



## Shareholder Information November 2016

### Ladies and Gentlemen, dear shareholders,

Despite a challenging environment the Lufthansa Group performed well in the first nine months of the financial year. At EUR 1.7bn, Adjusted EBIT, our key forecasting indicator, has matched last year's record level. We have made further improvements to our financial stability and have reduced our costs at the airlines and within the Group compared to year-end 2015.

We had to reduce the earnings forecast for the full year after the second quarter, but have been able to lift it back up despite the still challenging environment. The initiated capacity and steering measures have proven successful and short-term bookings developed better than expected in September in particular. The Executive Board now expects earnings for the full year to be "approximately on previous year's level".

Together with the UFO flight attendants' union we have successfully modernized the retirement and transitional benefits at Lufthansa Passenger Airlines. By concluding the new joint venture agreement with Air China we are now safeguarding our market position on the five most important long-haul markets over the long term. With Eurowings we play an active role in the consolidation in Europe. The planned wet lease agreement with Air Berlin and the planned complete takeover of Brussels Airlines are an extremely important part of this.

Thank you for your continued trust.

Kind regards,



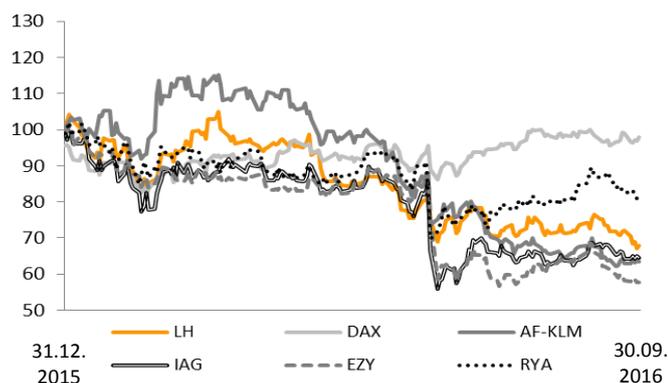
Andreas Hagenbring  
Head of Investor Relations,  
Deutsche Lufthansa AG

### Key figures January – September 2016

		Jan. – Sep. 2016	Jan. – Sep. 2015	Change in %
<b>Revenue and result</b>				
Total revenue	€m	23,870	24,304	-1.8
of which traffic revenue*	€m	18,674	19,486	-4.2
EBIT	€m	2,330	1,663	40.1
Adjusted EBIT	€m	1,677	1,693	-0.9
EBITDA	€m	3,634	2,931	24.0
Net profit/loss for the period	€m	1,851	1,748	5.9
<b>Key balance sheet and cash flow statement figures</b>				
Total assets	€m	34,313	33,159	3.5
Equity ratio	%	14.1	18.6	-4.5 pts.
Net indebtedness	€m	2,201	2,346	-6.2
Cash flow from operating activities	€m	3,054	3,160	-3.4
Capital expenditure (gross)	€m	1,634	1,931	-15.4
<b>Lufthansa share</b>				
Share price at the quarter-end	€	9.90	12.43	-20.4
Earnings per share	€	3.98	3.78	5.3
<b>Traffic figures*</b>				
Passengers	thousands	83,946	83,022	1.1
Available seat-kilometres	millions	219,130	210,478	4.1
Revenue seat-kilometres	millions	173,864	170,831	1.8
Passenger load factor	%	79.3	81.2	-1.8 pts.
Available tonne-kilometres	millions	11,322	11,231	0.8
Revenue tonne-kilometres	millions	7,375	7,403	-0.4
Cargo load factor	%	65.1	65.9	-0.8 pts.
Overall load factor	%	73.7	74.6	-0.8 pts.
Flights	number	786,052	764,429	2.8

\* Previous year's figures have been adjusted.

Performance of the Lufthansa share, indexed as of 31.12.2015, compared with the DAX and competitors in % (excluding dividend)



At the end of the first nine months of the financial year the Lufthansa share was trading at EUR 9.90. This represents a fall in the share price of 32.0 per cent against year-end 2015. The DAX index fell by 2.2 per cent over the same period. Reasons for this decline include the tense geopolitical situation, the Brexit vote and the following profit warnings by numerous airlines, whereby the share prices of key competitors mostly fell by even more in the same period. This rather negative attitude to the European airline industry was also reflected in analysts' recommendations: As of 30 September 2016, three analysts recommended the Lufthansa share as a buy, ten as a hold and 14 as a sell. The average target price was EUR 9.75.

By 11 November the Lufthansa share price had already recovered to EUR 12.76.

The third interim report 2016 as well as the related presentation of the board are available on the website <http://www.lufthansagroup.com/investor-relations>.



## Economic development

The Lufthansa Group achieved a good performance in the first nine months of the financial year. Revenue was down by 1.8 per cent to EUR 23.9bn, in particular due to lower traffic revenue at the airlines. Adjusted EBIT fell by EUR 0.9 per cent to EUR 1.7bn. At 7.0 per cent, the Adjusted EBIT margin was unchanged from last year's record level. EBIT improved particularly strongly by 40.1 per cent to EUR 2.3bn following the wage settlement with the UFO flight attendants' union. The Passenger Airline Group, Catering and Other segments reported positive developments. The earnings increase at the Passenger Airline Group was mainly influenced by lower fuel costs, falling unit costs and the absence of non-recurring factors from the previous year. The MRO segment developed in line with the forecast. The Logistics segment reported significantly lower earnings.

## Significant events

In September 2016 Deutsche Lufthansa AG and Air Berlin PLC signed a letter of intent on the wet lease of up to 40 aircraft, which will be operated by the Air Berlin Group for the Lufthansa Group companies Eurowings and Austrian Airlines. Further information can be found on page 4 of this shareholder information.

The Supervisory Board of Deutsche Lufthansa AG approved in principle the full acquisition of Brussels Airlines in September 2016. Further details can also be found on page 4 of this shareholder information.

In September 2016 the Lufthansa Group and Air China signed a wide-reaching partnership agreement which will enable the two aviation groups to jointly operate all connections between Europe and mainland China as part of a commercial joint venture. Further information regarding this and other joint ventures of the Lufthansa Group is explained on page 3 of this shareholder information.

## Outlook

Primarily due to repeated terrorist attacks in Europe as well as greater political and economic uncertainty since the original forecast was made in March, the Lufthansa Group had revised its forecast for 2016 in July of this year. Advance bookings had been down significantly, especially on long-haul routes to Europe, and the Executive Board had regarded at the time that a complete recovery was no longer likely.

The Executive Board of Deutsche Lufthansa AG had therefore decided to reduce the Adjusted EBIT forecast for the full year from "slightly above previous year" to "below previous year", although earnings in the first half-year were up on the same period of the previous year.

Compared to the previous guidance, especially the difficult-to-forecast short-term bookings of business travelers in September have developed better than expected. The capacity and steering measures initiated after the decline in long-term bookings were successful. However, political and economic uncertainties continue to significantly burden long-term bookings, especially on long-haul routes to Europe. Forecasting short-term bookings therefore remains challenging and may lead to significant volatility in earnings going forward.

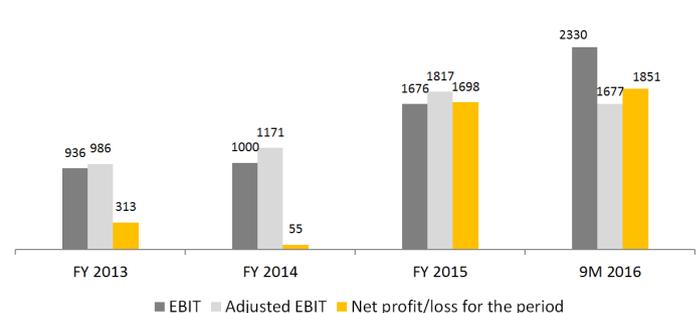
The Lufthansa Group's Executive Board increased its full year forecast for Adjusted EBIT from "below previous year" to "approximately on previous year's level". For Lufthansa Passenger Airlines and the Passenger Airline Group an Adjusted EBIT above previous year is anticipated. It is expected that revenues at constant currency will fall by 7 to 8 per cent in the fourth quarter, which is a one percentage point lower decrease compared to what was expected in July. Unchanged, unit costs excluding fuel and currency effects are expected to decrease by 2 to 3 percent in the fourth quarter. On current projections, fuel costs will decrease by about EUR 140m in the fourth quarter on the same period of the previous year. The other business segments are expecting cumulative earnings slightly below the same period last year in the fourth quarter.

The main influences on earnings remain the oil price, the euro exchange rate, especially against the US dollar and the Swiss franc, the yields at the Passenger Airline Group and the course of collective bargaining at Lufthansa Passenger Airlines. This earnings forecast does not include negative impacts from possible strikes. Overall risks from underlying macroeconomic and geopolitical developments remain unchanged and represent a significant uncertainty for the development of revenue and earnings, especially for the Passenger Airline Group.

### Revenue and Adjusted EBIT by business segment (Jan. – Sep. 2016)

	Revenue in €m	Change compared with previous year in %	Adjusted EBIT in €m	Change compared with previous year in %
Passenger Airline Group	18,166	-3.1	1,406	4.1
Logistics	1,482	-15.9	-69	
MRO	3,809	2.3	366	-8.0
Catering	2,395	6.1	80	5.3
Other	323	-13.4	-104	45.5

### Development EBIT, Adjusted EBIT and Net profit/loss for the period in €m



## Alliances and partnerships

### Star Alliance – first global alliance in civil aviation

Especially for the airlines, alliances and partnerships are key elements of the success of the Lufthansa Group.

The Lufthansa Group is a founding member of the Star Alliance. The alliance was founded in 1997 as the first global alliance for the purpose of providing customers around the world with a seamless and comfortable travel experience. Today Star Alliance consists of 28 members and thus offers the largest network worldwide.

In 2015, more than 430,000 employees served over 640 million passengers a year. With a combined fleet of more than 4,600 modern aircraft, the Star Alliance member airlines offer 18,500 daily flights to 1,330 airports in 192 countries.

Their integration in a global network reduces costs and enables the airlines to use synergies to further improve their customer services.



### How do customers benefit from Star Alliance?

To make air travel even easier, the member airlines have coordinated their schedules, which often shortens the overall journey time for passengers switching from one Star Alliance airline to another on connecting flights. Moreover, customers receive a boarding pass for onward flights, even if they fly on with a different Star Alliance member. Common ground facilities such as check-in counters and a lounge network complete the offer.

As members of the frequent flyer programme Miles&More, passengers can redeem mileage accruals across the entire alliance network. Miles earned at partner airlines are also credited to the Miles&More account. In this way, the passengers rise to a higher status significantly faster than they would in an individual frequent flyer programme.

### Which further partnerships does the Lufthansa Group have?

With five members of Star Alliance (United Airlines, Air Canada, All Nippon Airways (ANA), Air China and Singapore Airlines) the Lufthansa Group has adopted a closer cooperation, a so-called commercial joint venture.



The partnership in these joint ventures is extended to a close coordination of networks and flight schedules. In general profitability of the airlines rises, but at the same time customer value is generated through the better coordination of frequencies and enhanced transfers to connecting flights. The following text offers more information on this form of cooperation.

### What are Joint Ventures in aviation?

A joint venture is currently the most intense form of cooperation in an airline alliance. Unlike the manufacturing sector, the companies here contribute flight and management capacity instead of capital. This form of commercial cooperation is established contractually. As price agreements are part of the cooperation, joint venture arrangements are approved by the competition authorities.

### What are the advantages of Joint Ventures?

By coordinating key areas and virtually bundling resources, airlines can make better use of available capacities. This becomes easier with harmonized, combinable fares and the joint marketing of flights, which takes advantage of the partners' sales strength in their home markets. Corporate customers and travel agencies in particular benefit from having a single point of contact for all airlines when the airlines bundle together a wide range of offers in an easy-to-manage agreement like this. Individual travellers benefit most from the ability to combine segments to reach their destination, as well as the increased availability of special fares and additional seating capacity, so that they can use their bonus miles for free tickets.

### „A++“ – the transatlantic Joint Venture

The multilateral, transatlantic joint venture exists between Lufthansa Group, Air Canada and United Airlines. It covers all of the airlines' North Atlantic routes and associated connecting flights: 10,000 flights daily to 570 destinations in Europe and North America. This Joint Venture is the market leader on long-haul flights between Europe and North America.

### „J+“ – the Japan-Joint Venture

The joint venture between the Lufthansa Group and the largest Japanese airline ANA started in early 2012. In April 2013, Austrian Airlines and SWISS also joined the strategic joint venture. The cooperation covers all 196 weekly flights on eleven of the participating airlines' routes between Japan and Europe.

### C+ – the Joint Venture with Air China

In September 2016, the Lufthansa Group and Air China signed a joint venture in Beijing. The Lufthansa Group's wide-reaching partnership agreement with the flag carrier of China is particularly significant as it clearly strengthens the presence of Lufthansa Group Airlines in the second-most important aviation market in the world. On the basis of the new partnership agreement with Air China, the code-sharing connections will be expanded considerably and the business cooperation will be intensified. Air China is a member of the Star Alliance since 2007.

### The Joint Venture with Singapore Airlines

The commercial joint venture between the Lufthansa Group and Singapore Airlines signed in November 2015 is bearing fruit: Since April 2016, Lufthansa and SWISS customers can benefit from additional codeshares with Singapore Airlines on further routes in Southeast Asia and the Southwest Pacific. Singapore Airlines is the largest airline in the city state of Singapore and has been a member of the Star Alliance since 2000.

### Joint Ventures – an attractive opportunity also for freight

The joint venture between Lufthansa Cargo and ANA was expanded in August 2015. The J+ cooperation also includes cargo shipments on routes from Europe to Japan. As a result, European customers also have access to the complete network of both airlines on over 90 weekly direct flights.

## Questions & Answers

### What does the planned cooperation with Air Berlin mean for the Lufthansa Group?

The planned agreement with Air Berlin PLC on the wet lease of up to 40 aircraft which will be operated by the Air Berlin Group for the Lufthansa Group is to start with the beginning of the 2017 summer schedule on 26 March and shall last for six years. It would enable Eurowings to significantly expand its capacities and strengthen its position in the European point-to-point air transport market while contributing to the necessary consolidation.

Under the agreement, Eurowings is to lease in 35 further aircraft, another five Air Berlin aircraft would be leased by Austrian Airlines. The leased fleet is composed of up to 29 Airbus A320 and up to eleven A319. The new aircraft would be based at seven airports in Germany, in Vienna and in Palma de Mallorca.

The final agreement is expected to be concluded in the fourth quarter of 2016, the implementation will further require the approval of the partners' supervisory boards and the relevant competition authorities.

### What does the planned acquisition of Brussels Airlines mean?

On 28 September 2016 the Supervisory Board of Deutsche Lufthansa AG approved in principal the exercising of a call option to acquire the remaining 55 per cent of shares in SN Airholding, the parent company of Brussels Airlines. The approval paves the way for Lufthansa's full acquisition of Brussels Airlines.

It remains the common objective of Lufthansa Group and Brussels Airlines to conduct the full acquisition of SN Airholding after the final agreement on the modalities of the exercise of the call option with the SN Airholding shareholders by the end of 2016, and to conclude the transaction at the beginning of 2017.

Brussels Airlines is the leading Belgian Airline and operates 101 destinations in Europa, Western Africa and North America with its 48 aircraft. The airline shall prospectively be integrated in the Eurowings Group.

## Corporate Responsibility

### Lufthansa Group voted "Sector Leader Transportation" in climate ranking

External experts and organisations regularly evaluate the Lufthansa Group in terms of its corporate social responsibility.

In the Climate Change Report published by the international rating organisation CDP (formerly Carbon Disclosure Project) on 25 October 2016, the Lufthansa Group was ranked "Sector Leader Transportation" in the German-speaking region with a Climate Score of "B". This means the Group is among the best in its sector in Germany, Austria and Switzerland, according to the CDP ranking.

As sector leader a company demonstrates a high degree of transparency compared with other companies from the sector, combined with effective action to protect the climate, such as targets, steps to reduce emissions and verification of reported data in comparison with other companies in the industry. It is therefore confirmation of a company's above-average performance in its sector in terms of strategies initiated and steps taken to adapt to or mitigate climate change and its efforts to increase the validity of its data. CDP Climate Scores are awarded on a scale of A (best) to F.

CDP carries out the world's biggest climate ranking on an annual basis, receiving extensive information and data from companies about CO2 emissions, reduction strategies and climate risks. The Lufthansa Group has taken part in the annual CDP report since 2006 and uses it to report transparently to relevant interest groups about its climate protection strategy and emission reduction activities.

The Balance sustainability report and more details on different aspects of the Lufthansa Group's corporate responsibility can be found at [www.lufthansagroup.com/responsibility](http://www.lufthansagroup.com/responsibility).

## Contact

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### Disclaimer in respect of forward-looking statements

Information published in this Shareholder Information with regard to the future development of the Lufthansa Group and its subsidiaries consists purely of forecasts and assessments and not of definitive historical facts. Its purpose is exclusively informational and is identified by the use of such terms as 'believe', 'expect', 'forecast', 'intend', 'project', 'plan', 'estimate', 'assume' and 'endeavour'. 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, or divergently occur, it is possible that the Group's actual results and development may differ materially from those implied by the forecasts. The Lufthansa Group makes a point of checking and updating the information it publishes. It cannot, however, assume any obligation to adapt forward-looking statements to accommodate events or developments that may occur at some later date. Accordingly, it neither expressly nor conclusively accepts liability, nor gives any guarantee for the actuality, accuracy or completeness of this data and information.

## Financial Calendar

16.03.2017	Release of Annual Report 2016
27.04.2017	Release of 1st Interim Report for 2017
05.05.2017	Annual General Meeting in Hamburg
02.08.2017	Release of 2nd Interim Report for 2017
26.10.2017	Release of 3rd Interim Report for 2017

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