Analyst and Investor Conference Call

Q3 2017

Frankfurt, 25 October 2017

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Analyst and Investor Conference Call

Q3 2017

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 Cockpit[1] 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

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

[1] excl. currency

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
	Q3 '17	9M '17
ASK	+11.8%	+11.7%
RASK (constant currency)	+4.5%	+2.0%
CASK (constant currency; ex-fuel)	+0.2%	-0.8%
Fuel cost headwind (m EUR)[1] (year-on-year)	+20	+243

Aviation Services

in m EUR	Q3 '17	9M '17
Adj. EBIT[2]	106	468
Δ year-on-year	-94	+91

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

Balance Sheet *in m EUR*	**9M '17**	**vs. FY '16**
Net financial debt	521	-80.7%
Pension provisions	7,888	-5.7%
Equity ratio	22.3%	+1.7 pts.

Cash Flow *in m EUR*	**9M '17**	**vs. 9M '16**
Operating cash flow	4,459	+46.0%
Net invest	1,669	+8.7%
Free cash flow	2,790	+83.8%

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

in m EUR	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 Airlines[1]	
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]

ASK	**5.5%** organic growth[2]; corresp. to 14.4% total growth
RASK (constant currency)	**Slightly positive** Including mix effect from organic growth of P2P segment
CASK (constant currency; ex-fuel)	**Slightly negative** Driven by individual cost reductions and change in mix

Fuel headwind of c. 50m EUR[3] (excl. Brussels Airlines)
(5.0bn EUR total fuel cost for FY 2017; +280m EUR from Brussels Airlines)

Small positive contribution from Brussels Airlines and Air Berlin wet lease

Flat development at other business segments

Differing performances among single group companies

No major change in restructuring costs compared to previous year

[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

Customer

#1

Employee

Shareholder

#1 Network Airlines in Europe	#1 Point-to-Point Airline in home markets	#1 Aviation Services world-wide

Strategic focus topics

- Consolidation
- Flexibilization
- Digitalization

Lufthansa Technik
Lufthansa Cargo
LSGgroup
Lufthansa Aviation Training
…and others

Aspirations

- Shape the industry
- Grow the business
- Invest steadily
- Stay competitive

Cost Optimization

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

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 aircraft[1]

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

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

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

[1] Operational fleet

Aviation Services: Current developments and outlook
Highlights

	Current developments	Outlook
	• Significant increase in revenues and freight load factor • Ongoing restructuring leads to reduction of unit costs	• Extending partnerships (e.g. ANA Cargo, United) • Digitalizing business (e.g. eFreight)
	• Key decisions taken regarding production sites, efficiency improved • Successful implementation of new aircraft types (among others A350 and B787)	• Implementation of OEM partnerships (e.g. General Electric) • Focus on digitalization and growth of LCC maintenance services
	• Improved process orientation and efficient organizational structure • Selective expansion in growing markets (e.g. Asia)	• 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

4.5% organic, 8.0% inorganic growth

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

in m EUR	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 Airlines[1]	
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)

	FY16[2]	FY 17	Q1 17	Q2 17	Q3 17	Q4 17	FY 18
Fuel hedging level	--	78%	80%	79%	77%	76%	60%[3]
Exp.volume (in m tons)	9.3	9.7	2.1	2.5	2.7	2.4	-
Jet fuel price (USD per ton)[1]	578	579	579	557	569	615	612
EUR/USD forward	1.09	1.13	1.06	1.11	1.18	1.17	1.17
Brent forward (USD/bbl)	45	54	55	51	52	57	56

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

Lufthansa Group (in m EUR)	Q3 '17	vs. Q3 '16	9M '17	vs. 9M '16
Total revenue	*9,810*	*+11.1%*	*26,761*	*+12.1%*
Other operating income	*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%
Fuel expenses	*1,379*	*+1.5%*	*3,939*	*+6.6%*
Fees and charges	*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%

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

Middle East/Africa	Q3 '17	9M '17
ASK	+12.4%	+9.4%
RPK	+59.1%	+46.7%
SLF	+3.6pts.	+2.9pts.
Yield	-7.0%	-7.8%
Yield ex currency	-5.6%	-7.7%

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	-232		**-325**

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**
Strikes	*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**	
One-off effects	*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

in m EUR	Q1	Q2	Q3	Q4	6M	9M	FY
Adj. EBIT	**25**	**1,017**	**1,518**		**1,042**	**2,560**	
pension changes	*-32*	*0*	*-9*		*-32*	*-41*	
book gains / losses on asset disposals	*+23*	*+5*	*+6*		*+28*	*+34*	
impairments / badwill	*0*	*-7*	*-111*		*-7*	*-118*	
EBIT	**16**	**1,015**	**1,404**		**1,031**	**2,435**	
interest on liquidity							
taxes (25% lump sum)							
cost of capital							
EACC							
average capital employed							
WACC							
ROCE							

Adjusted EBIT and EBIT per quarter 2016

in m EUR	Q1	Q2	Q3	Q4	6M	9M	FY
Adj. EBIT	**-53**	**582**	**1,148**	**75**	**529**	**1,677**	**1,752**
pension changes	*0*	*0*	*+721*	*-43*	*0*	*+721*	*+678*
book gains / losses on asset disposals	*+5*	*+37*	*+7*	*-11*	*+42*	*+49*	*+38*
impairments / badwill	*-1*	*-52*	*-64*	*-76*	*-53*	*-117*	*-193*
EBIT	**-49**	**567**	**1,812**	**-55**	**518**	**2,330**	**2,275**
interest on liquidity							*+64*
taxes (25% lump sum)							*-585*
cost of capital							*-937*
EACC							**817**
average capital employed							*19,533*
WACC							*4.8%*
ROCE							**9.0%**