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
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
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**

- Adj. EBIT margin: 3.9% (2014) vs 7.1% (2018)
- Adj. ROCE (before tax): 7.9% (2018)

~ x2 increase
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
Lufthansa Group is increasingly focusing on its core airline business.

**Airline share of group Adj. EBIT**

- **78%**
- +18pts.

- **1** Airlines are primary investment focus
- **2** Portfolio review performed in 2018
- **3** Decision to divest LSG
Network Airlines and Eurowings: Two leading airline groups
In a fast growing industry, our airlines operate in Europe’s most attractive markets

<table>
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<tr>
<th>Country</th>
<th>GDP per capita in USD thousands</th>
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<tr>
<td>CH</td>
<td>83</td>
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<tr>
<td>NL</td>
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<td>HU</td>
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<td>PL</td>
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Growth of European aviation industry vs. GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth</th>
<th>RPK Growth</th>
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<tbody>
<tr>
<td>2018</td>
<td>1.9%</td>
<td>x3.6</td>
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</table>
Lufthansa Group is clear market leader in its home markets

2018 market shares
[by number of passengers]

- **Intra DACHB**: 80% (+17pts.)
- **DACHB – EU**: 36% (+4pts.)
- **DACHB – World**: 34% (+4pts.)

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
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
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 -

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

Result European non-hub traffic

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

Full integration
Individual/airline specific
“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

<table>
<thead>
<tr>
<th>Hub</th>
<th>Slot share Lufthansa Group</th>
<th>Slot share other airlines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frankfurt</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>Munich</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>Zurich</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>Vienna</td>
<td>59%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Expected average growth of runway capacity until 2024: 0-1%
The German market has proven difficult for competitors.
Continued consolidation will increase industry profits in Europe

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

Average industry EBIT margin

Top 5

Europe

USA

Market share vs. 2008

50% +12pts.

86% +19pts.
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
Logistics & Aviation Services: Every business must contribute to sustainable and profitable growth.
Non-passenger businesses must offer high level of synergies

1. Leading **market position**
   - Lufthansa Cargo: ✔
   - Lufthansa Technik: ✔
   - LSG group: ✔

2. Structurally **growing market**
   - Lufthansa Cargo: ✔
   - Lufthansa Technik: ✔
   - LSG group: ✔

3. High level of **synergies** with core business
   - Lufthansa Cargo: ✔
   - Lufthansa Technik: ✔
   - LSG group: ✗

<table>
<thead>
<tr>
<th></th>
<th>Lufthansa Cargo</th>
<th>Lufthansa Technik</th>
<th>LSG group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 Revenues (in bn EUR)</td>
<td>2.7</td>
<td>5.9</td>
<td>3.2</td>
</tr>
<tr>
<td>2018 Adj. EBIT margin</td>
<td>9.9%</td>
<td>7.2%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>
**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 LSG
group

1. Leading market position
   - 2nd 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

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

Strategic focus
Lufthansa Group strengthens its focus on its core business

**LSG Group**
- **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
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.
Balanced approach creates value for all stakeholders

- **Customer experience** allows improvements in
- **Customer loyalty & strong revenues**
- **Strong financial performance & shareholder return**

- **Investments in own employees & best product**
- **Employees**

- **Shareholders**

- **#1**

- **Customers**

**Customer satisfaction**

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CMD 2019  
Group Strategy  
Page 27
The execution of the Group’s strategy will drive strong financial results

Market-wide infrastructure constraints improve demand/supply ratio

Best positioned to leverage brand, product and market strength

Industry consolidation

In control of major profitability drivers

Converging cost position of legacy and LCCs

Clear focus on cash flow generation

Committed to disciplined capital allocation

Structural demand growth & focus on sustainability
Global market presence and new premium positioning create unique value proposition

- **Global Market Presence**
  - Reach
  - Flexibility
  - Consolidation

- **New Premium Position**
  - Customer Centricity
  - Business Growth
  - Operating Model

### Key Numbers
- **41k** O&Ds
- **4** Hubs
- **Multi** Airline Integration
- **30** Top Awards
- **104m** Passengers
- **Fast** Processes

**Commercial Development**

**Commercial Performance**
Three strongly positioned brands

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

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

Multi-Hub + JVs form Network of Networks

Joint Ventures

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

JV share of long-haul revenues

70%

EUR 13bn

STAR ALLIANCE

28 airlines

>1,300 airports

>18,800 flights per day
Multi-Hub system offers customers maximum choice and flexibility

“I would like to fly from Berlin to New York. I can select one out of 14 options that best suits my tight schedule.”
Flexible commercial integration models allow quick reaction to market dynamics

### Capacity Growth Rate

<table>
<thead>
<tr>
<th></th>
<th>2014¹</th>
<th>2019</th>
<th>2029²</th>
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<tbody>
<tr>
<td>Own platform (existing segments)</td>
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<tr>
<td>7.5%</td>
<td>5-25%</td>
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<td>5.6%</td>
<td>0-15%</td>
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<tr>
<td>7.6%</td>
<td>6-8%</td>
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<td>8.2%</td>
<td>5-7%</td>
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<tr>
<td>2.4%</td>
<td>2.3%</td>
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<tr>
<td>Own platform (new segments)</td>
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<td></td>
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<tr>
<td>1.3%</td>
<td>0-1%</td>
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<tr>
<td>1.0%</td>
<td>0-1%</td>
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Growth flexibility of +/- 3pts.

### Integration Models

- **Focused growth ex hubs**
- **White label platform(s)**
- **Secondary platform(s)**
- **Capacity provider**
- **Commercial integration**
- **Joint Venture**
- **M&A**

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

CMD 2019
Commercial Strategy Network Airlines
Page 7
Network Airlines’ business built on a diversified customer base

Revenue share by point of commencement
- DACH: 43%
- Rest of Europe: 28%
- Asia Pacific: 10%
- Africa & Middle East: 4%
- North America: 12%
- South America: 3%

Revenue share by segments
- Touristic: 30%
- Leisure: 10%
- Premium: 50%
Customer segmentation enables tailored products and services

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

Multi-Customer segments

Premium = defined individually by every customer

10% Traditional Premium

6% New Premium

5% Traditional Premium

10% New Premium
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
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)
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]

<table>
<thead>
<tr>
<th>Year</th>
<th>Flight-related</th>
<th>Non-Flight-related</th>
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<td>2015</td>
<td>284</td>
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<td>585</td>
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<td>2022</td>
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Tailored Offers & Services

- Individual food offers
- New variety of seat options
- Innovative retail marketplace
- Dynamic ancillary pricing
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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<table>
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<td>D</td>
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</table>
Revenue maximization by bundling the right offers and pricing them according to the customers’ willingness to pay

**Today – Static Branded Fares**

- **Economy Light**
  - 1 carry-on bag
  - Snacks & beverages
  - Rebooking
  - Refund

- **Economy Classic**
  - Seat reservation
  - 1 checked bag
  - 1 carry-on bag
  - Snacks & beverages
  - Rebooking
  - Refund

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

**Future – Need based bundles & upselling structure**

1. **Efficiency Bundles**
   - **BASE** 100 100
   - Efficiency Package  +50 150
   - Efficiency Package Plus +70 170

2. **Family Bundles**
   - **BASE** 100 100
   - Family Package  +30 130
   - Family Package Plus +60 160

3. **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

Growing Direct Distribution Share
[by number of bookings]

- 2015: 30%
- 2018: 45%
- 2019: >50%

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

- Data Driven Approach
- Initiatives along Customer Journey

CUSTOMER LOYALTY

- Product & Services
- Communication
- Analytics / Segmentation
- ID Management (incl. permission)
- Integrated Data Infrastructure
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
Our airlines’ premium positioning generates industry-leading yields

Long term unit revenue development

Revenue share of premium classes

RASK [in EUR Cent]
Strategic initiatives will continuously increase our revenues

New capabilities

1. Tailored Products
2. Dynamic Offering
3. Direct Customer Access

Ambition 2022

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

<table>
<thead>
<tr>
<th>Key facts Eurowings short-haul 2019</th>
<th>Our ambition</th>
</tr>
</thead>
<tbody>
<tr>
<td>442 Routes</td>
<td>Focus on <strong>point-to-point short-haul</strong></td>
</tr>
<tr>
<td>140 Destinations</td>
<td>Strengthen number one position in home markets and achieve a <strong>sustainably positive EBIT margin</strong></td>
</tr>
<tr>
<td>&gt;27 m Customers</td>
<td>Complement Lufthansa Network Airlines for <strong>joint market approach and value creation</strong></td>
</tr>
<tr>
<td>13 Bases</td>
<td></td>
</tr>
<tr>
<td>139 Aircraft</td>
<td></td>
</tr>
<tr>
<td>&gt;35 NPS</td>
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</table>
Clear number one in prime European point-to-point markets

Market Share 2019

<table>
<thead>
<tr>
<th>Airport</th>
<th>Eurowings operative fleet</th>
<th>EW</th>
<th>LHG</th>
<th>U2</th>
<th>FR</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>DUS</td>
<td>38%</td>
<td>14%</td>
<td></td>
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<tr>
<td>CGN</td>
<td>47%</td>
<td>9%</td>
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</tr>
<tr>
<td>HAM</td>
<td>31%</td>
<td></td>
<td>26%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>STR</td>
<td>41%</td>
<td></td>
<td>10%</td>
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</tr>
</tbody>
</table>

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

Market leader in core home bases

High-value catchments, e.g. purchasing power, corporate accounts
Eurowings builds on a strong market footprint and well established commercial approach

**Eurowings' capacity deployment**

- # of aircraft deployed: 33, 18, 88
- Profitability / flight: <20%, 20-35%, >35%
- Eurowings market share: <20%, 20-35%, >35%

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

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

**Strong track record leveraging commercial strength in wing-to-wing competition**
Eurowings achieves significant yield premium

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 Oct-Sep18 (GBP/EUR 1.15), W6 Apr-Mar19;

CMD 2019 | Eurowings Turnaround
Past years' growth came at the expense of increased complexity

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

Focus on following pages
## Focus on simplicity: How we manage the turnaround

### Our focus 2019-2022

<table>
<thead>
<tr>
<th>Business model adjustment and dimensioning</th>
<th>Structural cost improvement</th>
<th>Digital and ancillary push</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exit long-haul business and focus on short-haul only</td>
<td>Reduce to one AOC in Germany</td>
<td>Eurowings Digital</td>
</tr>
<tr>
<td>Re-focus short-haul network</td>
<td>Increase productivity</td>
<td>Enhance ancillary portfolio</td>
</tr>
<tr>
<td></td>
<td>Modernize and harmonize fleet</td>
<td>Improve digital sales channels</td>
</tr>
<tr>
<td></td>
<td>Decrease overhead costs</td>
<td></td>
</tr>
</tbody>
</table>
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

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

Strategic core markets

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

Other markets

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

CAGR

- 2015: +19%
- 2016: +19%
- 2017: +19%
- 2018: +1%
- 2019: +1%
- 2020: +1%
- 2021: +1%
- 2022: +1%
One AOC in Germany: Reduce complexity and enable higher productivity

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

2018: 4 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

2019 transition: 2 AOCs

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**

<table>
<thead>
<tr>
<th>Year</th>
<th>Crew redundancies</th>
<th>Proceedings</th>
<th>Optimization: Duty days</th>
<th>Optimization: BH/day</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**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)**

-€0.20cts.

Note: Cockpit and cabin crew

CMD 2019 | Eurowings Turnaround
**Increase productivity:**
Improve aircraft productivity up to 15 percent

### 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

<table>
<thead>
<tr>
<th>Aircraft productivity (asset)</th>
<th>BH / A/C p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019e</td>
<td>~3,000</td>
</tr>
<tr>
<td>2022</td>
<td>&gt;3,300</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Short-haul fleet size</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>139</td>
</tr>
<tr>
<td>2022</td>
<td>&gt;10-20%</td>
</tr>
</tbody>
</table>

**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)**

<table>
<thead>
<tr>
<th>2019-2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>€0.10 cts.</td>
</tr>
</tbody>
</table>

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**

**Phase out 70-seat turboprops**
- Return Dash 8 wetleases
- Increase gauge size to lower unit cost

| 15 |

| 9 |

**Reduce narrow body wetleases**
- Substitute by own Eurowings operated aircraft
- Future focus for wetleases: Summer only

| 115 |

**Roll-over of oldest own aircraft**
- Today, oldest aircraft with 28 years
- Substitute by A320neo from Lufthansa Group order book

**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)**

- €0.30 cts.

2019-2022
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
- 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

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

Ancillary revenue per passenger

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>2019e</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>+9% CAGR</td>
</tr>
</tbody>
</table>

1. Except for business class

CMD 2019 I Eurowings Turnaround
Eurowings short-haul CASK: 15% reduction until 2022

CASK in €cts.

- CASK 2018: 6.60
- CASK 2019e: 6.10
- 2019 measures: 0.50
- Higher productivity: 0.30
- Fleet modernization: 0.30
- Overhead cost: 0.15
- Other: 0.15
- CASK target 2022: 5.20

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

#### Business model adjustment and dimensioning
- Exit long-haul business
- Re-focus short-haul network

#### Structural cost improvement
- Reduce to one AOC in Germany
- Improve productivity
- Modernize and harmonize fleet
- Decrease overhead costs

#### Digital and ancillary push
- Improve digital sales channels and enhance ancillary portfolio

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
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</thead>
<tbody>
<tr>
<td>Exit long-haul</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>business</td>
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<tr>
<td>Re-focus short-haul</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<td>network</td>
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<tr>
<td>Reduce to one AOC</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>in Germany</td>
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</tr>
<tr>
<td>Improve productivity</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Modernize and</td>
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<td>✔</td>
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<tr>
<td>harmonize fleet</td>
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<tr>
<td>Decrease overhead</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>costs</td>
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<tr>
<td>Improve digital</td>
<td>✔</td>
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<td>✔</td>
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<tr>
<td>sales channels</td>
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</tr>
<tr>
<td>and enhance ancillary</td>
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<td></td>
</tr>
<tr>
<td>portfolio</td>
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</tbody>
</table>
Key messages

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%

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

Joint market approach and value creation with the Network Airlines
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

Current focus areas
1. Fleet
2. Sustainability
3. Crew
4. Operational Excellence
5. System Partners
6. Digitalization

Ensure optimal use of resources and maximize performance of operations at Group airlines
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
Reduction of fleet complexity has positive impact on costs and efficiency

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.
Standardized A320 family enables flexible fleet reallocation across the Group

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

Past: 28 A320 sub-fleets
Investment in new technology is a major lever to reduce CO₂ emissions

1. Orders of new and more efficient aircraft ensure that CO₂ 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 CO₂ reduction potential.

**Carbon neutral growth**

[CO₂ in million tons]

- CO₂ emissions with planned fleet growth based on current technology.
- CO₂ emissions with planned fleet growth based on new engine technology.
- -6 million tons CO₂ p.a.
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

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

- 37 reserve A/C
- 200 additional mechanics
- Improved customer information
- +20k more first wave flights on time
- 10-15% reduction of turnaround time
- 5.5 mio. minutes = 10 years process time
- Automated train rebooking
- 15% faster boarding by new processes
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.
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.
Group has implemented multiple measures to drive ATC performance improvements

- Initiatives under way to push automation and upgrade technology in ATC processes
- Group supports German Air Traffic Control (DFS) to increase productivity
- Close cooperation with the Network Manager / Eurocontrol
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
Operative Decision Support: Use of Artificial Intelligence to enhance planning processes and implement predictive steering

Integrated optimization algorithms enable improved steering and enhanced planning, increasing efficiency of operations.
Strategic initiatives will continuously reduce our costs

Focus areas

1. Fleet
2. Sustainability
3. Crew
4. Operational Excellence
5. System Partners
6. Digitalization

Ambition

Reduction of operations costs

-1% to -2% p.a.
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.
Group growth has gone hand-in-hand with significant profitability improvements

**Number of Passengers**

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<tr>
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<tbody>
<tr>
<td></td>
<td>77</td>
<td>93</td>
<td>101</td>
<td>104</td>
<td>105</td>
<td>106</td>
<td>108</td>
<td>110</td>
<td>129</td>
<td>142</td>
</tr>
</tbody>
</table>

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

**Total Revenue & Adj. EBIT**

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<tbody>
<tr>
<td></td>
<td>130</td>
<td>2,836</td>
<td>22,283</td>
<td>35,844</td>
<td></td>
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<td></td>
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Total Revenue increased by **61%**, profitability brought to the **next level**

**Adj. ROCE**

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<tbody>
<tr>
<td></td>
<td>1.4</td>
<td>5.7</td>
<td>4.6</td>
<td>6.0</td>
<td>7.1</td>
<td>9.3</td>
<td>11.0</td>
<td>15.9</td>
<td>14.2</td>
<td></td>
</tr>
</tbody>
</table>
## 2019 financial guidance adjusted

### Passenger Airlines

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

### Non-PAX

<table>
<thead>
<tr>
<th>Category</th>
<th>Logistics</th>
<th>MRO</th>
<th>Catering</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth</td>
<td>stable</td>
<td>up mid-single digit</td>
<td>stable</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBIT margin</td>
<td>3% to 5%</td>
<td>7% to 8%</td>
<td>2% to 4%</td>
<td>-50m EUR</td>
</tr>
<tr>
<td>Adjusted EBIT (year-on-year change)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Lufthansa Group

<table>
<thead>
<tr>
<th>Category</th>
<th>Adj. EBIT margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth</td>
<td>up low-single digit</td>
</tr>
<tr>
<td>Adj. EBIT margin</td>
<td>5.5% to 6.5%</td>
</tr>
</tbody>
</table>
Lufthansa Group is reducing unit costs for the fourth year in a row

<table>
<thead>
<tr>
<th>CASK Reductions</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Group airlines CASK excl. fuel, at constant currency; yoy]</td>
<td>-2.5%</td>
<td>-1.8%</td>
<td>-1.7%</td>
<td></td>
</tr>
</tbody>
</table>

### Labor Agreements
- Productivity and cost improvements in cockpit and cabin

### Re-Organization
- Implementation of matrix organization
- Reduction of management levels

### Fleet modernization
- Fleet roll-over

### Infrastructure
- New agreements with major system partners
- Closer cooperation

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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

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

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

Ops Standardization
- Group-wide harmonization of operations across airlines

Staff Productivity Gains
- More efficient crew staffing and rotation planning

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

**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
Balance sheet strength is a key competitive advantage

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>2,701</td>
<td>2,884</td>
<td>3,489</td>
<td>5,830</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>IFRS 16</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,474</td>
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<td>8,364</td>
<td>5,116</td>
<td>5,865</td>
<td>6,179</td>
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</tbody>
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</thead>
<tbody>
<tr>
<td>2.1%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>1.8%</td>
<td></td>
</tr>
</tbody>
</table>

maximum target threshold: 3.5

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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

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Low financing costs & Broad range of available financing sources

**Gross Debt by Instrument [in bn EUR]**
- **Bonds**: 1.0
- **Schuldschein Loan**: 1.9
- **Aircraft Financing**: 3.8

31 Dec 2018
Disciplined capex focused on enhancing capital returns

**Gross Investments & Adj. ROCE**

[Average p.a. 2014 – 2018]

- **Gross Investments [in m EUR]**
  - Lufthansa: 1,316
  - Swiss: 632
  - Eurowings: 396
  - Austrian: 183
  - MRO: 172
  - Logistics: 159
  - Catering: 99

- **Adj. ROCE, after tax**
  - Lufthansa: 15%
  - Swiss: 13%
  - Eurowings: 6%
  - Austrian: 9%
  - MRO: 8%
  - Logistics: 6%
  - Catering: -4%

- 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
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**

**Share Ownership Guidelines (SOG)**

**Targets:**
- Adj. ROCE (42.5%)
- TSR performance relative to DAX (42.5%)
- Non-financial target(s) (15%), in 2019:
  - CO₂ efficiency

**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]

- 2018: 763
- 2019-2023: 32
- 2023: 795

**Fleet Additions & Roll-over 2019-2023**
[number of aircraft]

- Addition: 234
- Roll-over: 202
- Growth: 32

**Fleet Capex***

3.5bn

EUR, average p.a. 2019 – 2023

* Including aircraft/fleet, engines, cabin etc.
Outright purchase remains primary choice for aircraft sourcing

Lufthansa Group’s Fleet Structure

763 Aircraft operating 2018

- 94% owned
- 6% leased

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
Higher investments will drive structural improvement of Group profitability

**Investments by area 2018**

- Gross Investments: 3.8
- Aircraft, engines and cabin: 3.3
- Other (incl. digital): 0.5

**Investments 2014 – 2018**

- 2014: 2.8
- 2015: 2.6
- 2016: 2.2
- 2017: 3.5
- 2018: 3.8

- 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
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

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend per share (EUR)</th>
<th>Dividend payout as a percentage of net income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.50</td>
<td>0%</td>
</tr>
<tr>
<td>2015</td>
<td>0.50</td>
<td>14%</td>
</tr>
<tr>
<td>2016</td>
<td>0.50</td>
<td>13%</td>
</tr>
<tr>
<td>2017</td>
<td>0.80</td>
<td>16%</td>
</tr>
<tr>
<td>2018</td>
<td>0.80</td>
<td>18%</td>
</tr>
</tbody>
</table>

- 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
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