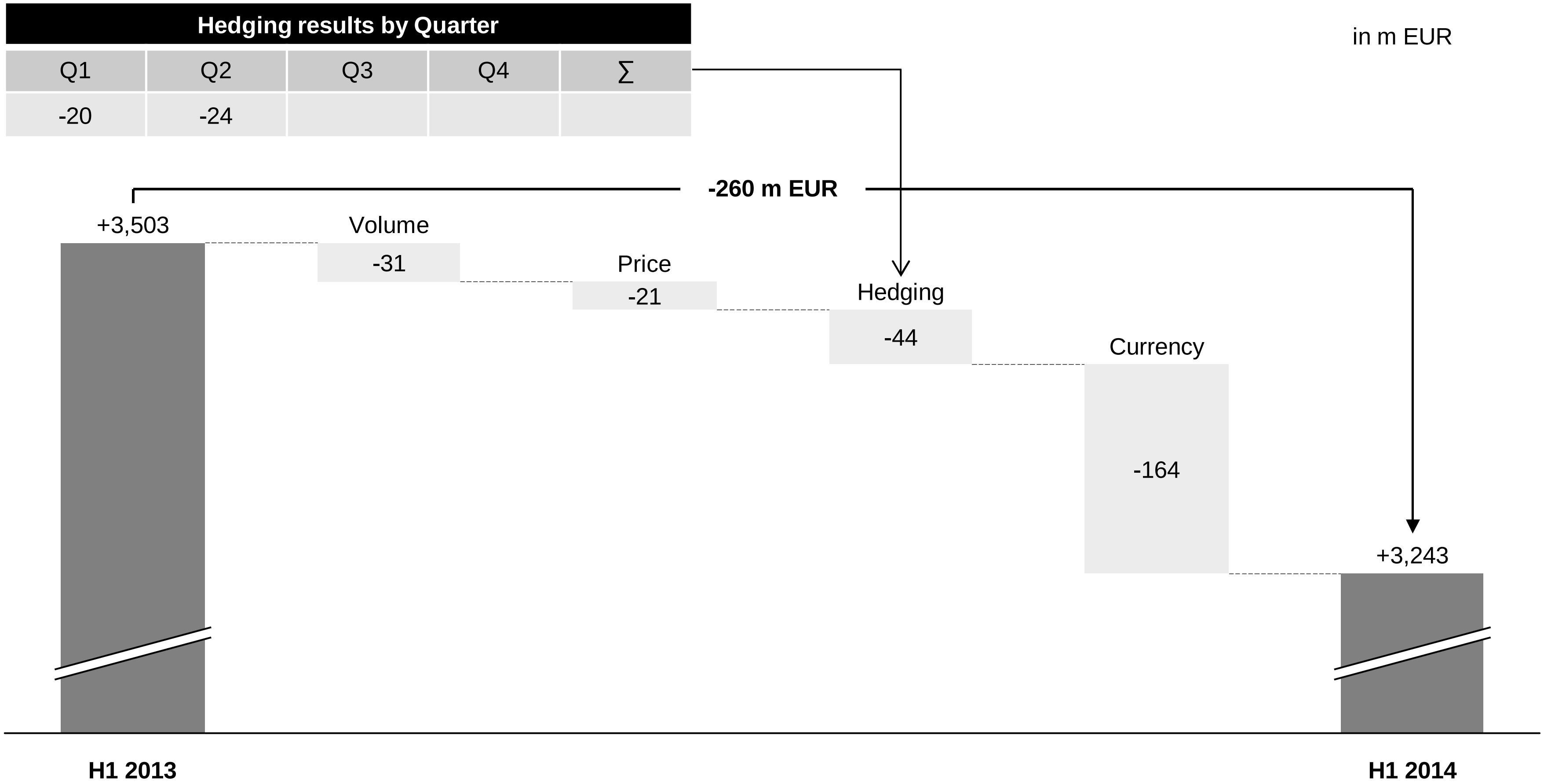
*incl. 340 m EUR lower depreciation for aircraft and engines

Group Revenue
H1 2014 vs. H1 2013

Lufthansa Group

Fuel Cost
H1 2014 vs. H1 2013

Hedging results by Quarter				
Q1	Q2	Q3	Q4	∑
-20	-24			



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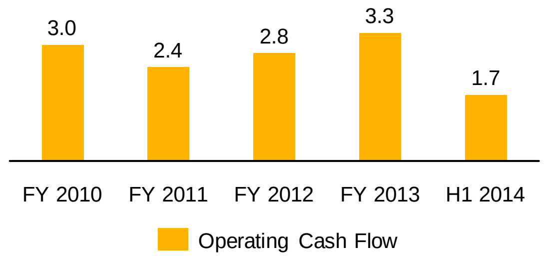
Operating Results and one-off factors
Quarterly operating results 2013-2014

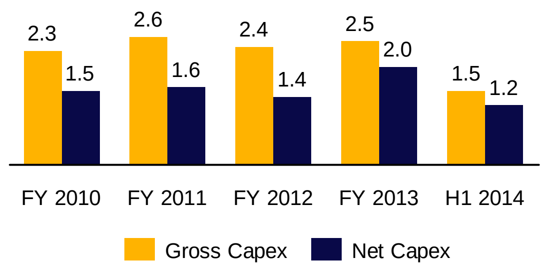
in m EUR	Q1	Q2	Q3	Q4	6M	9M	Full Year
Reported operating result 2013	**-359**	**432***	**590***	**36**	**73***	**663***	**699***
incl. SCORE restructuring costs	*-64*	*-7*	*-97*	*-77*	*-71*	*-168*	*-245*
incl. Project costs	*0*	*0*	*-30*	*-70*	*0*	*-30*	*-100*
Normalized operating result 2013	**-295**	**439***	**717***	**183**	**144***	**861***	**1,044***
Reported operating result 2014	**-245**	**359**			**114**		
incl. SCORE restructuring costs	*-20*	*-10*			*-30*		
incl. Project costs	*-35*	*-40*			*-75*		
Normalized operating result 2014	**-190**	**409**			**219**		
incl. depreciation policy change effect	*83*	*86*			*169*		
incl. strike impacts	*-10*	*-60*			*-70*		
incl. Venezuelan cash write-offs	*-38*	*-23*			*-61*		

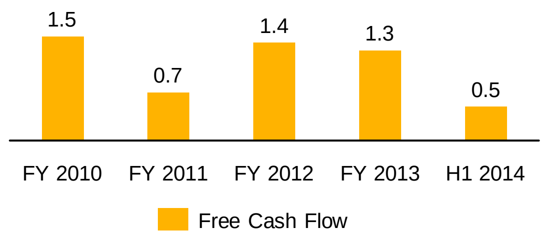
* Restatement due to IFRS11: Aerologic GmbH has been proportionately consolidated as a joint operation since 1 January 2014

Positive free cash flow despite higher investments
Cash flow statement H1 2014

Group Cash Flow Statement in m EUR	**H1 2014**	**vs. PY**
EBT (earnings before income taxes)	**-59**	+181
Depreciation & amortisation (incl. D&A for non-current assets)	717	-217
Net proceeds from disposal of non-current assets	-25	-26
Result from equity investments	-22	+11
Net interest	140	-22
Income tax payments/reimbursements	-106	-42
Non-cash changes in measurement of financial derivatives	145	+34
Change in working capital	954	-491
Operating cash flow	**1,744**	-572
Capital expenditure (net)	-1,198	-186
Free cash flow	**546**	-758
Cash and cash equivalents as of 30.06.2014*	830	-784
Current securities	2,777	-979
Total Group liquidity*	3,607	-1,763



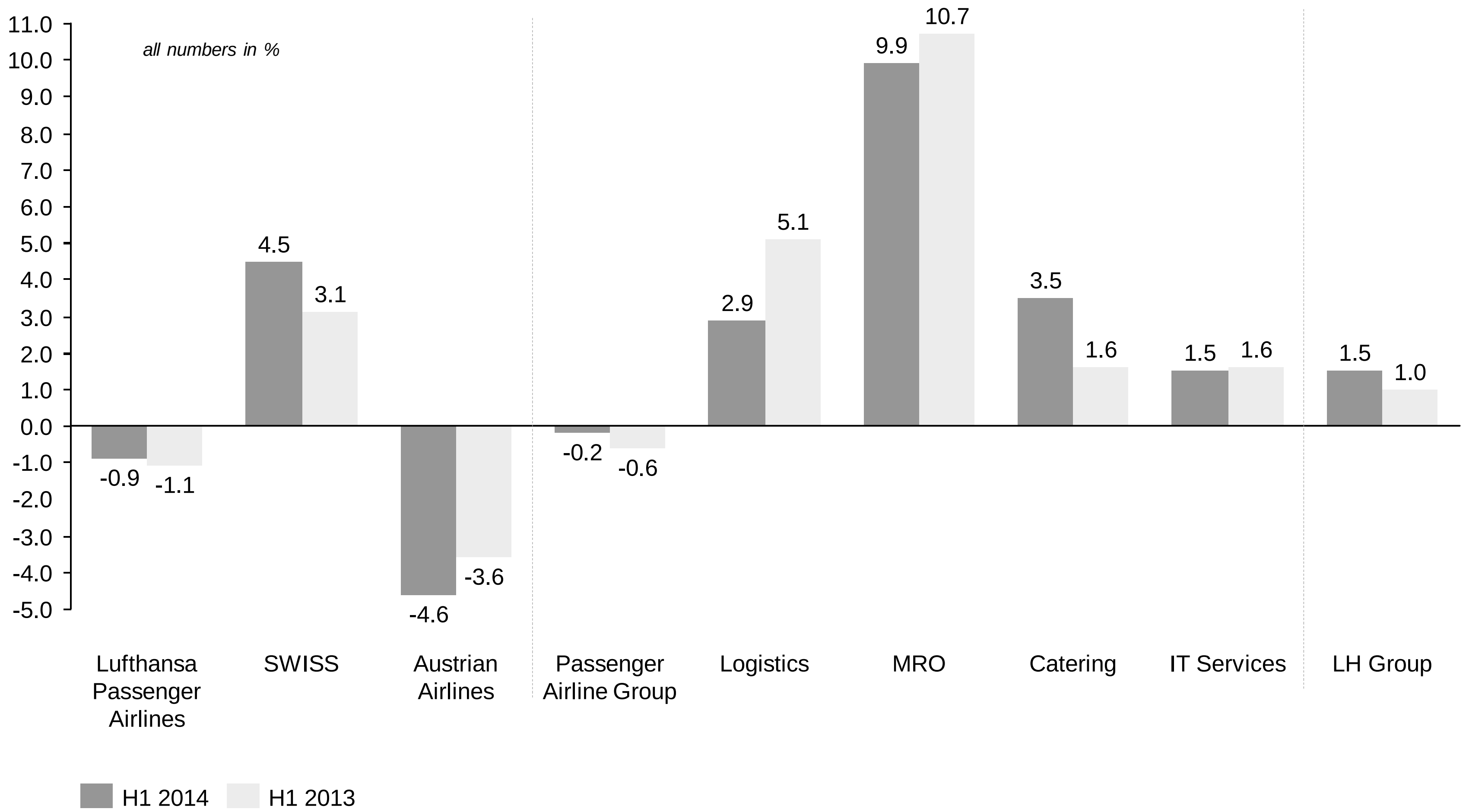




* Excluding fixed-term deposits with terms of three to twelve months (127 m EUR)

Lufthansa Group

Operating margins (normalized*)
H1 2014 vs. H1 2013



* excluding one-off effects

Current Trading: Soft pricing continued in the second quarter
Operating KPIs of Passenger Airline Group

Total	H1 '14	Q2 '14
Number of flights	-2.2%	-3.1%
ASK	+1.1%	+1.6%
RPK	+1.1%	+2.2%
SLF	+0.0P.	+0.5P.
Yield	-3.5%	-3.8%
Yield ex currency	-1.8%	-2.6%
RASK	-3.6%	-3.3%
CASK* incl. fuel	-5.0%	-4.0%
RASK ex currency	-1.9%	-2.1%
CASK* ex currency ex fuel	-2.8%	-1.9%

-4.1% adjusted for strike and Venezuela

Europe	H1 '14	Q2 '14
ASK	+1.6%	+0.7%
RPK	+2.0%	+2.3%
SLF	+0.3P.	+1.2P.
Yield	-3.9%	-3.1%
Yield ex currency	-3.1%	-2.6%
RASK	-3.5%	-1.6%
RASK ex currency	-2.7%	-1.1%

Asia/Pacific	H1 '14	Q2 '14
ASK	+0.4%	+1.9%
RPK	+0.9%	+1.7%
SLF	+0.4P.	-0.1P.
Yield	-4.9%	-6.9%
Yield ex currency	-1.9%	-5.4%
RASK	-4.4%	-7.0%
RASK ex currency	-1.4%	-5.5%

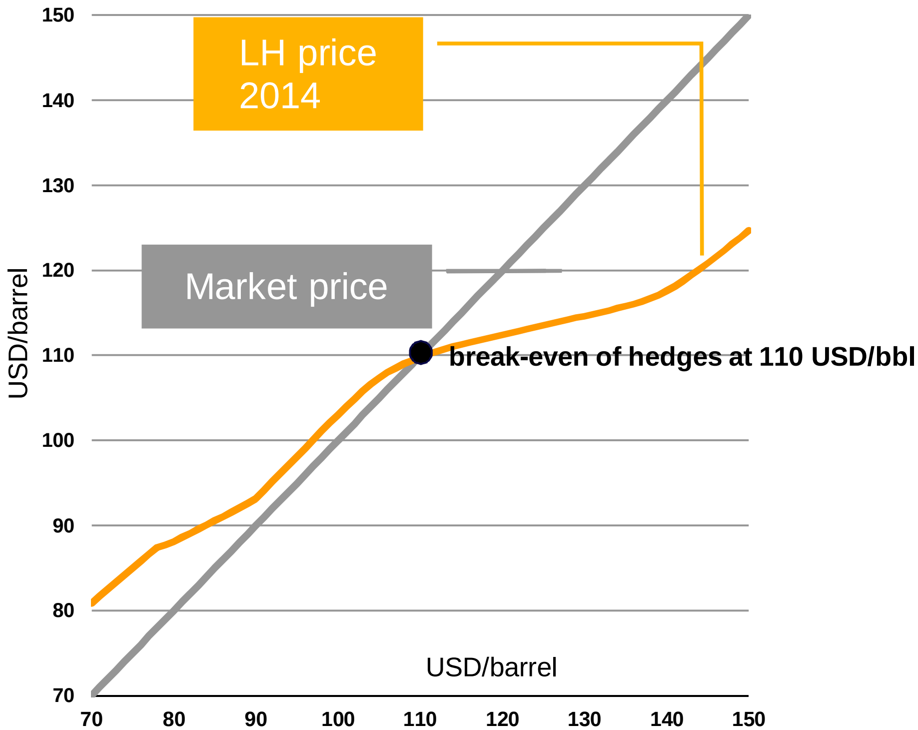
America	H1 '14	Q2 '14
ASK	+3.9%	+5.8%
RPK	+1.9%	+4.0%
SLF	-1.7P.	-1.4P.
Yield	-2.7%	-3.1%
Yield ex currency	-0.7%	-1.0%
RASK	-4.6%	-4.7%
RASK ex currency	-2.6%	-2.7%

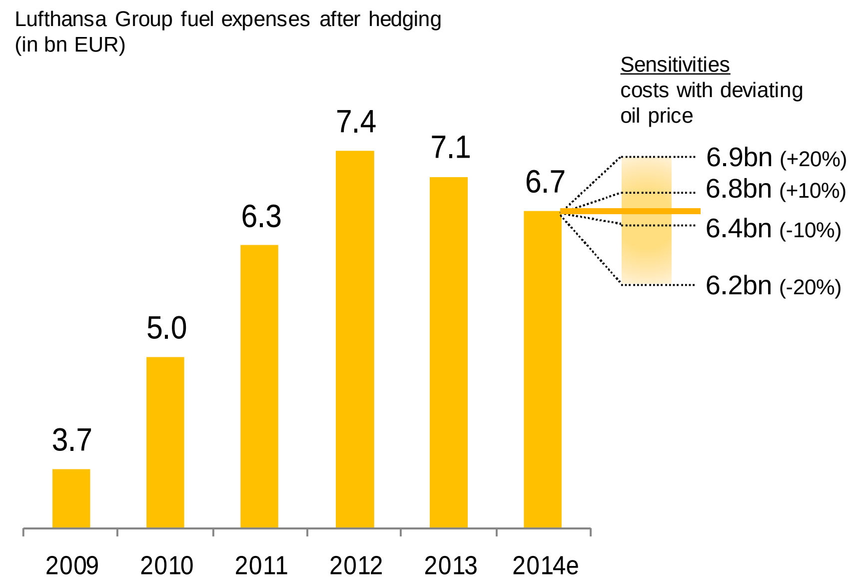
Mid East / Africa	H1 '14	Q2 '14
ASK	-8.1%	-9.7%
RPK	-4.7%	-4.5%
SLF	+2.7P.	+4.1P.
Yield	-3.2%	-3.6%
Yield ex currency	-0.9%	-1.3%
RASK	+0.3%	+1.9%
RASK ex currency	+2.8%	+4.5%

*adjusted for one-off items

Full year fuel costs unchanged at 6.7 bn EUR

Fuel forecast and sensitivities





	FY 2014	FY 2015
Current fuel hedging levels	78%	54%

as of 15 July 2014
Brent forward 107 USD/barrel
EUR/USD 1.36