



SHAREHOLDER INFORMATION

August 2018

Ladies and gentlemen,
dear shareholders,

The Lufthansa Group can look back on a successful first half-year of 2018, with earnings only marginally below the record result of the previous year. Passenger numbers, the number of flights and the passenger load factor all reached new highs.

Once again, this positive development was largely driven by the Network Airlines, which not only achieved a good revenue and earnings development but also further reduced their unit costs. Aviation Services again made a positive contribution to the Lufthansa Group's earnings. Eurowings was, however, subject to various challenges but has already initiated numerous measures to further stabilise its operations and thus its earnings development.

Our goal is to ensure sustainable growth for the entire Lufthansa Group. To this end, we are also constantly improving the customer experience. The awards received most recently by our premium airlines show that our investments in products and services are being acknowledged by our customers. We view this as a commitment and an incentive to maintain a leadership role within our industry.

We have no influence on political developments, the economy or the oil price, but by systematically implementing our strategy, we can contribute to achieving the goals we have set for the entire Lufthansa Group.

Please continue to give us your trust and your support.

Kind regards,



Dennis Weber
Head of Investor Relations,
Deutsche Lufthansa AG

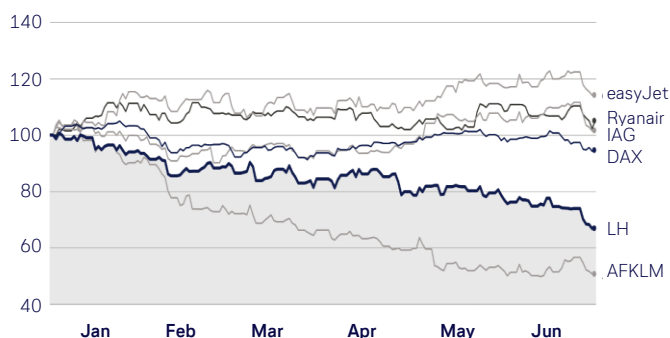
Key figures January – June 2018

		Jan. – June 2018	Jan. – June 2017	Change in %
Revenue and result				
Total revenue	€m	16,938	16,951	-0.1
of which traffic revenue	€m	13,156	13,293	-1.0
Adjusted EBITDA	€m	1,906	1,889	0.9
Adjusted EBIT	€m	1,008	1,042	-3.3
EBIT	€m	1,010	1,031	-2.0
Net profit/loss for the period	€m	677	672	0.7
Key balance sheet and cash flow figures				
Total assets	€m	39,258	37,901	3.6
Equity ratio	%	25.0	19.4	5.6 pts.
Net indebtedness	€m	2,554	1,139	124.2
Cash flow from operating act.	€m	3,018	3,226	-6.4
Capital expenditures (gross)*	€m	1,927	1,397	37.9
Free cash flow	€m	977	2,100	-53.5
Lufthansa share				
Share price at the quarter-end	€	20.60	19.93	3.4
Earnings per share	€	1.44	1.43	0.7
Traffic figures**				
Flights	number	589,964	543,849	8.5
Passengers	thousands	66,908	59,771	11.9
Available seat-kilometres	millions	166,795	154,212	8.2
Revenue seat-kilometres	millions	133,059	121,854	9.2
Passenger load factor	%	79.8	79.0	0.8 pts.
Available cargo tonne-kilometres	millions	7,968	7,520	6.0
Revenue cargo tonne-kilometres	millions	5,371	5,219	2.9
Cargo load factor	%	67.4	69.4	-2.0 pts.

* Without acquisition of equity investments.

** Previous year's figures have been adjusted.

Performance of the Lufthansa share Jan.-June 2018, indexed as of 31.12.2017, compared with the DAX and competitors, in %



The Lufthansa share stood at EUR 20.60 at the end of the first half-year of 2018. This represents a decrease in the share price of 32.9 per cent since year-end 2017. Including the dividend of EUR 0.80 per share distributed in June 2018, the total shareholder return came to -30.3 per cent. The DAX index fell by 4.7 per cent and the STOXX Europe Total Market Airlines index fell by 11.1 per cent over the same period.

As of 30 June 2018, 14 analysts recommended the Lufthansa share as a buy, six as a hold and three as a sell. The average target price was EUR 28.81. The free float for Lufthansa shares was unchanged at 100 per cent at the end of the first half-year of 2018. 63.2 per cent of Lufthansa shares were held by German investors.

The second Interim Report 2018 as well as the related presentation of the board are available on the website <http://www.lufthansagroup.com/investor-relations/en>.



Economic development

The Lufthansa Group developed positively in the first half-year of 2018. Around 67 million passengers were carried in this period, more than ever before. New highs were also achieved in terms of capacity, sales and passenger load factor. Adjusted for the effects of the first-time application of financial reporting standard IFRS 15 (Revenue from Contracts with Customers), revenue increased by 5.2 per cent year on year. As expected, Adjusted EBIT and EBIT slightly fell by 3.3 per cent year on year to EUR 1,008m and by 2.0 per cent to EUR 1,010m respectively, despite higher fuel costs and one-off costs at Eurowings. All the business segments, with the exception of Eurowings and MRO, succeeded in increasing their earnings. The Network Airlines segment made the largest contribution to earnings in absolute terms as a result of positive contributions from Lufthansa German Airlines and SWISS. The Eurowings segment's earnings developed negatively, first and foremost due to the considerable costs related to integration of the flight operations it assumed.

Significant events

Carsten Spohr confirmed as Chairman of the Executive Board and CEO for another five years

The Supervisory Board of Deutsche Lufthansa AG appointed Carsten Spohr as Chairman of the Executive Board and CEO for another five years on 14 March 2018. Carsten Spohr, who has been a member of the Executive Board of Deutsche Lufthansa AG since 2011 and its Chairman and CEO since 2014, has had his contract extended until the end of December 2023.

Lufthansa Group continues to invest in fleet modernisation

On 7 May 2018, the Supervisory Board of Deutsche Lufthansa AG approved the purchase of up to 16 additional aircraft. These are scheduled to be delivered in stages between now and 2022. The order includes two Boeing 777-300ER long-haul aircraft for SWISS which are scheduled to be added to the existing fleet in early 2020 and which will be used to expand the airline's route network. In addition, two Boeing 777Fs are being ordered for Lufthansa Cargo. The Supervisory Board has additionally approved the purchase of up to twelve short- and medium-haul aircraft from the Airbus A320 family.

New composition of the Supervisory Board of Deutsche Lufthansa AG

The Supervisory Board of Deutsche Lufthansa AG met for its constituent meeting in its new composition following the Annual General Meeting on 8 May 2018. Dr Karl-Ludwig Kley was elected as its new Chairman. Christine Behle was again elected Deputy Chair. The new members of the capital side had been elected by the shareholders before.

Outlook

After a performance in the first half-year, that was overall in line with expectations for the full financial year, the Lufthansa Group is still expecting revenue excluding IFRS 15 effects to be significantly above and Adjusted EBIT to be slightly below previous year.

However, a number of influencing factors and parameters have affected revenue and earnings development since publication of the forecast in the Annual Report 2017. Among other things, the Company is now anticipating capacity growth of 8 per cent. This includes the expectation of organic growth of 6 per cent. This growth assumption, lower than the original forecast, is first and foremost a reflection of the delay in integrating the aircraft acquired from Air Berlin and the higher number of flight cancellations, particularly in the second quarter of 2018.

Aside from that, considering the increase in the first half of the year and the positive outlook for the second half of the year, the Lufthansa Group now expects to be able to slightly increase its unit revenues year on year after adjustment for exchange rates.

On the cost side, the Company is forecasting an increase in fuel costs of around EUR 850m due to higher oil prices. The Lufthansa Group expects to be able to reduce its unit costs by approximately 1 per cent year on year after adjusting for exchange rates. The Network Airlines segment will make an above-average contribution here. The development of the Eurowings costs will be more heavily influenced than originally forecasted by expenses relating to the integration of the aircraft acquired in the context of the Air Berlin insolvency by the consequential expenses of flight operation disruptions.

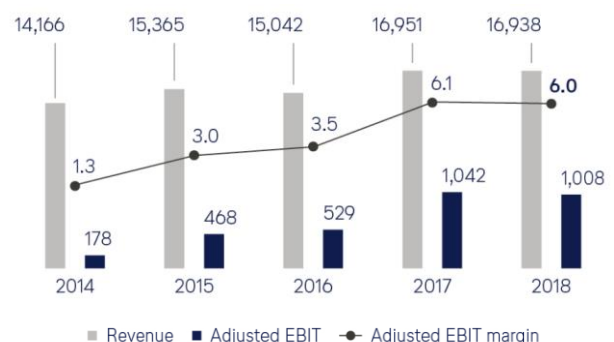
The Network Airlines still expect Adjusted EBIT for the full year 2018 to be slightly below previous year. Thereby, the earnings forecast for SWISS is now stable to slightly above previous year and has improved compared to the initial expectation. The outlook for the business segment Eurowings deteriorated compared to the initial expectation. Eurowings now expects a negative result. An Adjusted EBIT slightly below previous year is still forecasted for the business segment Logistics. Compared to the initial expectation the business segment MRO anticipates a roughly stable Adjusted EBIT. The outlook for the business segment Catering in terms of Adjusted EBIT remains unchanged with slightly above previous year.

The entire outlook report can be found in the 2nd interim report 2018.

Revenue and Adjusted EBIT by business segments. Jan. – June 2018

	Revenue in €m	Change compared with previous year, in %	Adjusted EBIT in €m	Change compared with previous year, in %
Network Airlines	10,668	-3.9	951	25.6
Eurowings	1,935	9.2	-199	-158.4
Logistics	1,301	12.3	125	60.3
MRO	2,852	3.6	218	-1.8
Catering	1,552	-2.8	40	207.7
Other	496	129.6	-78	

Revenue, Adjusted EBIT (in €m) und Adj. EBIT Margin (in %), Jan. – June



Customer focus pays off

Recognition through constant improvements



As the first and only airline outside Asia, Lufthansa German Airlines received the five-star certification from British aviation consulting specialist Skytrax in the beginning of December 2017. The five-star certification puts Lufthansa German Airlines in the select group of a total of eleven airlines that have been given this coveted rating. For years, the Skytrax jury has already been awarding five stars to Lufthansa German Airlines

First Class for – at the end of last year the entire airline received the same certification.

“The award is a well-deserved recognition for our major efforts to make Lufthansa German Airlines one of the world’s leading premium airlines again,” says Carsten Spohr, Chairman of the board of Deutsche Lufthansa AG. “We have caught up because we made huge investments in our fleet, updated all our cabins, introduced digital services, opened new lounges and improved service on board and on the ground. The combination of premium offerings with the quality and professionalism of our employees has earned Lufthansa German Airlines the status of a five-star airline,” Spohr adds.

With the perspective of a passenger

The testers at Skytrax travel with the perspective of a passenger. For their ratings, they evaluate the service quality of the respective airline with comprehensive assessments on the ground and in the air in up to 800 categories. These include the service on board, seat comfort, catering, security measures, in-flight entertainment, duty-free offers and many other services. For Skytrax, the consistency and constancy with which Lufthansa German Airlines has forged ahead with the modernisation of its product was a key consideration on the decision to award the fifth star. For instance, the cabins in First Class, Business Class, Premium Economy Class and Economy Class have been comprehensively upgraded over the last few years. The airline has also expanded its restaurant service from First Class to Business Class, improving its personalised appeal to passengers in the process.

Latest awards confirm the 5-star rating

The newest acknowledgements also show that the recognition is not a one-off effect, but sustainable. In July of this year, Lufthansa German Airlines has repeatedly been awarded by Skytrax. For the second consecutive time, Lufthansa German Airlines was voted “Best Airline in Europe” and “Best Western European Airline” among 20 million passengers surveyed. In addition, Austrian Airlines received two awards. The airline was awarded “Best Airline Staff Service in Europe” for its employees for the fifth time in a row. Austrian Airlines also received the first prize for the category “Best Business Class On-board Catering”.

Continuous product and service innovations

In the following, a selection of product and service innovations is provided which have been or will be introduced in order to be able to provide the best possible flight experience for the customers.

Enhanced food and beverage service

Since this summer, all guests in Economy Class and Premium Economy Class of Lufthansa German Airlines are able to make use of the new à la carte service. This service is available on all outbound long-haul flights departing from Frankfurt and Munich and gives the guests the chance to enhance their experience with the exclusive food and beverage offerings from Business Class after pre-ordering it at a surcharge. SWISS also introduced the new premium catering concept SWISS Saveurs on European flights departing from Geneva. This provides all Economy Class passengers with the option of paying a surcharge to choose from a wider array of high-quality foods and beverages, including traditional Swiss products, and to expand their basic option according to their preferences.

Advancement of the in-flight entertainment offer

Lufthansa German Airlines has significantly enhanced and expanded its in-flight entertainment programme on long-haul flights since this summer. Guests of all cabins can now choose from around 180 movies – approximately 30 per cent more than before. Based on the travellers’ feedback, the focus lies on recent Hollywood productions. Additionally, the number of TV productions that are offered in the in-flight entertainment programme such as popular series has been significantly increased by Lufthansa German Airlines.

Austrian Airlines has also been working on additional innovations in terms of entertainment and will introduce wireless in-flight entertainment this year, with which films, documentaries and TV series, among others, can be streamed to passengers’ own mobile devices.

SWISS with new First Class Lounge and new fleet member

Furthermore, SWISS invested in the passenger travel experience both on the ground and on board. SWISS opened the new First Lounge A at Zurich Airport in March 2018. The 650-square-metre lounge features a check-in, its own security checkpoint, an à la carte restaurant and a barista bar. In addition, the new C Series from Bombardier with its larger windows has been enhancing the in-flight experience of SWISS customers on short-haul routes since last year.

Austrian Airlines introduces Premium Economy Class

Guests on Austrian Airlines flights will no longer have to decide between Business Class and Economy Class. Since spring 2018, Austrian Airlines is offering the Premium Economy Class as a new cabin on all long-haul flights. In total, 252 new seats have been installed on all twelve long-haul aircraft of Austrian Airlines. The centrepiece of the new cabin is the new seat which not only offers the guest a larger recline angle but also a better seat pitch and a foot rest on the seat in front of the guest. Additionally, the guests of the Premium Economy Class can enjoy an enhanced service offer compared to Economy Class.

Looking into the future

New Business Class as of 2020

It is also important to look ahead: The new Business Class of Lufthansa German Airlines that is supposed to be rolled with the new Boeing 777-9 in 2020 will be in the focus. The new seat will be the centrepiece of the further improved service and the even more comfortable cabin interior. The seat was developed in order to allow the best sleep above the clouds for the guests. Furthermore, there will be a new and even better Premium Economy Class and Economy Class.



More comfort: Guests in the new Business Class will have direct aisle access from all seats.

Lufthansa German Airlines is also scoring points with the new app and a wide variety of digital services on the ground and on board. The aim is to increasingly use digital opportunities to develop customised offers and services for Lufthansa Group’s passengers.

Questions & Answers

Which measures does Lufthansa Group take in order to protect itself against rising fuel prices?

Political or economic imbalances and crises can cause the price for oil and thus the price for kerosene to fluctuate significantly. The Lufthansa Group has therefore implemented a sophisticated risk management system which lowers the risk by increasing the stability in the cost position for fuel. By means of continuous, rule-based transactions, Lufthansa Group successively hedges small portions of future fuel requirements up to two years in advance using financial derivatives. In simplified terms, a financial derivative is an agreement issued by a commercial bank that sets the future price of fuel based on market conditions. At the time they are due, they are settled depending on how the fuel price has developed. For example: Assuming that Lufthansa Group agrees to a price of 600 euros per tonne of kerosene one year before consumption. If the market price has increased to 700 euros per tonne one year later, the bank pays a compensation of 100 euros. Conversely, if the market price falls, a payment from Lufthansa Group to the bank becomes due. In addition to carrying out hedging transactions, it is regularly reviewed how market conditions change and how the Lufthansa Group should react to them. The hedging transactions therefore always relate to real fuel consumption and are not speculation.

How does the Lufthansa Group support social responsibility?

Almost 20 years ago, the help alliance was founded by Lufthansa employees to work together for less fortunate people and in particular to help children and young people all over the world to lead a self-determined life. The help alliance showed a very successful development: in almost 20 years, more than 140 projects with a volume of more than 15 million euros have been supported. Currently, more than 10,000 people benefit directly and indirectly from the support - almost always on the initiative and in the responsibility of Lufthansa Groups' employees, who also make their free time available for this. Also, the support from trainees for projects helps to deeply anchor the concept of social responsibility within the Lufthansa Group.

Corporate Responsibility

Lufthansa Group publishes 24th Sustainability Report

In June 2018, the Lufthansa Group published its 24th sustainability report. With "Balance", the Lufthansa Group provides annual information in a transparent way on the diverse activities, aims and progress of the Group in the areas of economy, social issues, environment, product and society.

The report's cover story entitled "Creating value sustainably" provides insights into how the Group operates sustainably and responsibly along its value chain, thereby generating added value for the company, its customers, employees, shareholders, partners, and society at large.

The Lufthansa Group has set a new fuel efficiency record. In 2017, the aircraft of the passenger fleets required an average of just 3.68 litres of kerosene to transport a passenger 100 kilometres. This represents an improvement of 4.5 per cent compared to the previous year. The Lufthansa Group has thus more than satisfied the airline industry target of annual efficiency gains of 1.5 per cent. All airlines belonging to the Lufthansa Group contributed to this achievement.

Furthermore, the Lufthansa Group works continuously and systematically to improve the environmental compatibility of the services it offers internationally. In 2017, the aviation group commissioned 29 new aircraft, including the highly efficient A350-900, A320neo and Bombardier C Series models. In total, the Lufthansa Group currently has around 190 aircraft on order that are expected to be delivered by 2025.

Further topics in the Balance report are fleet development, gender and diversity as well as the reorientation of social engagement of the Lufthansa Group.

The Balance sustainability report and more details on different aspects of the Lufthansa Group's corporate responsibility can be found at www.lufthansagroup.com/en/responsibility.

Contact

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Financial Calendar

30.10.2018 Release of 3rd Interim Report 2018
14.03.2019 Release of Annual Report 2018
30.04.2019 Release of 1st Interim Report 2019
07.05.2019 Annual General Meeting
30.07.2019 Release of 2nd Interim Report 2019
29.10.2019 Release of 3rd Interim Report 2019

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