LUFTHANSA GROUP

Capital Markets Day 2019

24th June 2019
Frankfurt

Agenda Capital Markets Day 2019

11.00 am – 11.05 am
Welcome by Dennis Weber,
Head of Investor Relations

11.05 am – 11.55 am
Presentation Carsten Spohr,
Chairman of the Executive Board
& Chief Executive Officer

11.55 am – 12.30 am
Presentation Harry Hohmeister,
Chief Commercial Officer
Network Airlines

12.30 am – 01.30 pm
Lunch

01.30 pm – 02.10 pm
Presentation Thorsten Dirks,
Chief Executive Officer Eurowings

02.10 pm – 02.35 pm
Presentation Dr. Detlef Kayser,
Chief Officer Airline Resources
& Operations Standards

02.35 pm – 03.00 pm
Presentation Ulrik Svensson,
Chief Financial Officer

03.00 pm – 04.00 pm
Q&A

04.00 pm – 06.30 pm
First-hand Product Experience,
Simulator Experience / Cabin Training /
Product Stands / Networking

06.30 pm
End of event

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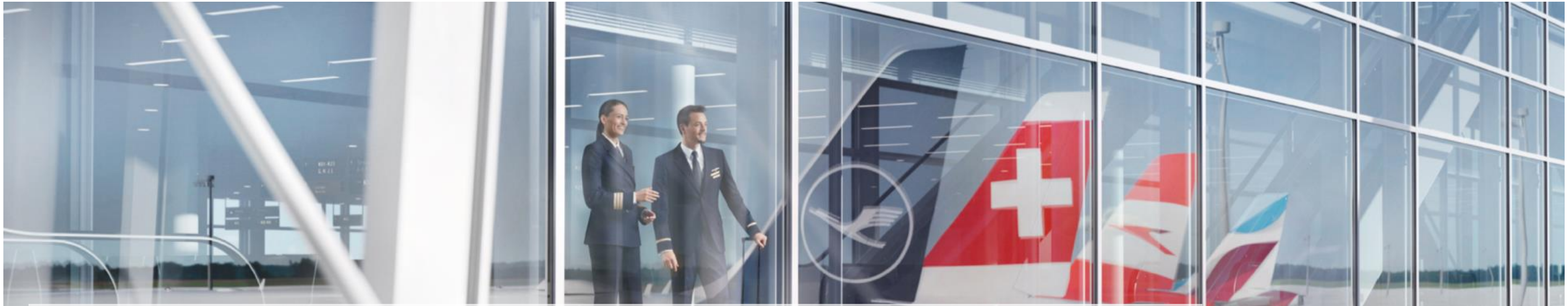


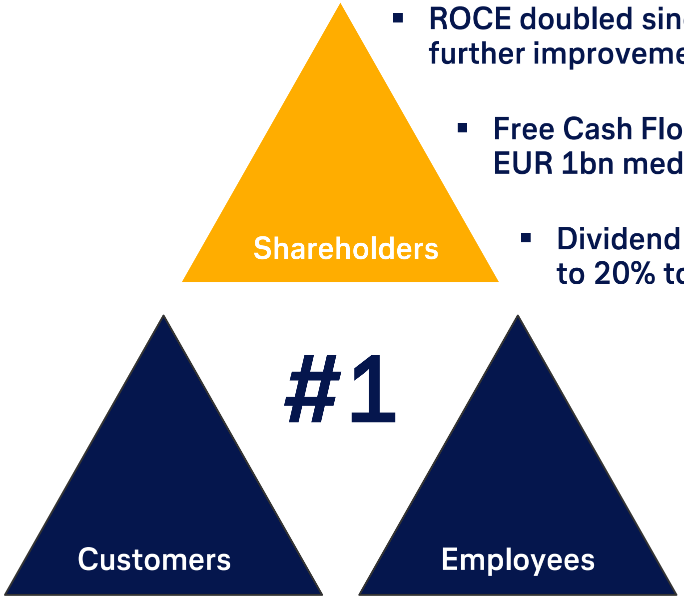
Capital Markets Day 2019

Group Strategy

Carsten Spohr, Chairman of the Executive Board and CEO

24th June 2019
Frankfurt

#1 for all stakeholders – committed to drive sustainably higher returns



- ROCE doubled since 2014; further improvement through the cycle
- Free Cash Flow to exceed EUR 1bn medium-term
- Dividend payout increased to 20% to 40% of net income

#THEREISNOBETTER WAYTOFLY

#THEREISNOBETTER PLACETOWORK

Lufthansa Group has become a structurally more profitable company

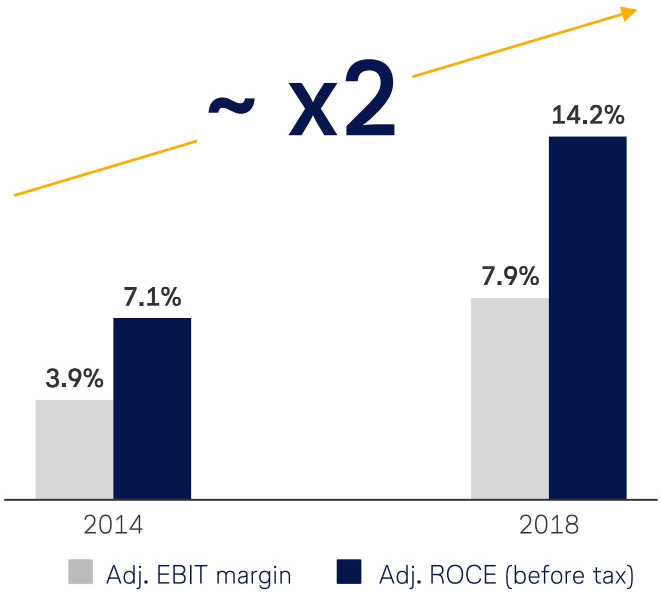
7to1 program started 2014

- Customer centricity and quality focus
- New concepts for growth
- Effective and lean organization
- Innovation and digitalization
- Culture and leadership
- Value based steering
- Constantly improving efficiency

Key achievements

- Lufthansa: Europe's first 5 Star Airline
- Eurowings: #3 P2P carrier in Europe
- Removal of an entire management level
- Digitalization of key operational and customer processes
- Performance culture: Bonus 100% linked to financials
- Doubling of Adj. EBIT margin & Adj. ROCE
- CASK reduced in four consecutive years

Adj. EBIT margin & Adj. ROCE



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We have further solidified our competitive advantages

The strongest brands in our home markets

The best product in Europe

The market leader in key European hubs

The industry‘s leading innovator

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Lufthansa Group is increasingly focusing on its core airline business

Airline share of group Adj. EBIT

Network Airlines and Eurowings' share of group profit

Share vs. 2014

1. Airlines are primary investment focus
2. Portfolio review performed in 2018
3. Decision to divest LSG

Shareholders

Customers **#1** Employees

NETWORK AIRLINES
 # 1 in Europe

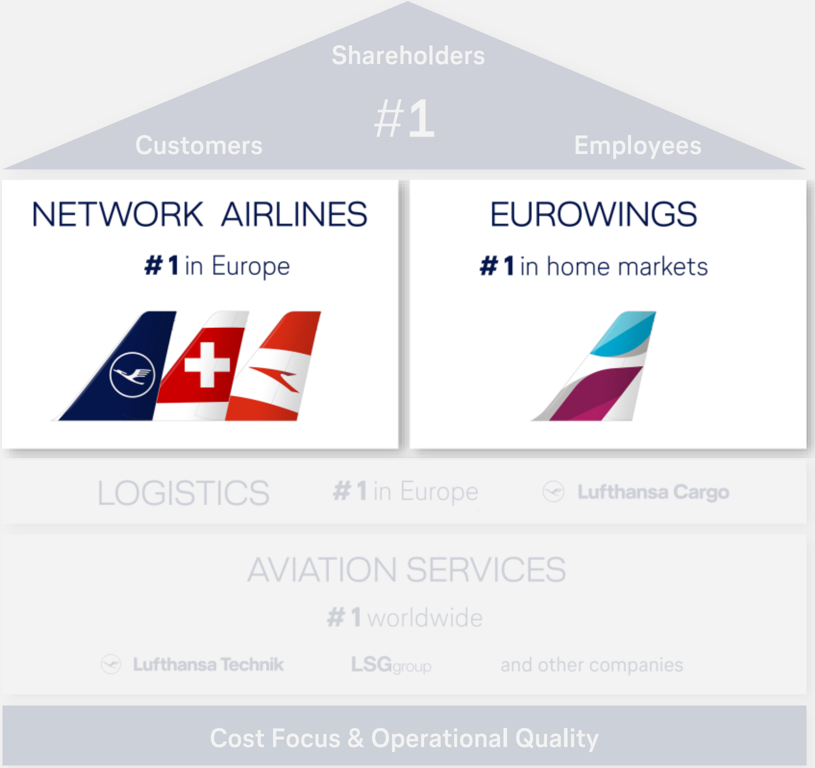
EUROWINGS
 # 1 in home markets

LOGISTICS **# 1** in Europe Lufthansa Cargo

AVIATION SERVICES
 # 1 worldwide
Lufthansa Technik LSGgroup and other companies

Cost Focus & Operational Quality

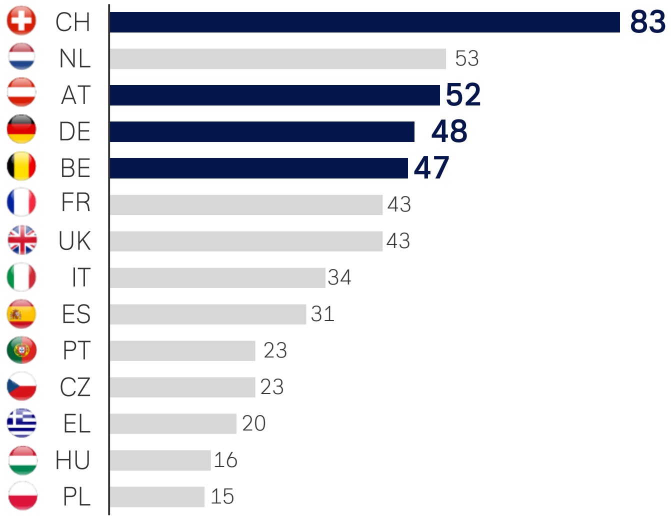
Network Airlines and Eurowings: Two leading airline groups



In a fast growing industry, our airlines operate in Europe's most attractive markets

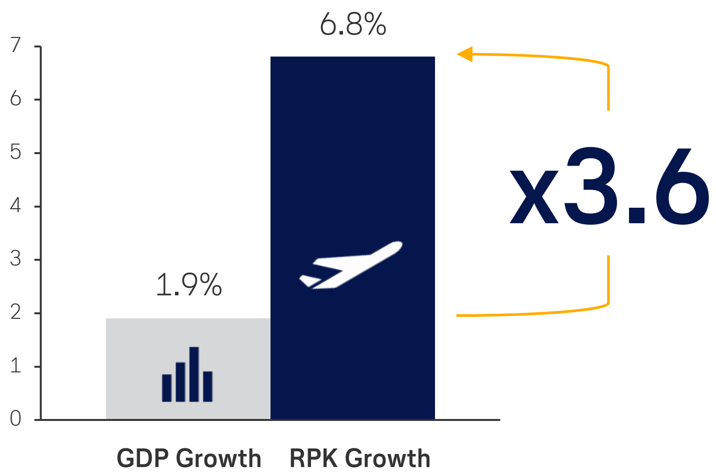
GDP per capita in USD thousands

[2018]



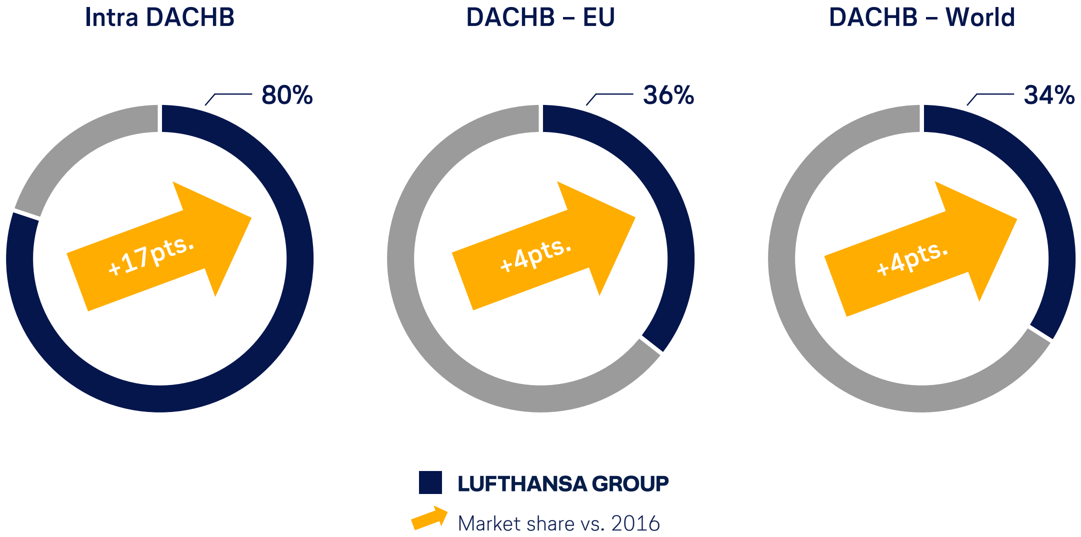
Growth of European aviation industry vs. GDP

[Average 2014-2018]



Lufthansa Group is clear market leader in its home markets

2018 market shares
[by number of passengers]



1. Unrivalled brand strength and yield premium
2. Maximum connectivity due to largest destination network and portfolio of attractive slots
3. Strong negotiation position with key suppliers and system partners

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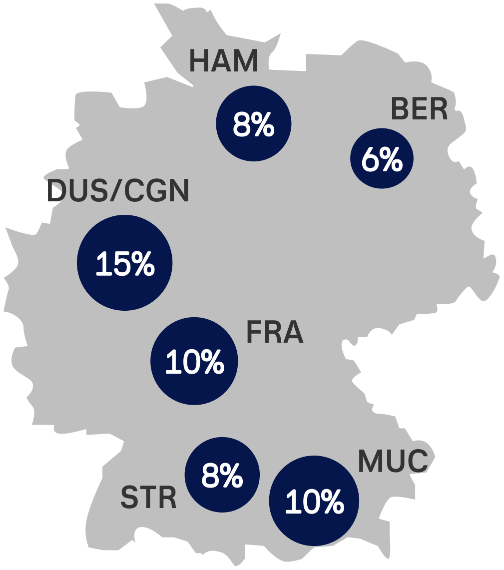
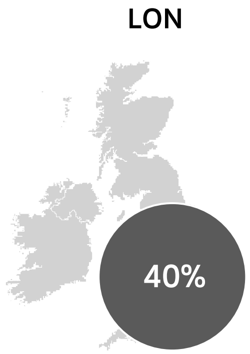
Our airline strategy is tailored to the decentral structure of our home market

Regional distribution of GDP in Germany*





1. Multiple smaller catchment areas require bundling of demand for intercontinental traffic
2. Strong (also corporate) demand for decentralized point-to-point traffic
3. Direct competition with hubs in neighboring markets for ex-EU transfer traffic

* City codes include metropolitan area

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Accelerated turnaround plan will turn Eurowings into a valuable asset

1

Improving non-hub profitability

2014 - 2016

2

Driving consolidation in home markets

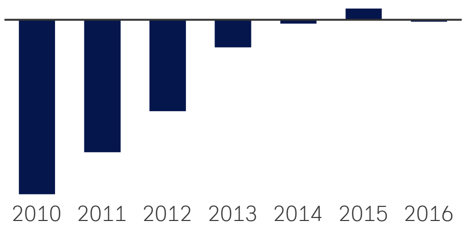
2017 - 2018

3

From growth to profits

2019 -

Result European non-hub traffic



airberlin

- Refocus short-haul network
- Increase of productivity
- One AOC in Germany
- Exit long-haul
  (shift to Network Airlines)
- Fleet modernization

Our two airline groups complement each other

Network Airlines

1. Hub and spoke model
2. Premium positioning & product innovator
3. Moderate capacity growth

Eurowings

1. Point-to-Point model
2. Value positioning & lower cost
3. Focus on turnaround, renewed growth afterwards

Integrated business model, individual setup where value-creating

Resources
- Capital allocation
- Fleet management, standardization & allocation
- Infrastructure, procurement, fuel

Commercial
- Customer loyalty, product design
- Sales & distribution
- Network & revenue management

Operations
- Operations standards

Lufthansa			SWISS			Austrian Airlines			Eurowings		
Platform A	Platform B	...	Platform A	Platform B	...	Platform A	Platform B	...	Platform A	Platform B	...

Full integration

Individual/airline specific

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“Challenging monopolies”: Competition maximizes quality and lowers costs

Purchasing

Multi-Supplier

Airbus / Boeing
RR / GE / P&W
...

Airport Infrastructure

Multi-Hub

Frankfurt
Munich
Vienna
Zurich

Operations

Multi-Platform

Network Airlines / Eurowings
Lufthansa / Cityline
SWISS / Edelweiss
...

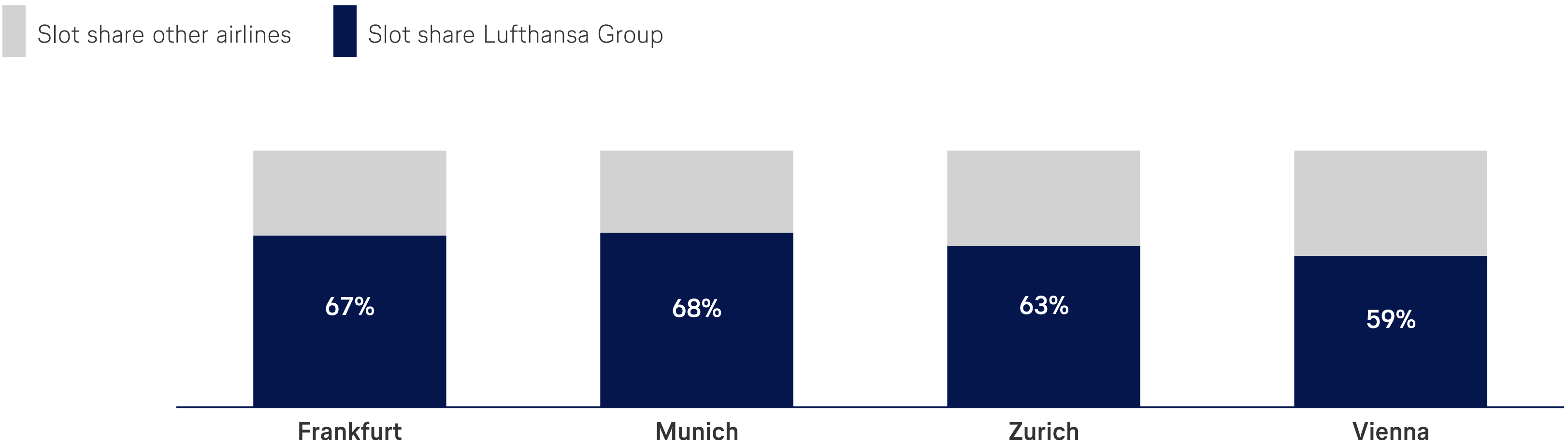
Distribution

Multi-Channel

GDS Distribution
Direct Distribution

Lufthansa Group holds attractive market positions in its hubs

Slot allocation at group hubs



Expected average growth of runway capacity until 2024: 0-1%

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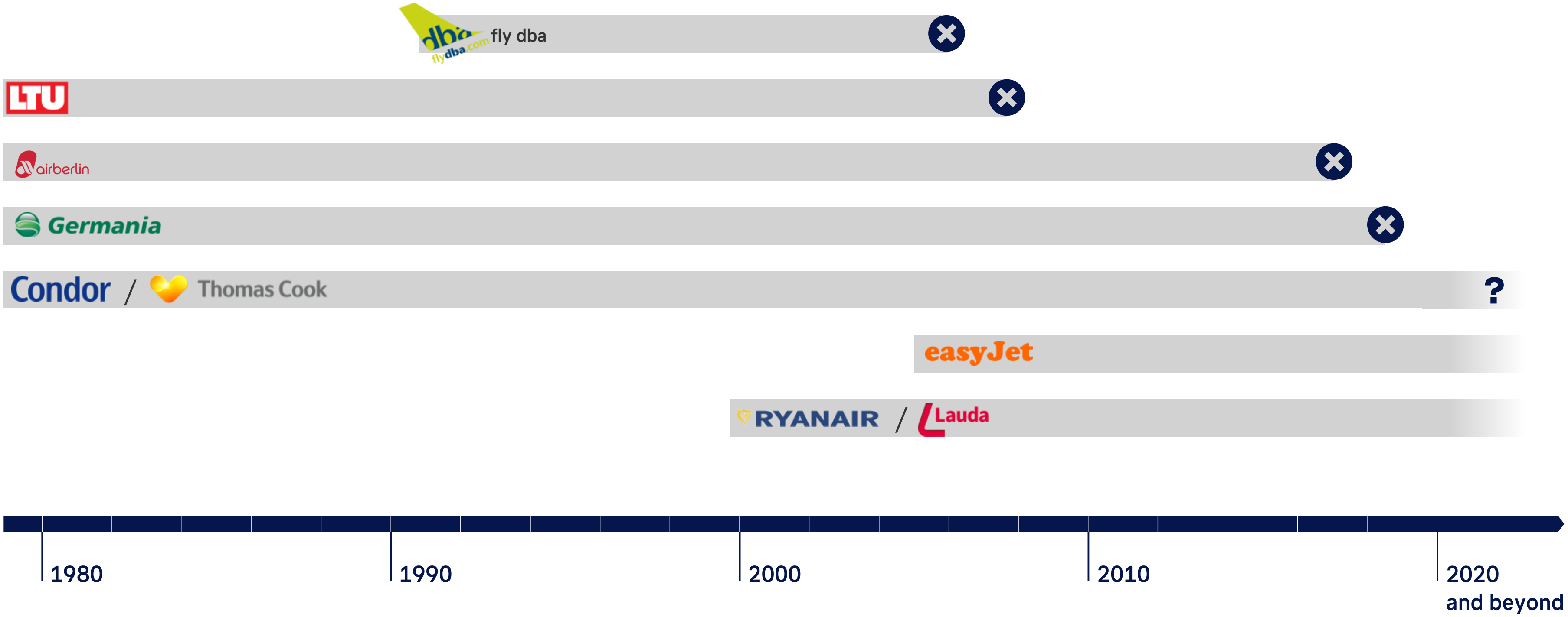
The German market has proven difficult for competitors



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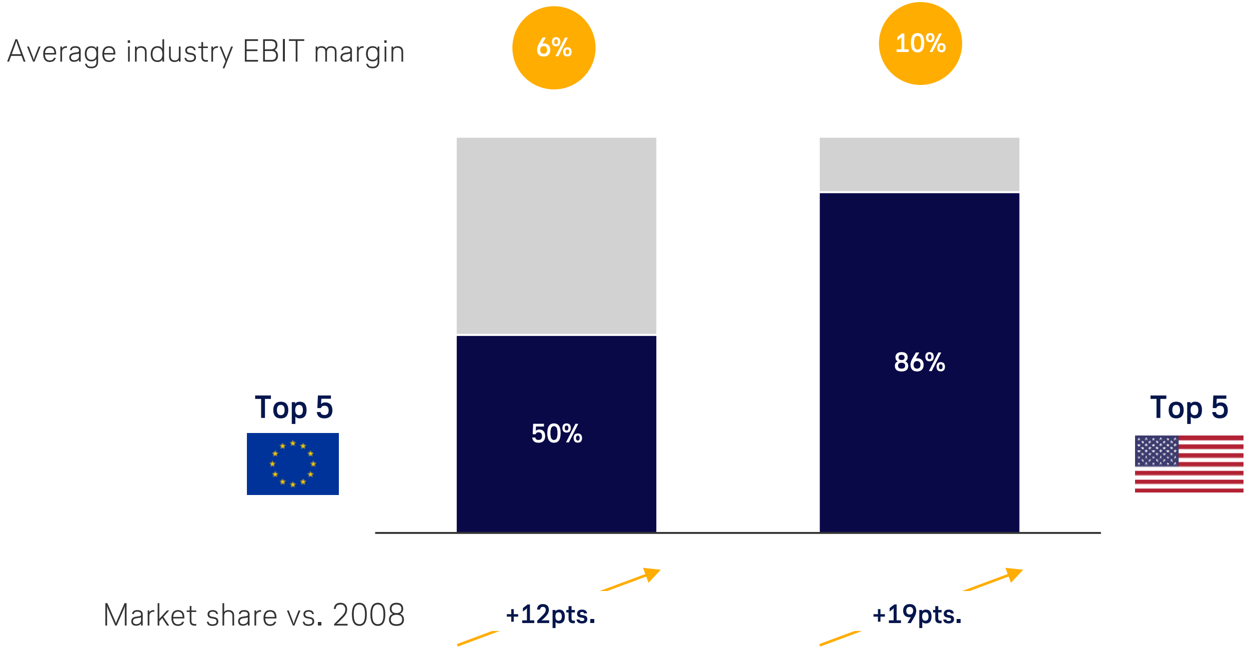
Continued consolidation will increase industry profits in Europe

2018 passenger share of top 5 airline groups in Europe and USA

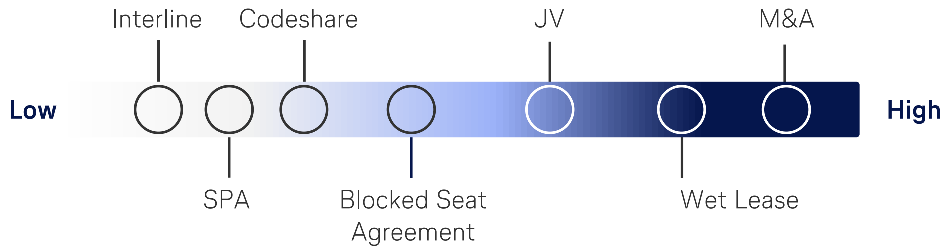


M&A strategy is based on clear objectives and criteria

- Complementary to regional footprint
- Meaningful size
- Revenue and cost synergy potential
- ROCE accretive
- Maintain investment grade rating
- Competitive cost base which can be further leveraged in other parts of the Group

Consolidation is not limited to M&A

Forms of integration



1. Full toolbox available to cooperate with other airlines
2. Continuous optimization of existing partnership models
3. Design of cooperation tailored to the specifics of every partnership

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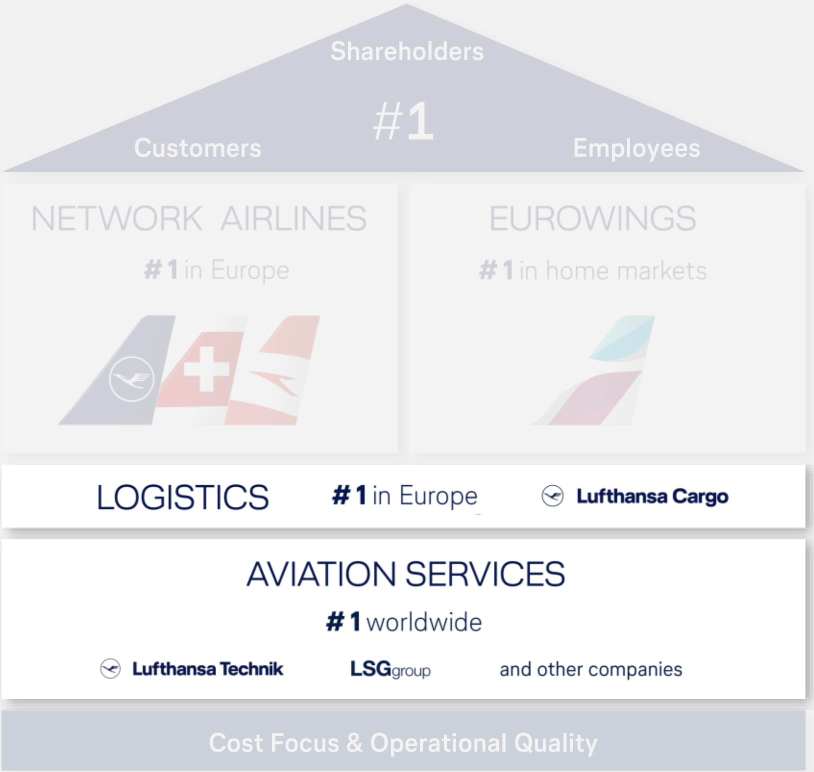
Logistics & Aviation Services:

Every business must contribute to sustainable and profitable growth



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Non-passenger businesses must offer high level of synergies

	Lufthansa Cargo	Lufthansa Technik	LSGgroup
1 Leading **market position**	✓	✓	✓
2 Structurally **growing market**	✓	✓	✓
3 High level of **synergies** with core business	✓	✓	✗
2018 Revenues (in bn EUR)	2.7	5.9	3.2
2018 Adj. EBIT margin	9.9%	7.2%	3.6%

Lufthansa Cargo is highly synergetic with passenger airlines

1 Leading market position	▪ Market leader in air cargo, global market share around 10% ▪ Unrivalled network, based in the world third largest export nation	✔
2 Structurally growing market	▪ Market growth of c. 3% p.a., more cyclical than other businesses ▪ Demand for fast shipments increasing due to structural e-commerce growth	✔
3 Synergies with core business	▪ Cargo offers half of its capacity through passenger aircraft bellies ▪ Joint operations, consolidating cargo business of LH, LX, OS as well as EW and SN	✔

Strategic focus

- **Expansion of strategic partnerships/joint ventures and digital transformation**
- **Ongoing efficiency improvements**
- **Flexibility to quickly adjust freighter capacity when necessary**
  (~10% adjustment within four weeks)

Lufthansa Technik will remain core to Lufthansa Group

1 Leading market position

- The world's leading independent provider of MRO services, services one out of five commercially operated aircraft worldwide

2 Structurally growing market

- More sophisticated technology & digitalization requires specialized know-how
- MRO market CAGR of c. 7%, above avg. growth in OEM after-sales business
- LHT participating in OEM business via co-operations: c. 15% CAGR

3 Synergies with core business

- Privileged access to flight data and OEM IP rights
- Airlines benefit from in-house engineering competence

Strategic focus

- **Expansion of strategic partnerships and joint ventures**
- **Expansion of data-driven business models such as AVIATAR**

Lufthansa Group has initiated a process to divest LSGgroup

1 **Leading market position**	▪ 2^{nd} largest provider of airline catering globally	✔
2 **Structurally growing market**	▪ Average market growth of c. 3% ▪ Growing importance of food & beverages: key differentiator in long haul	✔
3 **Synergies with core business**	▪ Limited synergies ▪ Limited capex resources of Lufthansa Group	✖

Strategic focus

Decision for Divestment

- Decision driven by lack of synergies and our desire to focus even more on our core airline business
- Divestiture as a whole or in parts possible
- Divestiture will consider future catering supply of Group airlines

Lufthansa Group strengthens its focus on its core business

LSGgroup
Initiated divestment process
due to lack of synergies between LSG and group airlines

Lufthansa Technik
Shift of line maintenance activities
to airlines to generate higher synergies and increase flexibility

Miles & More
Focus on creation of synergies with airlines and generation of customer value
instead of expansion of third party and non-airline business

Stakeholders:
Group strategy balances the interests of all stakeholders

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Sustainable management is the base for long-term success

Environment

- Main focus on improving fuel efficiency

Employees

- Focus on maintaining high employee motivation and engagement

Social

- ‘Help alliance’ enables people to lead a self-determined life

We are committed to sustainability

We consider sustainability as our **“license to operate”:** the base for **long-term financial stability** and our **perception by stakeholders**

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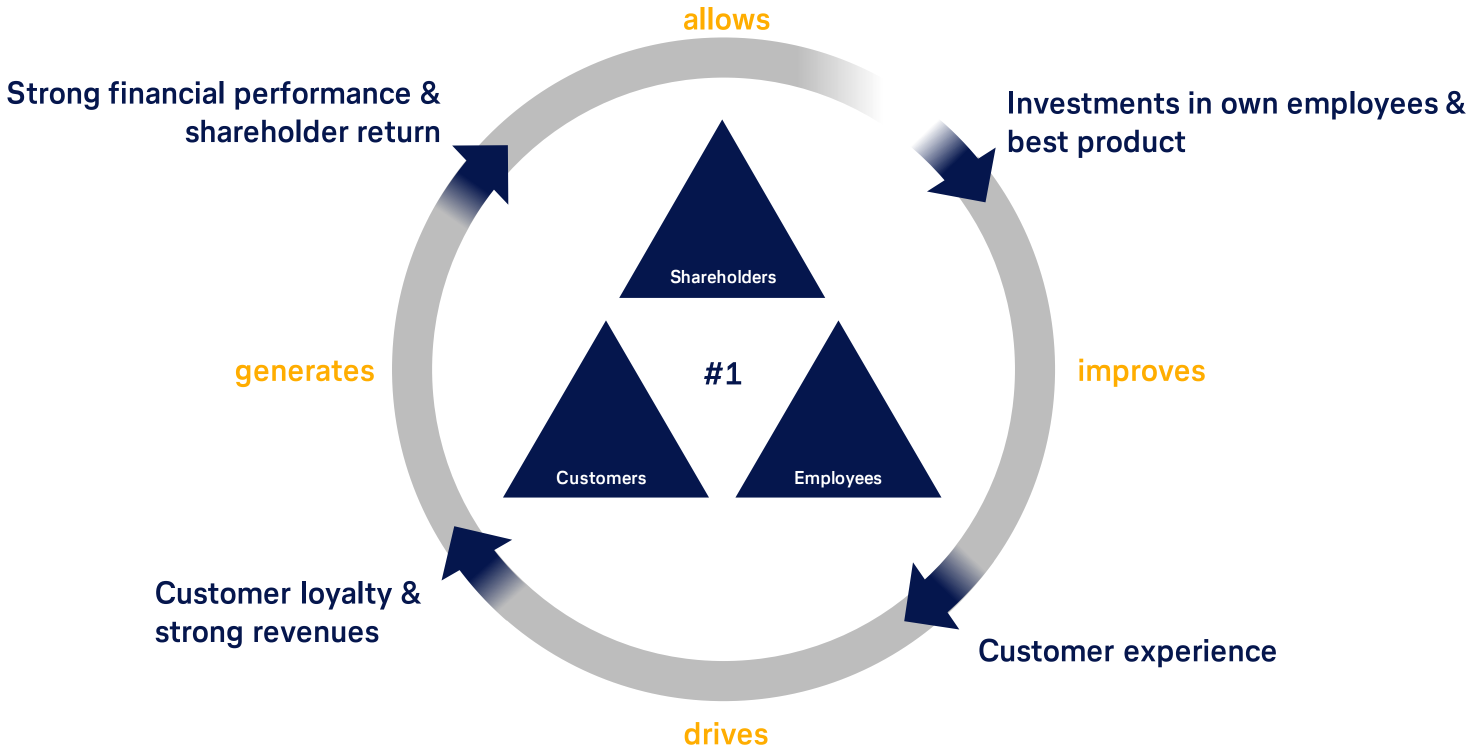
Balanced approach creates value for all stakeholders



The execution of the Group's strategy will drive strong financial results

Market-wide infrastructure constraints improve demand/supply ratio

Industry consolidation

Best positioned to leverage brand, product and market strength

Clear focus on cash flow generation

In control of major profitability drivers

Committed to disciplined capital allocation

Converging cost position of legacy and LCCs

Structural demand growth & focus on sustainability

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Capital Markets Day 2019

Commercial Strategy Network Airlines

Harry Hohmeister, Chief Commercial Officer Network Airlines

24th June 2019
Frankfurt

Global market presence and new premium positioning create unique value proposition

Global Market Presence

Reach	Flexibility	Consolidation
41k	**4**	**Multi**
O&Ds	Hubs	Airline Integration

Commercial Development

New Premium Position

Customer Centricity	Business Growth	Operating Model
30	**104m**	**Fast**
Top Awards	Passengers	Processes

Commercial Performance

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Three strongly positioned brands

Multi-Brand

Strong Brands

Network Airlines

- ✓ Aligned Business Model
- ✓ Common Governance
- ✓ Joint Steering

Strong Positioning

Customer recognition

Best Airline in Europe

Best Business Class in Europe

#1 most trusted brand (Germany)

#5 strongest brand value growth (Airlines)

Recent Awards

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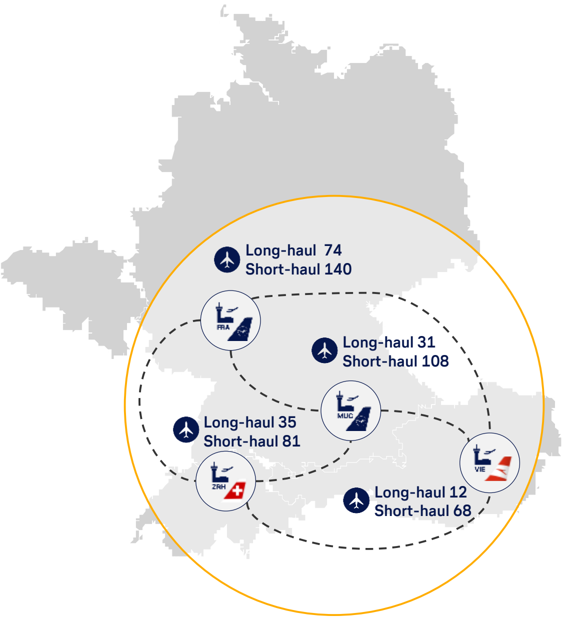
Multi-Hub strategy generates benefits for customers and flexibility for production

Multi-Hub

Network Airlines Multi-Hub System



549
aircraft

19,000
weekly flights

273
destinations

86
countries

104m
Passengers in 2018

53%
transfer share

Commercial Benefits

Customer

- Maximum connectivity
- Broad range of choices
- Strong identification with local brand

Production

- Increased reliability
- Risk diversification
- Flexible capacity management

Joint commercial steering as key success factor

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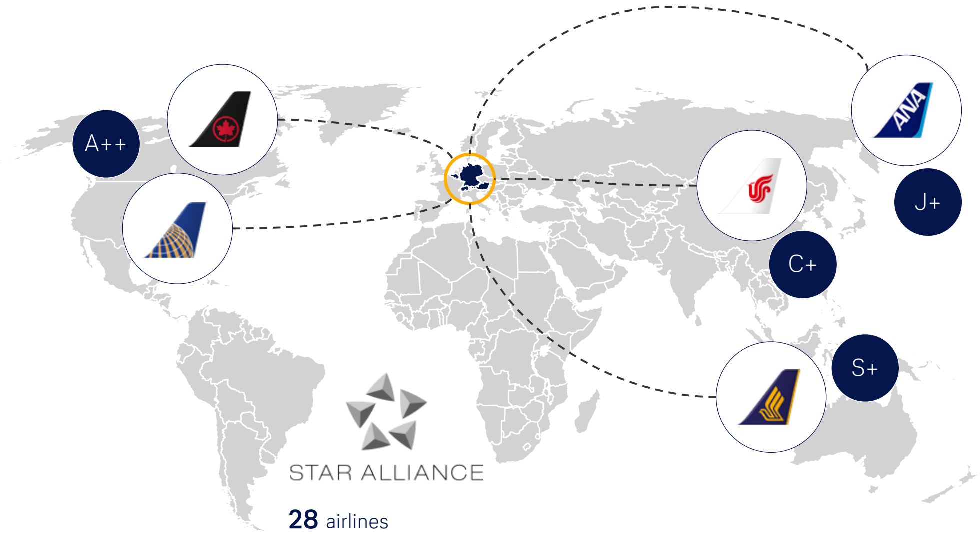
Joint Ventures expand the Multi-Hub system to a global network

Multi-Hub

Multi-Hub + JVs form Network of Networks



28 airlines

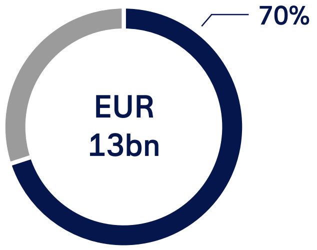
>1,300 airports

>18,800 flights per day

Joint Ventures

- Joint capacity management
- Joint pricing
- Joint product strategy
- Mutual market access
- Revenue sharing

JV share of long-haul revenues



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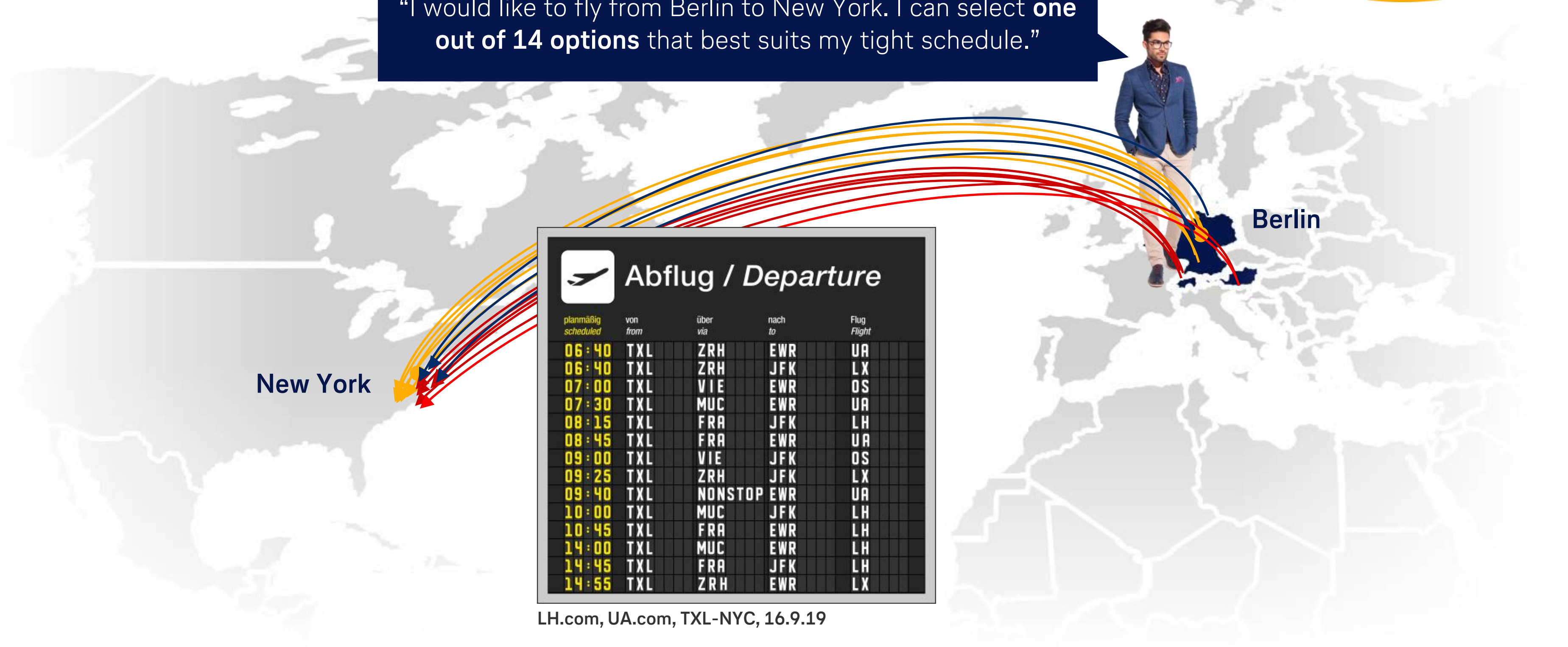
Multi-Hub system offers customers maximum choice and flexibility

Multi-Hub

"I would like to fly from Berlin to New York. I can select **one out of 14 options** that best suits my tight schedule."



Abflug / *Departure*

planmäßig *scheduled*	von *from*	über *via*	nach *to*	Flug *Flight*
06:40	TXL	ZRH	EWR	UA
06:40	TXL	ZRH	JFK	LX
07:00	TXL	VIE	EWR	OS
07:30	TXL	MUC	EWR	UA
08:15	TXL	FRA	JFK	LH
08:45	TXL	FRA	EWR	UA
09:00	TXL	VIE	JFK	OS
09:25	TXL	ZRH	JFK	LX
09:40	TXL	NONSTOP	EWR	UA
10:00	TXL	MUC	JFK	LH
10:45	TXL	FRA	EWR	LH
14:00	TXL	MUC	EWR	LH
14:45	TXL	FRA	JFK	LH
14:55	TXL	ZRH	EWR	LX

LH.com, UA.com, TXL-NYC, 16.9.19

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Flexible commercial integration models allow quick reaction to market dynamics

Capacity Growth Rate

Own platform (existing segments)

2014[1] -------- 2019 ---------------- 2029[2]

10%

7.5%	5-25%
5.6%	0-15%
7.6%	6-8%
8.2%	5-7%
2.4%	**2.3%**
1.3%	0-1%
1.0%	0-1%

0%

Growth flexibility of +/- 3pts.

Integration Models

Own platform (new segments)

- Focused growth ex hubs
- White label platform(s)
- Secondary platform(s)

3rd party platforms (new regions)

- Capacity provider
- Commercial integration
- Joint Venture
- M&A

[1] CAGR 2014 - 2019 EU – World, Source: Flash
[2] ASK growth 2019 – 2029 based on fleet orders, Source CAPA

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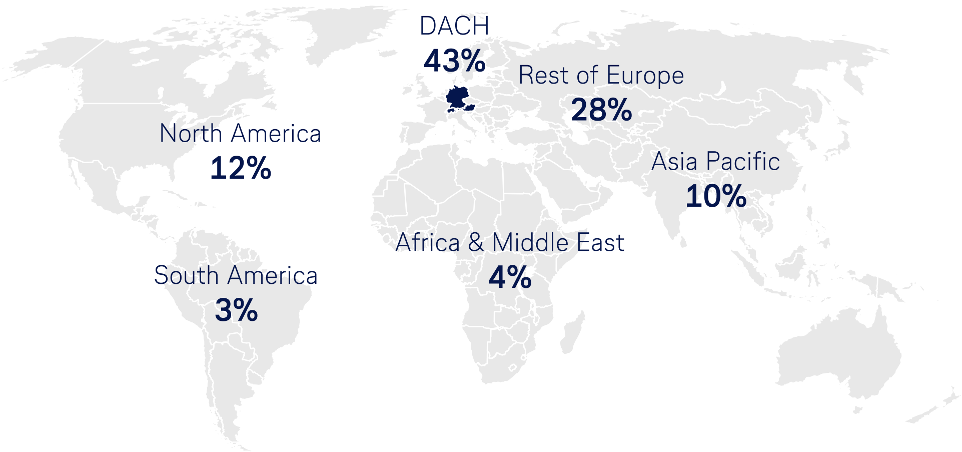
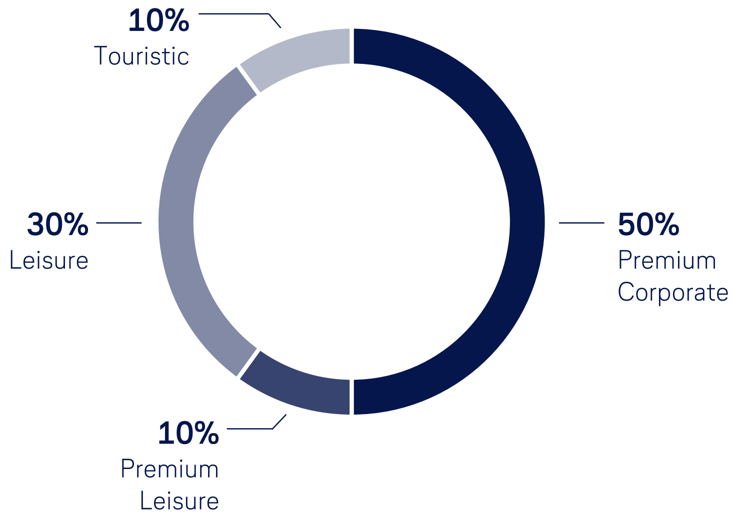
Network Airlines' business built on a diversified customer base

Revenue share by point of commencement



Revenue share by segments



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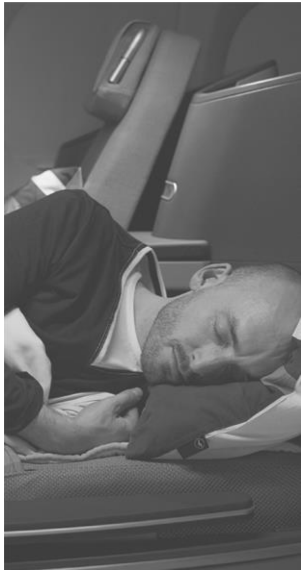
Customer segmentation enables tailored products and services

Multi-Customer segments

Traditional Premium

Premium = Travel Class



New Premium

Premium = defined individually by every customer

46% Efficiency-Seeker

- Business Trip
- Short-haul
- Economy Class

14% Convenience-Seeker

- Business Trip
- Long-haul
- Economy & Premium Eco

10% Individuality-Seeker

- Business Trip
- All Routes
- First & Business

5% Exclusivity Seeker

- Leisure Trip
- All Routes
- Premium Cabins

19% Adventure Seeker

- Leisure Trip
- Long-haul
- Economy Class

6% Care Seeking Family

- Leisure Trip
- All Routes
- All Classes

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Digitalization drives the perfect customer experience along the travel journey

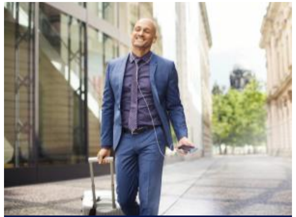
Customer Journey

Inspiration & Planning	Compare & Select	Book Travel	Plan & Prepare	Get to airport & await flight	Take outbound flight	Connect	Arrive at Destination	Get to & stay at destination	Get to airport & await flight	Take return flight	Arrive at Home airport	Get to home	Stay involved


Check-In via voice


Personalized bundles


Trip assistant


Digital baggage service

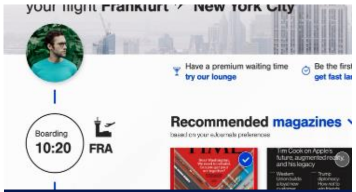

Trip related notifications


Social servicing (chatbot)


Biometrics


Inflight Connectivity

Purchase goods with AR



Inflight entertainment Experience Portal & App


Seamless payment

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Success of Premium Economy continues with roll-out of next generation product in 2020/2021

Premium Economy Class most productive cabin
[revenues per square meters]

6% higher than Business Class

33% higher than Economy Class

1st Generation Premium Economy Class fully implemented on Lufthansa and Austrian Airlines

Enhanced New Premium Economy Class to be introduced on:

- LH B777-9 (Q3 2020)
- LX B777-3 (Q1 2021)
- LX A340-3 (Q2 2021)

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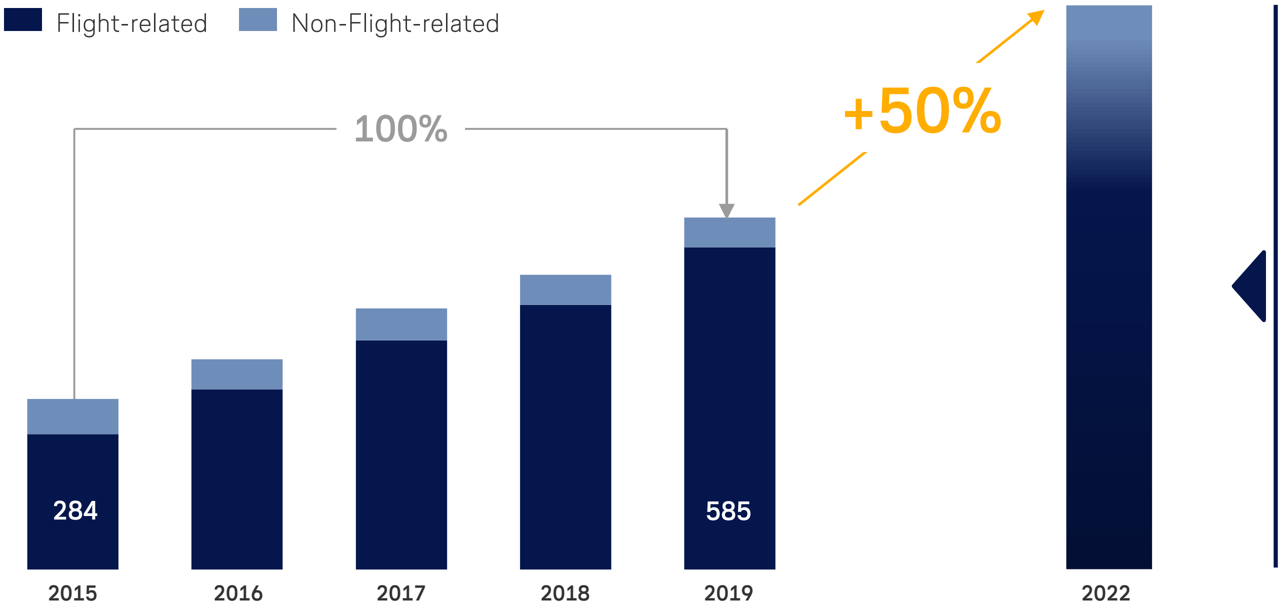
Tailored products represent our USP in a “world of commodity“ – monetarization of added value is part of our commercial success

Robust Ancillary Revenue Growth
[in m EUR]



Tailored Offers & Services

Individual food offers

New variety of seat options

Innovative retail marketplace

Dynamic ancillary pricing

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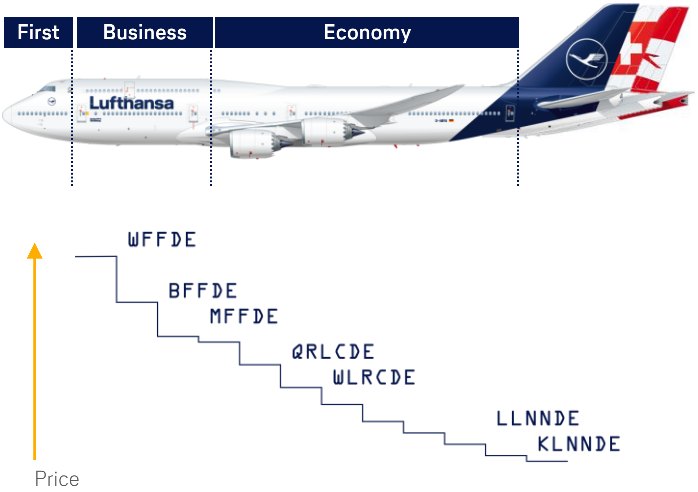
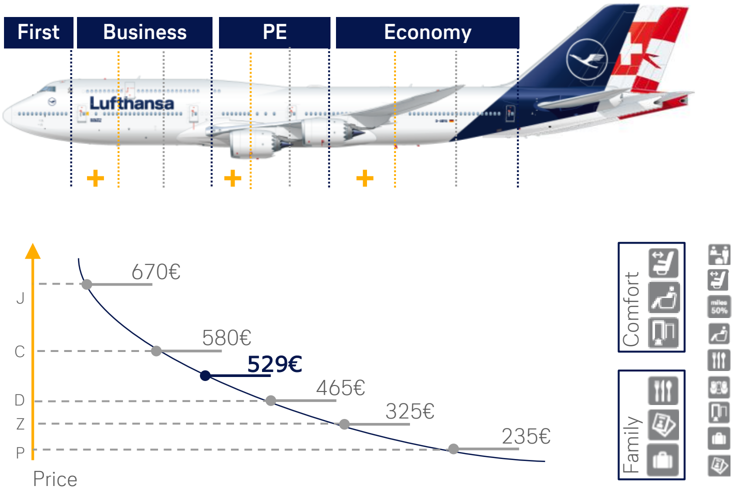
We are building the foundation for a truly customer-centric retailing model

Traditional Static Offering



- Fixed booking classes & limited offer portfolio
- Outdated distribution technology & inferior product placement
- 26 booking classes clustered with 41k O&Ds

Future Dynamic Offering



- Efficient capacity utilization & distribution
- Tailored offers for customers & trade partners
- Individual O&D price steering

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Revenue maximization by bundling the right offers and pricing them according to the customers' willingness to pay

Today – Static Branded Fares

Economy Light	Economy Classic	Economy Flex
1 carry-on bag	Seat reservation	Earlier flight
Snacks & beverages	1 checked bag	Priority boarding Priority lanes
	1 carry-on bag	Seat reservation
	Snacks & beverages	1 checked bag
		1 carry-on bag
		Snacks & beverages
Rebooking ✗	Rebooking ✓	Rebooking ✓
Refund ✗	Refund ✗	Refund ✓

Future – Need based bundles & upselling structure

Efficiency Bundles

BASE	100	100
Efficiency Package	+50	150
Efficiency Package Plus	+70	170

Family Bundles

BASE	100	100
Family Package	+30	130
Pamily Package Plus	+60	160

Traveler Bundles

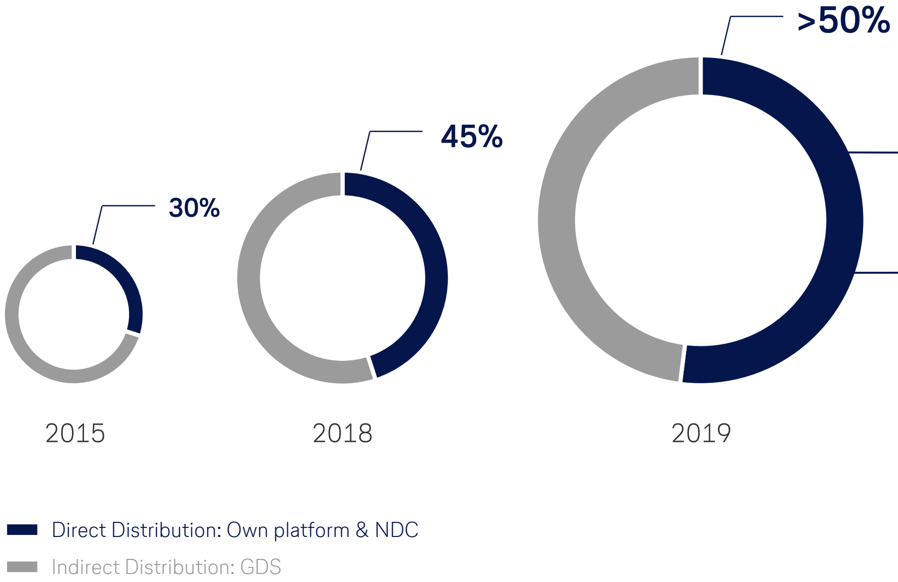
BASE	100	100
Traveler Package	+10	110
Traveler Package Plus	+30	130

Customer access and Multi-Channel push are key to our distribution strategy

Multi-Channel

Growing Direct Distribution Share

[by number of bookings]



Modern Retail Capabilities

- Offer and order control
- Product placement
- Dynamic cross- and upsell

Multi-Channel Reach & Interaction

- Direct customer access
- Own platform & digital players
- Chatbot, voice interaction, social selling

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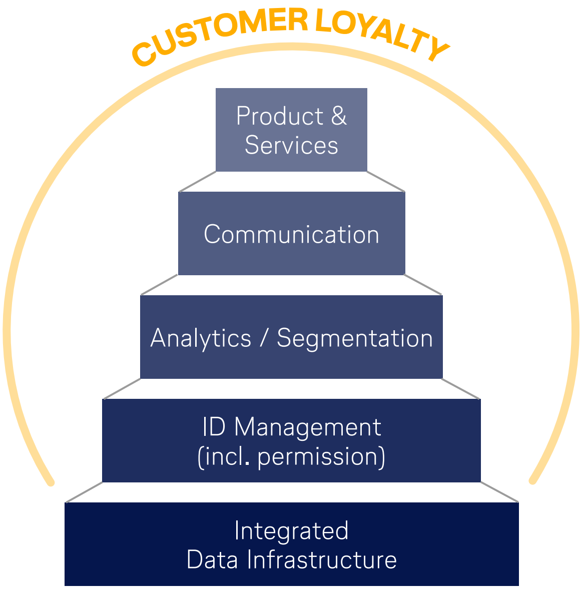
Targeted offers based on the intelligent use of data drive customer loyalty

Data Driven Approach



Initiatives along Customer Journey

LUFTHANSA GROUP

Europe’s largest frequent flyer program drives customer loyalty

Miles & More

35m
members

75bn
miles issued

51%
higher spend
than non-members

1.5m
branded credit cards issued

Leading loyalty program for
9
airline partners

More than
270
non-air partners

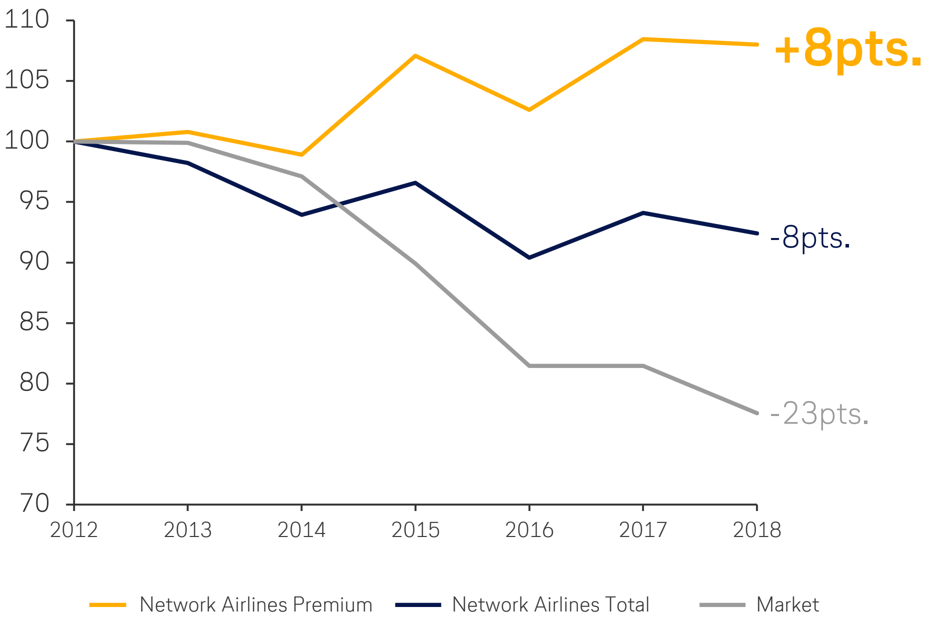
More than
200
e-commerce partners

1. Provides direct customer access
2. Allows improvement of customer experience
3. Enables data driven business models and next level airline retail

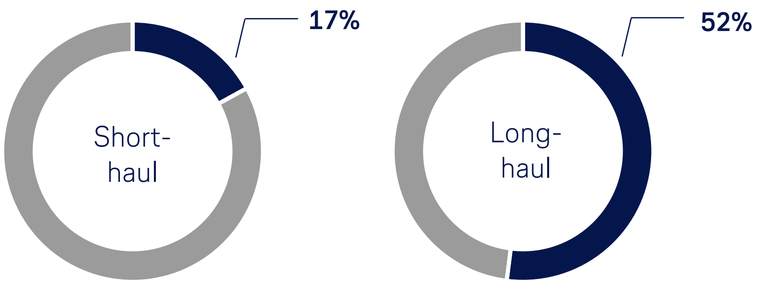
LUFTHANSA GROUP

Our airlines' premium positioning generates industry-leading yields

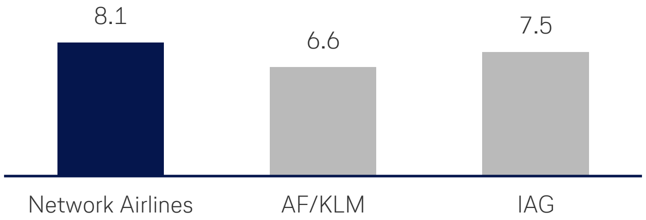
Long term unit revenue development



Revenue share of premium classes



RASK [in EUR Cent]



LUFTHANSA GROUP

Strategic initiatives will continuously increase our revenues

New capabilities	Ambition 2022
1 Tailored Products 2 Dynamic Offering 3 Direct Customer Access	Contribution to RASK **+3%**

Key messages

Multi-Hub and **Multi-Brand** strategy optimally caters to specifics of home markets

New Premium enhances customer experience through **customer centricity**

Innovative product, pricing and distribution strategy significantly contribute to **future revenue growth**

LUFTHANSA GROUP

Capital Markets Day
Eurowings Turnaround

Thorsten Dirks
CEO Eurowings

24th June 2019, Frankfurt

Eurowings at a glance:
Leading point-to-point airline in home markets

Key facts Eurowings short-haul 2019

442
Routes

13
Bases

140
Destinations

139
Aircraft

>27 m
Customers

>35
NPS

Our ambition

Focus on **point-to-point short-haul**

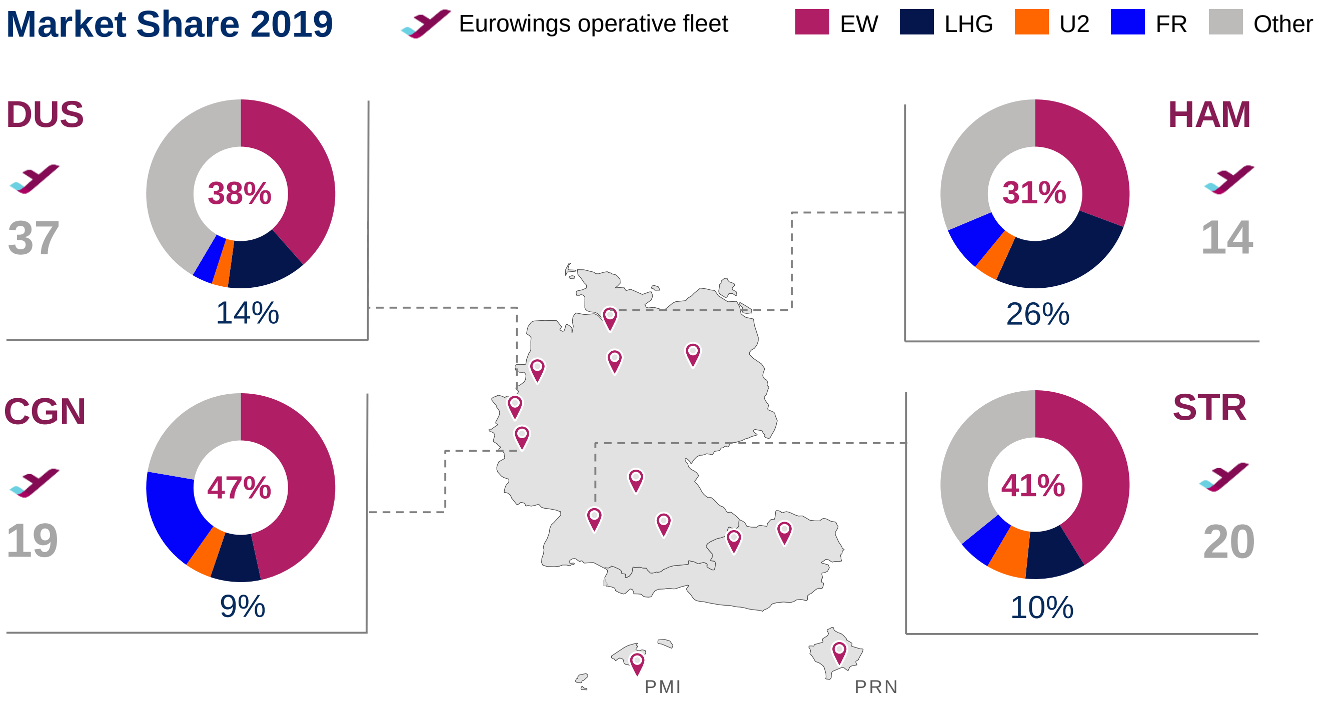
Strengthen number one position in home markets and achieve a **sustainably positive EBIT margin**

Complement Lufthansa Network Airlines for **joint market approach** and **value creation**

Note: Eurowings short-haul excluding Brussels Airlines

Clear number one in prime European point-to-point markets

Market Share 2019



Market leader
in core home bases

High-value catchments, e.g. purchasing power, corporate accounts

Note: Capacity data based on full year 2019, inbound & outbound seats intra EU

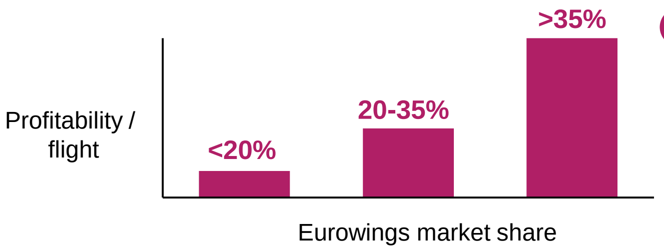
Eurowings builds on a strong market footprint and well established commercial approach

Eurowings' capacity deployment

# of aircraft deployed

33 | **18** | **88**

63% of Eurowings' capacity in markets with high market share



83% of Eurowings' capacity in highly utilized airports

Capacity focused on **high share in attractive and highly utilized airports**

Eurowings' commercial strengths

25%
Share of loyalty customers

Loyal business customers: Highest share of business customers in Point-to-Point segment in home markets

111K
Tour Ops. seats per week

#1 leisure and tour operator airline: Profitable channel leveraging best in class IT solutions

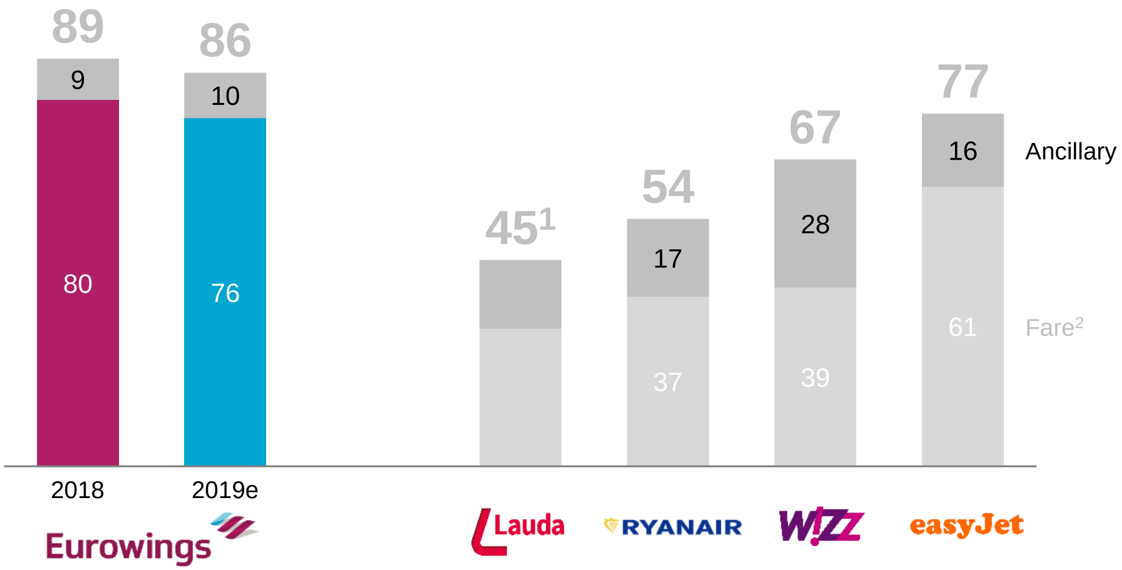
#1

#1 in digital: Best rated Mobile App, top 10 German eCommerce website

Strong track record leveraging **commercial strength** in **wing-to-wing competition**

Eurowings achieves significant yield premium

Yield premium € per passenger



Significant **yield premium** despite strong competition

Current **competitive environment** increases **pressure** on **fares**

Growth of ancillaries to largely offset potential future yield declines

1. Exact fare and ancillary split not available for Lauda;
2. Net revenues without fees and taxes; annual reports of respective airline: EW Jan-Dec18, FR/OE Apr-Mar19, U2 Oct17-Sep18 (GBP/EUR 1,15), W6 Apr18-Mar19;

Past years' growth came at the expense of increased complexity

	New Germanwings	Long-haul expansion	Air Berlin assets
	Expansion at **DUS/TXL/HAM**	**Long-haul** operations, Brussels Airlines **acquisition**	**Replace** Air Berlin **capacity**
	2014	2015/2017	2018
Market position / relevance	Comprehensive coverage of German market	New long-haul business Strong position Belgium	Improved market position at key airports
Cost competitive-ness	Spill over of Lufthansa cockpit crew costs Old aircraft	Long-haul operations: distraction and complexity	Heterogeneous fleet Multiple AOCs High integration costs

Focus on following pages

Focus on simplicity: How we manage the turnaround

Our focus 2019-2022

Business model adjustment and dimensioning

- **Exit long-haul business** and focus on short-haul only
- **Re-focus short-haul network**

Structural cost improvement

- Reduce to **one AOC in Germany**
- Increase **productivity**
- **Modernize** and harmonize **fleet**
- Decrease **overhead costs**

Digital and ancillary push

Eurowings Digital

- Enhance ancillary portfolio
- Improve digital sales channels

Exit long-haul business:
Eurowings will focus on short-haul only

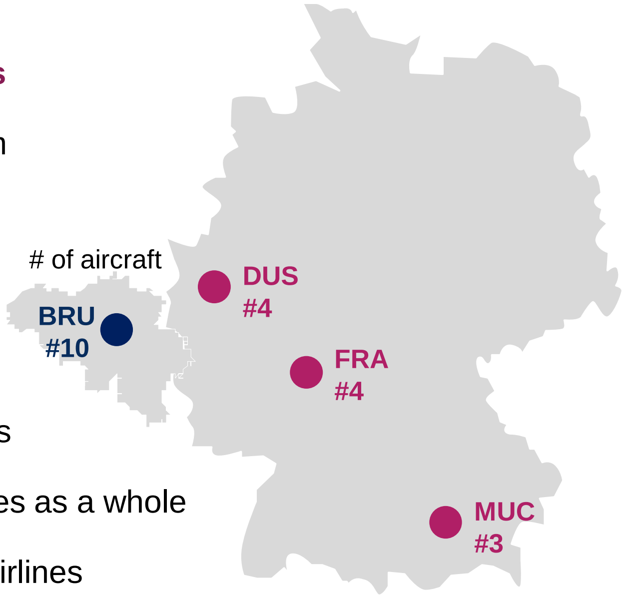
Refined long-haul strategy

Transfer commercial responsibility for long-haul business to Network Airlines

- Increase connectivity and benefit from synergies in sales, distribution and IT
- Start in Frankfurt and Munich: winter flight schedule 2019/2020

Realignment of Brussels Airlines

- Discontinue integration into Eurowings
- Closer embedding into Network Airlines as a whole
- Define turnaround plan for Brussels Airlines



Way forward

- **Focus** Eurowings **on short-haul** business only
- Develop detailed plan for **realignment of Brussels Airlines** –
  until end of Q3 2019
- Present **turnaround plan for Brussels Airlines** –
  end of Q3 2019

Re-focus short-haul network:
Focus network on profitable core and strict capacity discipline

Refocus network

Strategic core markets

- Grow in **core markets** via productivity and/or aircraft, e.g. DUS, STR, CGN, HAM
- Defend position in **strategic markets**

Other markets

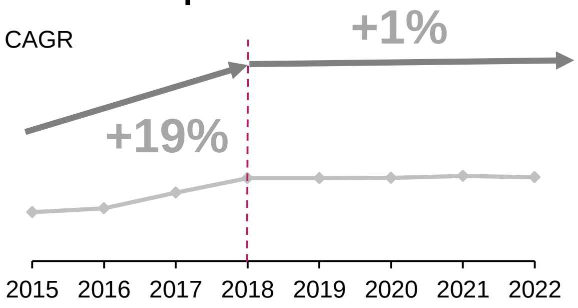
- Develop **profitable markets/routes**
- Review **network portfolio**
- Close unprofitable smaller bases
- Discontinue unprofitable routes

Restrict growth

Apply capacity discipline: 1% ASK CAGR growth

- Grow moderately in coming years
- Adapt growth per market in line with local needs

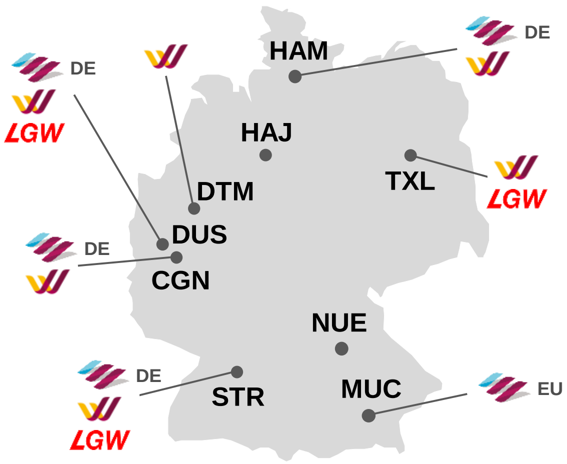
ASK development



One AOC in Germany:
Reduce complexity and enable higher productivity

2018: 4 AOCs

- **Multi-AOC** structure: **Four** own short-haul narrow body **AOCs in Germany**



2019 transition: 2 AOCs

- **One AOC per base** implemented in DUS and TXL
- **Transfer** of **Eurowings Europe** base in MUC to a German AOC
- **Sale of LGW** and **wetlease-back** with turboprop operation

Way forward: 1 AOC

- **One AOC in Germany –** implementation starting immediately

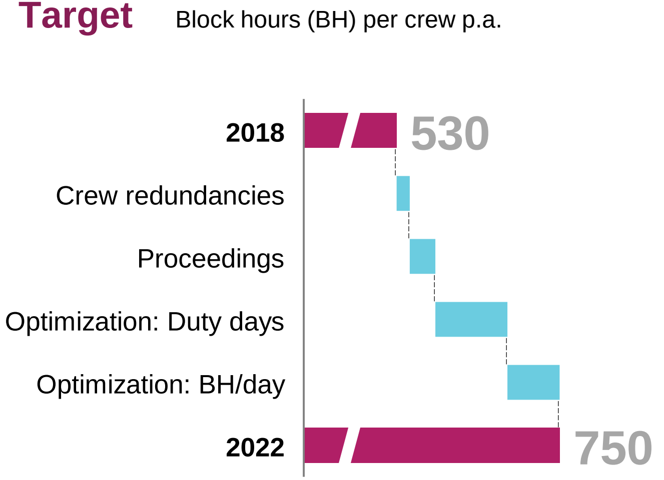
Increase productivity:
Improve crew productivity to competitive level until 2022

Crew productivity ambition

Situation today:

- Low crew productivity and high complexity, e.g.
- Pilots with Lufthansa contracts (“CLA”) and crew redundancies
- No consistent home base principle: Increased crew proceedings
- Multi-AOC structure: Higher standby quota

Target



Way forward

- **Transfer of “CLA” pilots** to Lufthansa
- **Reduce** crew **redundancies**
- Reduce proceedings from inefficient stationing by **strict "home base" principle**
- **Increase days of duty** and daily **flight hours**
- Implement via **natural fluctuation and social plans**, if needed

Impact (CASK) 2019-2022 → **-€0.20cts.**

Note: Cockpit and cabin crew

Increase productivity:
Improve aircraft productivity up to 15 percent

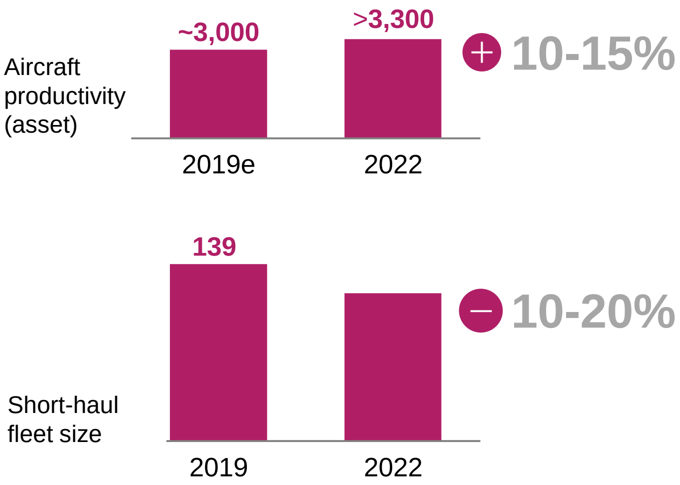
Aircraft productivity ambition

Situation today:

- Heterogeneous fleet configuration with several sub-fleets
- 11 years average fleet age, with high age spread of 25 years
- Complex maintenance home base structure leading to inefficiencies in planning and execution

Target

BH / A/C p.a.



Aircraft reduction ≠ capacity reduction

Way forward

- **Reduce number of reserves** and transitions – start in Q4 2019
- **Increase gauge size** by 15-20%
- **Increase aircraft productivity** of asset fleet by 10-15% and program fleet by 5-10%
- Implement **new maintenance concept** – start in Q4 2019

Impact (CASK) 2019-2022 **-€0.10cts.**

Note: Aircraft productivity target of 3,600 BH / A/C p.a for program fleet

Modernize fleet:
Return wetleases and roll-over oldest aircraft

Fleet roll-over plan

Short-haul fleet 2019

Phase out 70-seat turboprops

- Return Dash 8 wetleases
- Increase gauge size to lower unit cost

15

Reduce narrow body wetleases

- Substitute by own Eurowings operated aircraft
- Future focus for wetleases: Summer only

9

Roll-over of oldest own aircraft

- Today, oldest aircraft with 28 years
- Substitute by A320neo from Lufthansa Group order book

115

Way forward

- **Phase-out of 9 oldest/most expensive A320** aircraft – to be completed in 2019
- **Return wetleases** – started in 2019
- **End turboprop wetlease** – beginning of 2021
- **Phase-in A320neo** – 4 in 2021 and 16 in 2022

Impact (CASK) 2019-2022 -€0.30cts.

Overhead cost:
Focus on simplicity will decrease overhead cost significantly

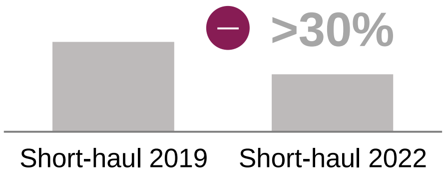
Towards competitive overhead costs

Complexity reflected in overhead costs

Cost increase due to

- Expansion into long-haul business
- Air Berlin integration
- Multi-AOC setup
- Usage of external labor force

Eurowings overhead cost: Planned development



Developed target cost via benchmarks with LCC competitors

- Right-size overhead cost to new market focus and size of production
- Remove complexity and non-value added activities
- Standardize processes and increase level of automation
- Optimize internal vs. external staff cost

Way forward

- **Apply target costing** based on benchmarks – completed
- **Initiate codetermination process** – start in Q3 2019
- **Reduce external labor force** – until 1st half of 2020

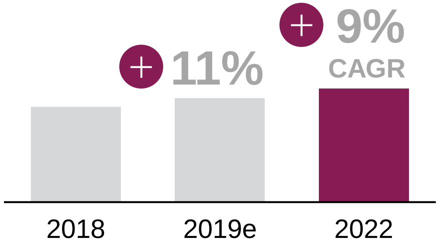
Impact (CASK)
2019-2022

-€0.15cts.

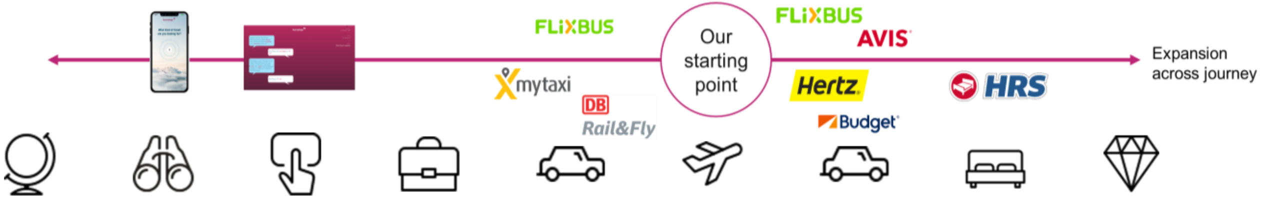
Eurowings Digital:
Push all digital sales channels and ancillary revenues

New services and partners along customer journey

- New catering concept: Full **Buy-on-Board** since June 2019[1]
- Focus on **entire travel chain** and become a **leading travel companion**
- Leverage and unlock **ancillary revenues**
- Boost sales in **all direct channels**
- **Personalize** and automate services



Ancillary revenue per passenger



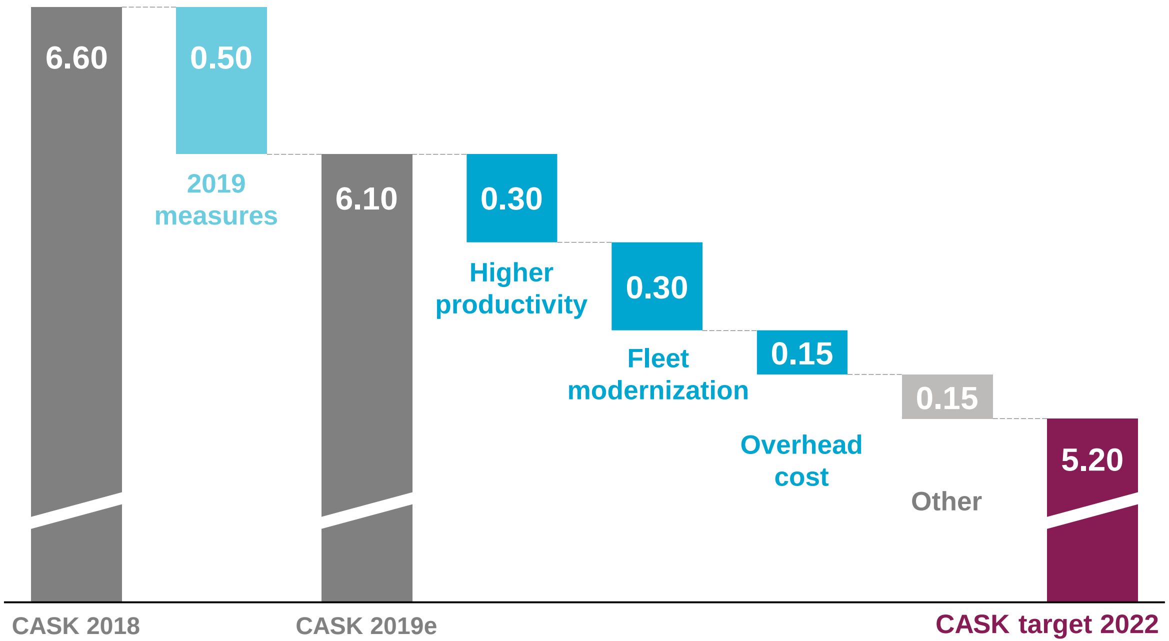
Way forward

- **Leverage Eurowings Digital** – since 2018
- **Extend ancillary pipeline**: new services, categories, partners – since 2019
- Launch **digital self-service features** to lower costs – in 2019

1. Except for business class

Eurowings short-haul CASK: 15% reduction until 2022

CASK in €cts.



2019 development
- Short-term turnaround measures
- Elimination of integration cost
- €50M investment into operational stability

Higher productivity
- One AOC in Germany
- Productivity increase
- Right-sizing short-haul

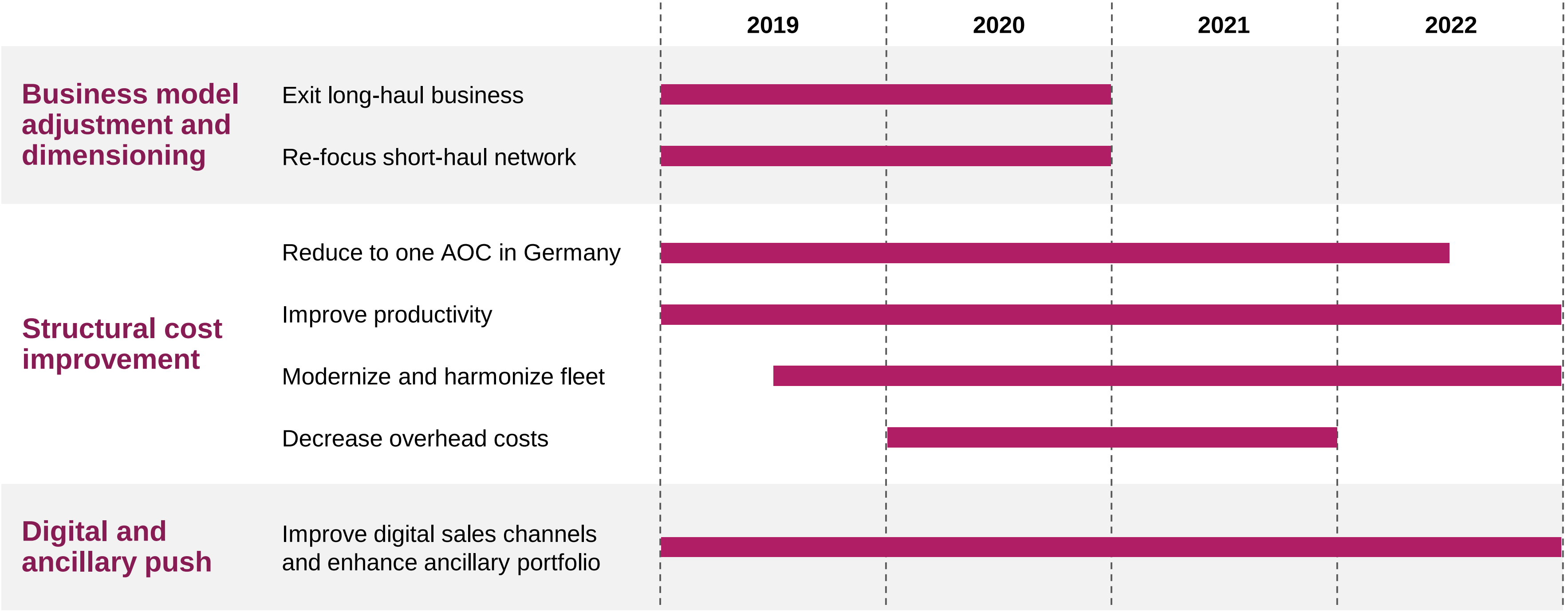
Fleet harmonization
- Pure Airbus operations
- Reduced wetleases
- Fleet roll-over
- Reduction of reserve A/C

Overhead cost
- Lean organization
- Process automation

Other, e.g.
- Sales channel shift
- Further product alignment

Note: Short-haul CASK excluding fuel

Overview turnaround plan



Key messages

Point-to-point short-haul airline addressing the value segment in home markets

Joint market approach and **value creation** with the **Network Airlines**

Leverage strong market position and **simplify** the business model for **future value creation** and **profitability**:

- **Exit long-haul** business and set full **focus** on **short-haul**
- **Re-focus short-haul network**
- **Operate** with **one AOC** in Germany
- Increase **crew and aircraft productivity**
- **Modernize** fleet
- Reduce **overhead** cost to benchmark levels
- Set clear focus on **ancillary revenues** and all **digital sales channels**

Eurowings plan is to **break even in 2021**

Long-term **Adjusted EBIT margin >7%**

Capital Markets Day 2019

Resource Management & Operational Excellence

Dr. Detlef Kayser, Chief Officer Airline Resources & Operations Standards

24th June 2019
Frankfurt

New Board function established to optimize resource management and drive operational standards and excellence

Responsibilities and goals

Resources

- Fleet
- Crew
- Fuel
- Infrastructure

Operations standards

- Flight Operations
- Ground Operations
- Technical Fleet Management
- Safety & Security
- Operational Excellence
- Performance Monitoring

Ensure optimal use of resources and maximize performance of operations at Group airlines

Current focus areas

1. Fleet

2. Sustainability

3. Crew

4. Operational Excellence

5. System Partners

6. Digitalization

LUFTHANSA GROUP

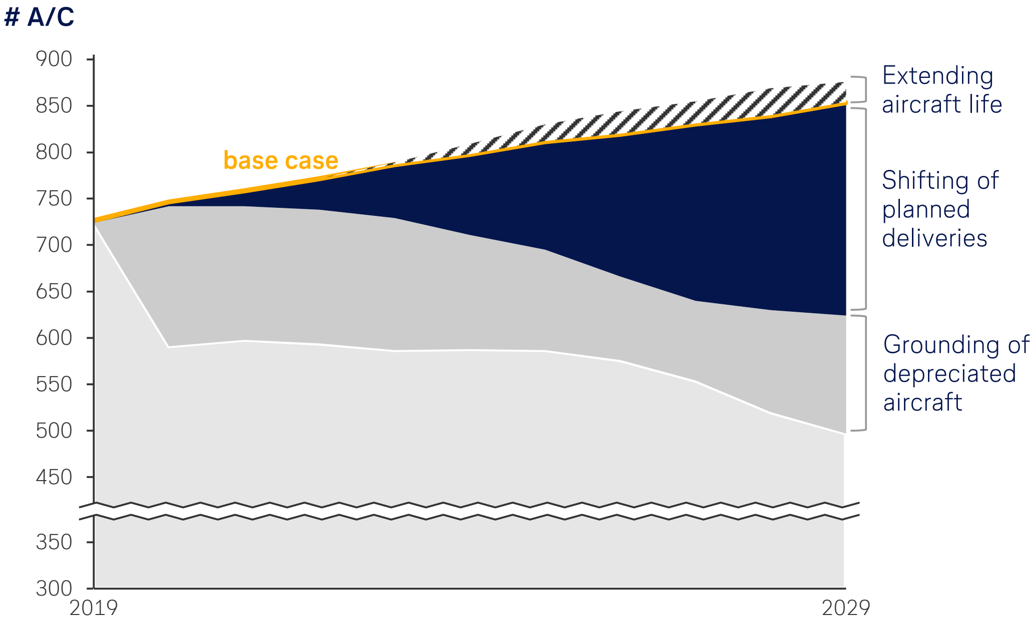
Our fleet strategy aims at maximizing flexibility and reducing complexity

Flexibility in allocation	"Corridor planning" and flexibility to shift aircraft within the Group
Flexibility in operation	Increase share of smaller/mid-sized intercontinental aircraft
Flexibility in fleet size	Maximize (down-)sizing flexibility
Reduction of complexity	Enable fleet reallocation through standardization and reduction of aircraft types
Financial stability	Respect investment limitations and actively consider used aircraft
Flexibility in procurement	Modular approach and active (used) market screening

Our fleet is flexible to react to changing market demand

Fleet flexibility

[number of operative aircraft]



1. Ability to up/downscale the fleet will increase
2. Potential to compensate for delivery delays or irregularities of aircraft manufacturers
3. Depreciated aircraft offers high levels of flexibility

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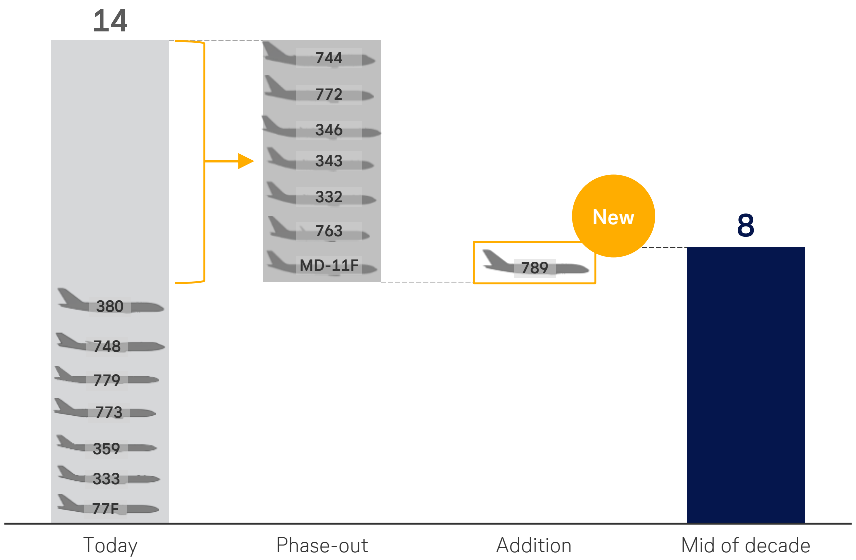
Reduction of fleet complexity has positive impact on costs and efficiency

Long haul fleet
[number of aircraft types]



1. Seven aircraft types will be removed from the fleet in the next decade
2. Reduction of aircraft types leads to lower costs for crew training, maintenance and operations
3. Newly ordered A350s and 787s are up to 25% more fuel efficient than an A340

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Standardized A320 family enables flexible fleet reallocation across the Group

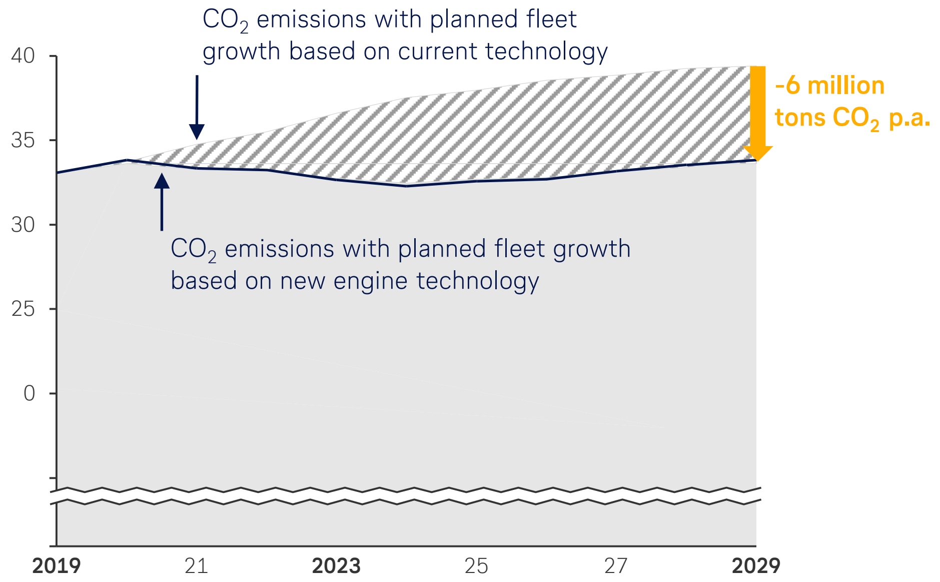
Past: 28 A320 sub-fleets

1. Establishment of Aircraft Specification Board has increased standardization
2. Standardization and modernization of MRO-software significantly increased flexibility to allocate aircraft
3. 82 A320neo & 46 A321neo ordered with common specification, short-haul order in 2020 based on one standard

Investment in new technology is a major lever to reduce CO_2 emissions

Carbon neutral growth

[CO_2 in million tons]



1. Orders of new and more efficient aircraft ensure that CO_2 emissions remain at current levels
2. Compliance with industry target of carbon neutral growth beyond 2021
3. Increasing supply of sustainable aviation fuels may provide significant further CO_2 reduction potential

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Proprietary flight school secures supply of new pilots

1. Pilot shortages in the industry make pilots a critical resource
2. Ramp up of Lufthansa Aviation Training to train 500 pilots/year
3. New Group-wide approach manages supply based on expected demand

Operational excellence measures will improve performance and reduce irregularity costs

Improved customer information

more first wave flights on time +20k

10-15%

reduction of turnaround time

5.5 mio. minutes =
10 years process time

automated train rebooking

15%

faster boarding by new processes

1. More than 400 measures initiated to improve operations quality
2. Group targets to reduce irregularity costs (EUR 518 million in 2018)
3. Process changes will sustainably improve our operations

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First results demonstrate significant progress compared to the prior year

Technical cancellations

reduced by

52%

YTD19 vs. YTD18

Eurowings

in Eurocontrol arrival punctuality Jan-Apr 2019 **up to**

5th rank

from 44th in same period 2018

High performance

Easter 2019

+7.0pts.

punctuality vs. Easter 2018

Operational performance is increasingly dependent on the quality of our system partners

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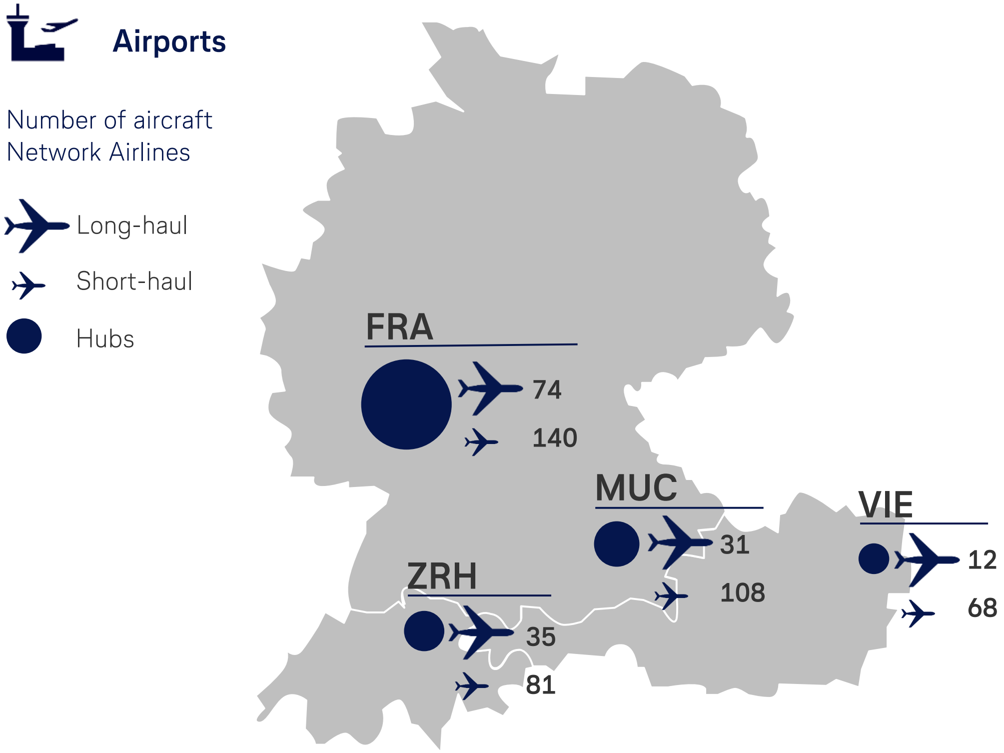
Healthy competition between the airports drives better quality and lower cost



1. Capacity is allocated to hubs based on capacity, cost and quality
2. Shift of long-haul capacity from Frankfurt to Munich
3. Munich Terminal 2 Joint Venture best practice example for airport cooperation

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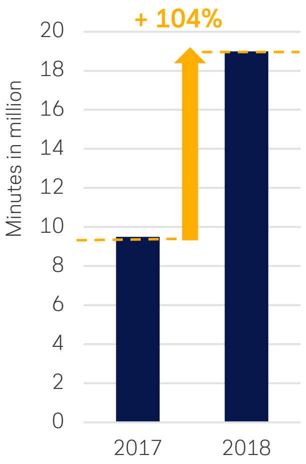
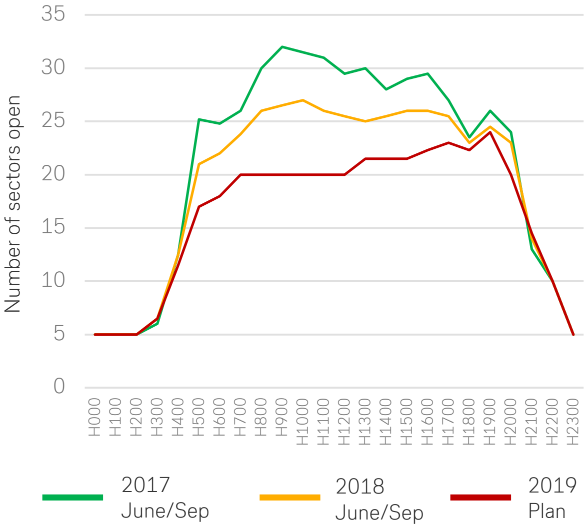
Group has implemented multiple measures to drive ATC performance improvements

Air Traffic Control (ATC)

European en-route ATFM delays



Reduction of sector openings due to staff shortages at Karlsruhe Center



1. Initiatives under way to push automation and upgrade technology in ATC processes
2. Group supports German Air Traffic Control (DFS) to increase productivity
3. Close cooperation with the Network Manager / Eurocontrol

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Pilot projects and joint initiatives improve security processes at airports

Security

Joint testing of new security lanes in Munich

- innovative conveyor technology
- optimized process design
- Laptops and liquids may remain in hand luggage

1. Aim to extend new technology and optimize processes via proposed security control masterplan
2. Take over of responsibility for sub-processes in joint cooperation with airports
3. Implementation of enforced hand luggage controls to reduce screening volumes

We will reach a new level of operational excellence by digitizing and harmonizing operations steering & planning processes

Operative Decision Support
Use of Artificial Intelligence to enhance planning processes and implement predictive steering

State-of-the-art core systems
Modernization and standardization of core systems

Harmonization of processes & organization
Harmonization of Group standards for processes, data and KPIs

New levels of **productivity**, higher **customer satisfaction** and **improved steering decisions**

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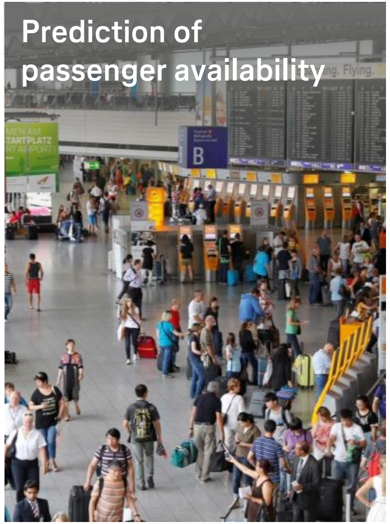
Operative Decision Support: Use of Artificial Intelligence to enhance planning processes and implement predictive steering

Flight Ops

Ground Ops

Tech Ops



Integrated optimization algorithms **enable improved steering** and **enhanced planning, increasing efficiency** of operations

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Strategic initiatives will continuously reduce our costs

Focus areas

1. Fleet

4. Operational Excellence

2. Sustainability

5. System Partners

3. Crew

6. Digitalization

Ambition

Reduction of operations costs

-1% to -2% p.a.

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Key messages

Our fleet strategy aims at **maximizing flexibility** while **minimizing complexity**

Close cooperation with system partners is key to **optimizing our operational performance**

Digitization and the harmonization of processes will help us reach a **new level of operational excellence**

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Capital Markets Day 2019

Financial Update

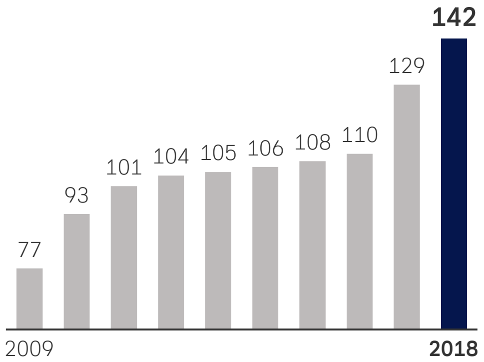
Ulrik Svensson, CFO

24th June 2019
Frankfurt

Group growth has gone hand-in-hand with significant profitability improvements

Number of Passengers

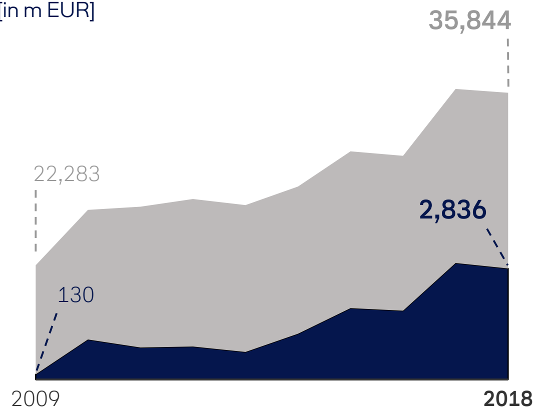
[in million]



Growth of **7% p.a.**

Total Revenue & Adj. EBIT

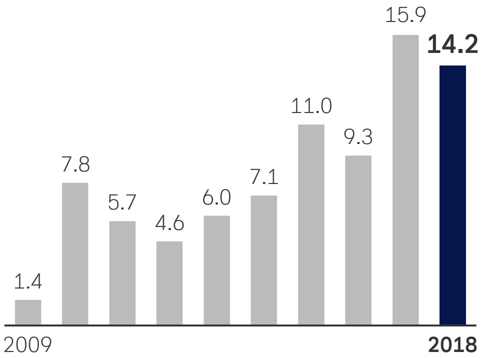
[in m EUR]



Total Revenue increased by **61%,** profitability brought to the **next level**

Adj. ROCE

[before tax; in %]



Adj. ROCE improved to **double-digit levels**

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2019 financial guidance adjusted

	Passenger Airlines	
	Network Airlines	**Eurowings**
Capacity Growth (ASK)	c. +4%	c. 0%
Unit Revenue (RASK, at constant currency)	Down low-single digit	Down mid-single digit
Unit Cost (CASK, at c. currency, excl. fuel)	0% to -1%	-6% to -8%
Fuel (year-on-year change)	+500m EUR	+50m EUR
Adjusted EBIT Margin	**7.0% to 9.0%**	**-4.0% to -6.0%**

	Non-PAX			
	Logistics	**MRO**	**Catering**	**Others**
Revenue growth	stable	up mid-single digit	stable	
Adjusted EBIT margin	3% to 5%	7% to 8%	2% to 4%	
Adjusted EBIT (year-on-year change)				-50m EUR

	Lufthansa Group
Revenue growth	up low-single digit
Adj. EBIT margin	5.5% to 6.5%

Lufthansa Group is reducing unit costs for the fourth year in a row

Labor Agreements

- Productivity and cost improvements in cockpit and cabin

Fleet modernization

- Fleet roll-over

Re-Organization

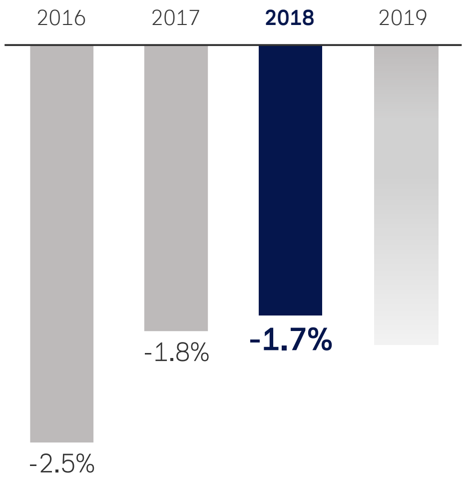
- Implementation of matrix organization
- Reduction of management levels

Infrastructure

- New agreements with major system partners
- Closer cooperation

CASK Reductions

[Group airlines CASK excl. fuel, at constant currency; yoy]



Full pipeline of measures to further improve unit costs

Eurowings Turnaround

- Reduction of operational complexity – one AOC in Germany
- Improvement of aircraft and crew productivity

Fleet and Standardization

- Harmonization of long-haul fleet
- Group-wide standardization of A320 family aircraft

Staff Productivity Gains

- More efficient crew staffing and rotation planning

Optimization of MRO Costs

- Shift of Line Maintenance from Lufthansa Technik to Lufthansa Airlines
- Increasing digitalization

Ops Standardization

- Group-wide harmonization of operations across airlines

Procurement

- Professionalization of procurement activities

Network Airlines target to reduce unit costs by 1-2% p.a.
Eurowings aims at a total reduction of 15% until 2022

Further cost efficiency improvements will be enabled by LEAN culture

LEAN Culture

Mindset

End-to-end view
Customer orientation
Challenge what we do

Leadership

Lead by example
Acceptance of failure
Transparent feedback

Enabling

Lean methods
Process Management
On the job

Projects

Continuous Improvement
KPIs
Tools/Applications

LEAN spans operations and administrative functions

Operations

Lufthansa Hub Munich

Reduce turnaround time

- Reduced delay minutes by -35%
- Increased punctuality by 12%
- **Reduced costs**

Admin

Procure to Pay Process

Increase automation & process quality

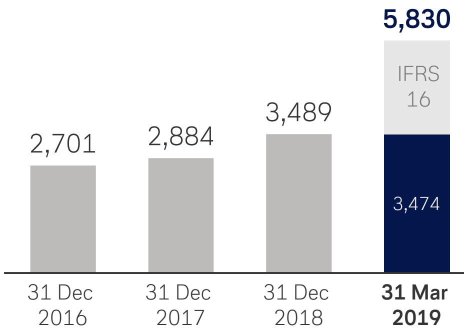
- Target to double degree of automation to 60%
- Increased transparency
- **Reduced costs**

LUFTHANSA GROUP

Balance sheet strength is a key competitive advantage

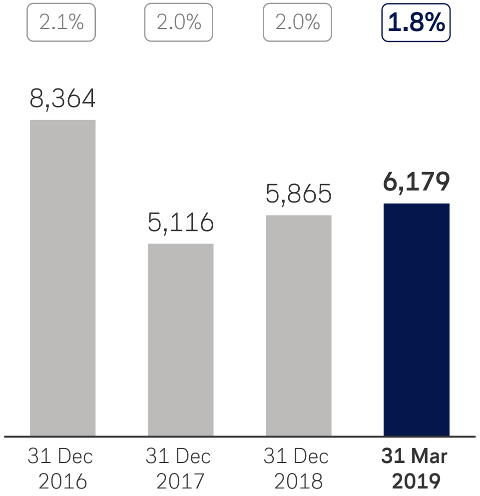
Net Debt

[in m EUR]



Pension provisions

[in m EUR] % = Discount Rate



Leverage

[Adj. Net Debt/Adj. EBITDA]

LUFTHANSA GROUP

Investment grade ratings secure attractive financing options

Credit Ratings

S&P Global Ratings	**Long-term:**	**BBB**
	Outlook:	Stable
Moody's	**Long-term:**	**Baa3**
	Outlook:	Stable
Scope Ratings	**Long-term:**	**BBB**
	Outlook:	Stable

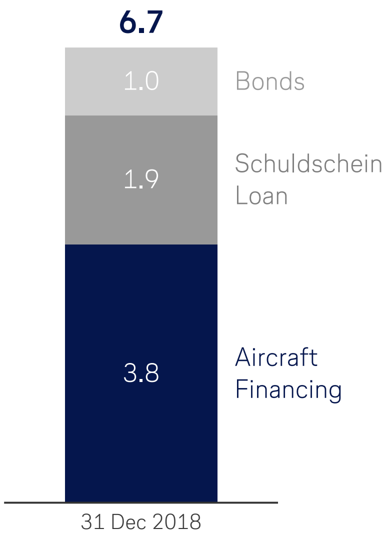
Low financing costs

&

Broad range of available financing sources

Gross Debt by Instrument

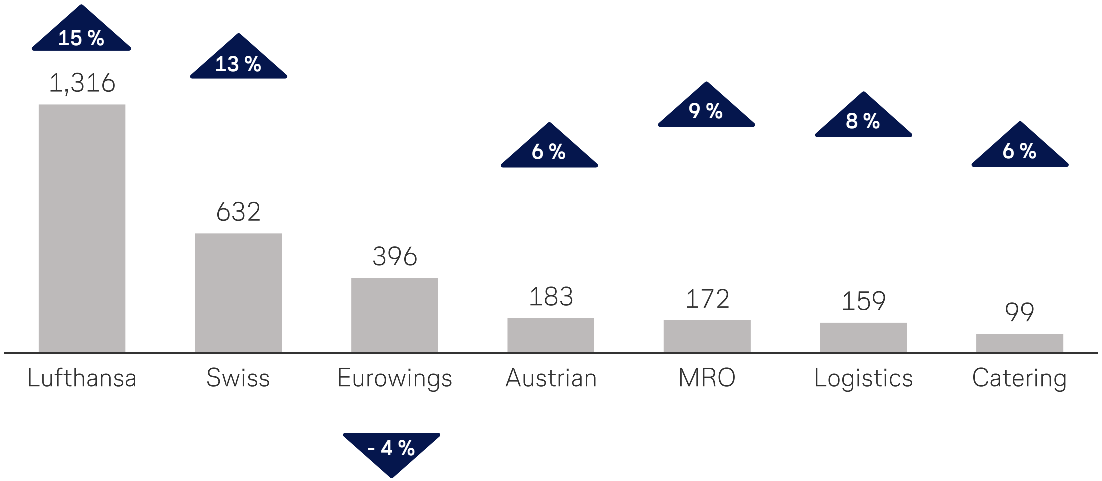
[in bn EUR]



Disciplined capex focused on enhancing capital returns

Gross Investments & Adj. ROCE

[Average p.a. 2014 – 2018] Gross Investments [in m EUR] Adj. ROCE, after tax



- Capital return performance drives investment allocation
- All investments must be accretive to Group Adj. ROCE
- Higher Eurowings investments reflect unique opportunity to consolidate the German market

LUFTHANSA GROUP

New Management compensation model fully aligned with shareholder interests

Targets:
- Adj. EBIT growth (42.5%)
- EBIT margin (42.5%)
- Non-financial targets (15%), in 2019:
  – Net Promoter Score (7.5%)
  – Employee Engagement Index (7.5%)

Base Salary

+

Short-Term Annual Bonus (STI)

+

Long-Term Incentive (LTI)

+

Pension

Targets:
- Adj. ROCE (42.5%)
- TSR performance relative to DAX (42.5%)
- Non-financial target(s) (15%), in 2019:
  – CO_2 efficiency

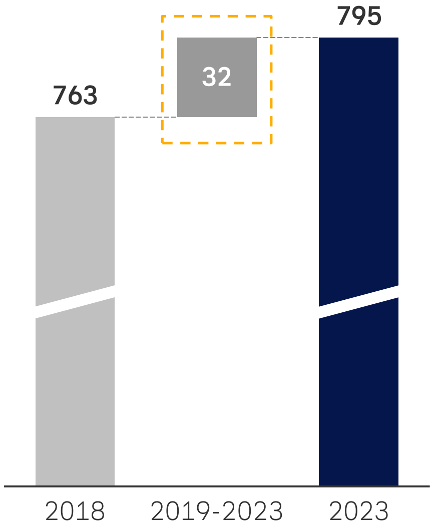
Share Ownership Guidelines (SOG)

Targets
- Minimum investment of 200% (CEO) / 100% (other Board members) of annual base salary in Lufthansa shares

Majority of aircraft orders are for fleet roll-over

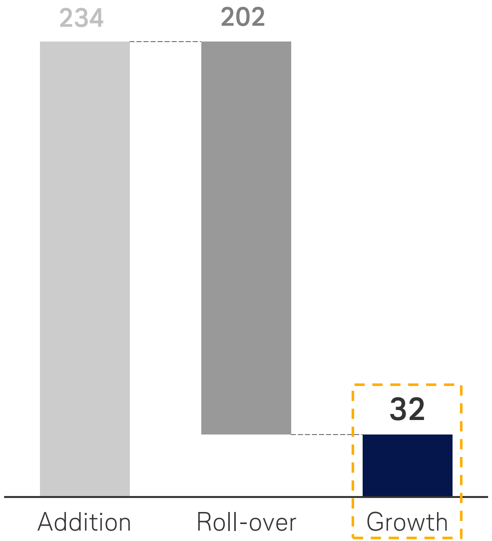
Fleet Size

[number of aircraft]



Fleet Additions & Roll-over 2019-2023

[number of aircraft]



Fleet Capex*

3.5bn

EUR, average p.a. 2019 – 2023

* Including aircraft/fleet, engines, cabin etc.

LUFTHANSA GROUP

Outright purchase remains primary choice for aircraft sourcing

Lufthansa Group's Fleet Structure

Outright purchase

Advantageous when aircraft is used until end of lifetime

Retirement of fully depreciated aircraft provides flexibility

Preferred choice for core of Group fleet also going forward

Leasing

Advantageous in cases of temporary capacity gaps

More expensive compared with debt financing

Short-term positive effect at the expense of long-term cash flows

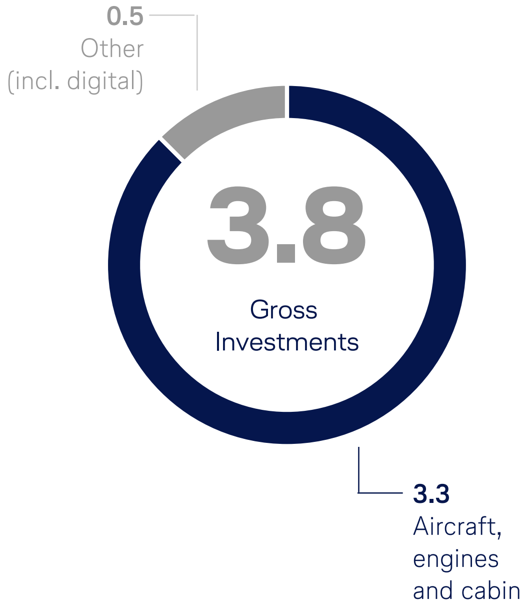
Suitable option to exploit market opportunities and to bridge temporary capacity gaps

LUFTHANSA GROUP

Higher investments will drive structural improvement of Group profitability

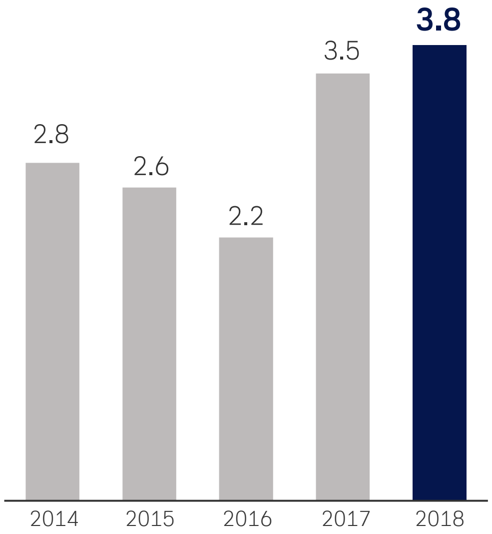
Investments by area 2018

[in bn EUR]



Investments 2014 – 2018

[in bn EUR]



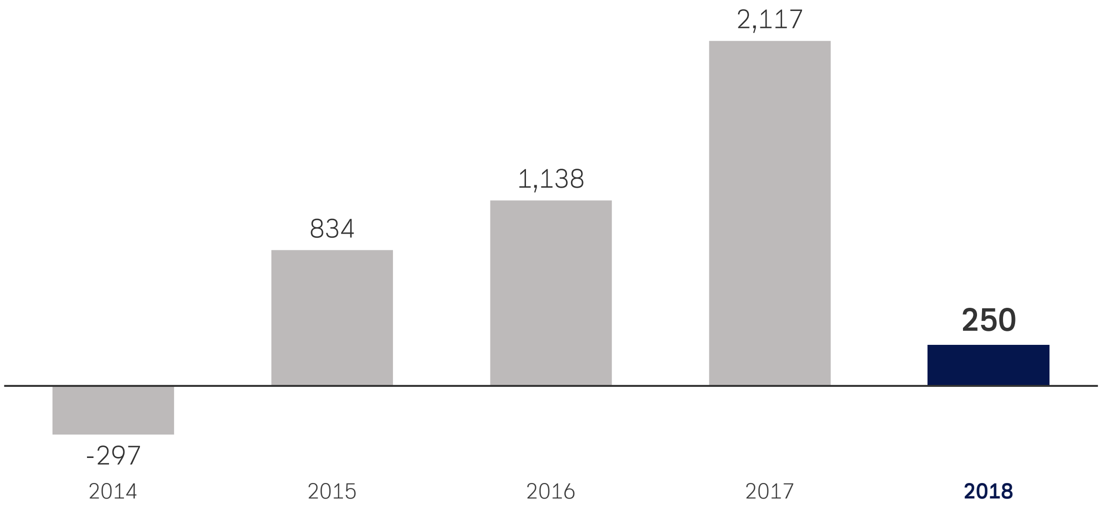
- Step up of investments partly due to accounting change
- Investments expected to amount to c. 3.6bn EUR in 2019, similar level in 2020
- Increase in 2021 due to fleet modernization

LUFTHANSA GROUP

Group targets to increase free cash flow

Free Cash Flow

[in m EUR]

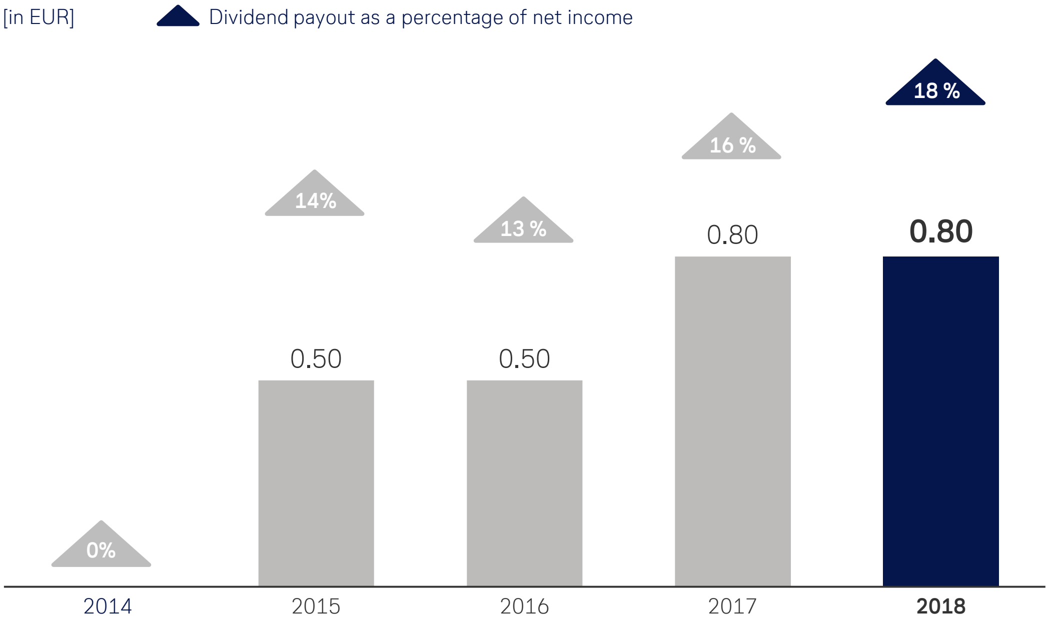


- Group generated average FCF of more than 800m EUR in the past five years
- ROCE-accretive investments will improve Group profitability and cash flow going forward

Group confident to achieve > 1bn EUR of free cash flow in the medium-term

We are committed to generate attractive shareholder returns

Dividend per share / dividend payout



- New dividend policy lifts payout to between 20% and 40% of net income*
- Replaces previous policy of payout of 10% to 25% of consolidated EBIT
- New policy aims at dividend continuity

* Adjusted for one-time gains and losses

LUFTHANSA GROUP

Unique investment case to create value for our shareholders

Best positioned to leverage brand, product and market strength

- Brand and product strength drive sustainably high yields at Network Airlines
- Focus on profitable growth: capacity up c.2% p.a. at Network Airlines, c.1% at Eurowings

In control of major profitability drivers

- Commercial strategy innovation at Network Airlines: 3% RASK contribution by 2022
- Efficiency gains & operations improvements: CASK down 1% to 2% p.a. at Network Airlines
- Eurowings turnaround: CASK down 15% by 2022, break-even 2021, >7% margin long-term

Clear focus on cash flow generation

- Strict ROCE focus will drive improvements over the cycle
- Free cash flow to grow to >EUR 1bn medium-term

Committed to disciplined capital allocation

- Higher returns to shareholders: payout of 20% to 40% of net income
- Disciplined M&A strategy based on clear set of objectives and criteria

LUFTHANSA GROUP