LUFTHANSA GROUP

Bernstein 17th Annual Pan European Strategic Decisions Conference

23 September 2020
Carsten Spohr,
Chairman of the Executive Board

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Agenda

01 First Half Year Results 2020

02 Financial stabilization package

03 Outlook

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Path to "New Normal" requires a restructuring of the business

Grounding

-99%
Passengers

Restart

Flexibility

As of May

Recovery

Transformation & Restructuring

As of Q3 2020

New Normal

Competitiveness & Ability to invest

Expected 2023

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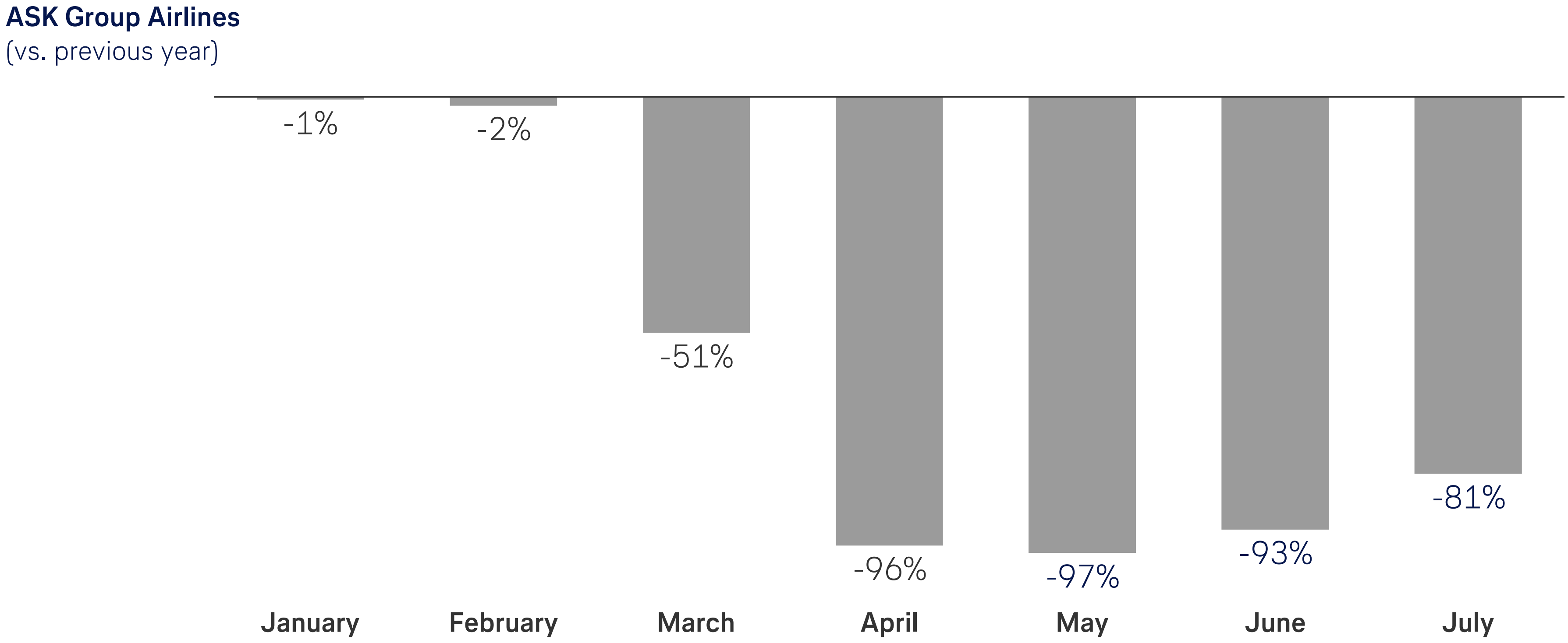
Restart of flight operations in May followed by gradual capacity expansion



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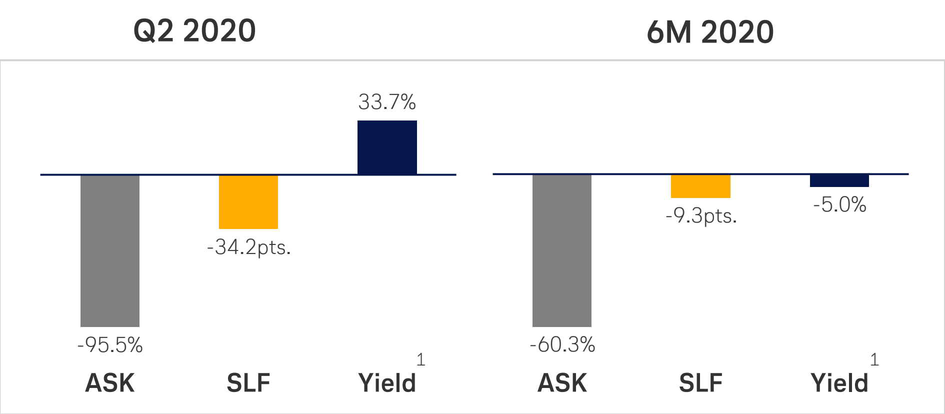
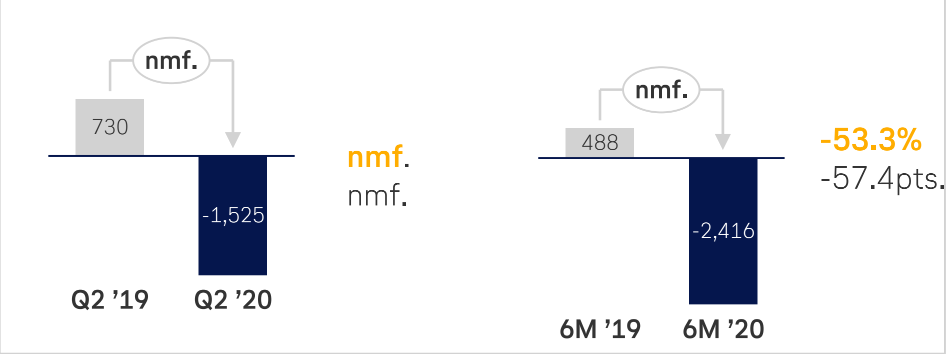
Network Airlines: Almost complete standstill of business in Q2

Operational KPIs



Adjusted EBIT / Margin



Comments

- Lufthansa and SWISS mainly operate repatriation flights in April and May, Austrian Airlines and Brussels Airlines grounded until mid-June
- Gradual expansion of flight schedules in June
- 64% operating expense reduction in Q2 only partly compensates revenue shortfall

[1] Excl. currency

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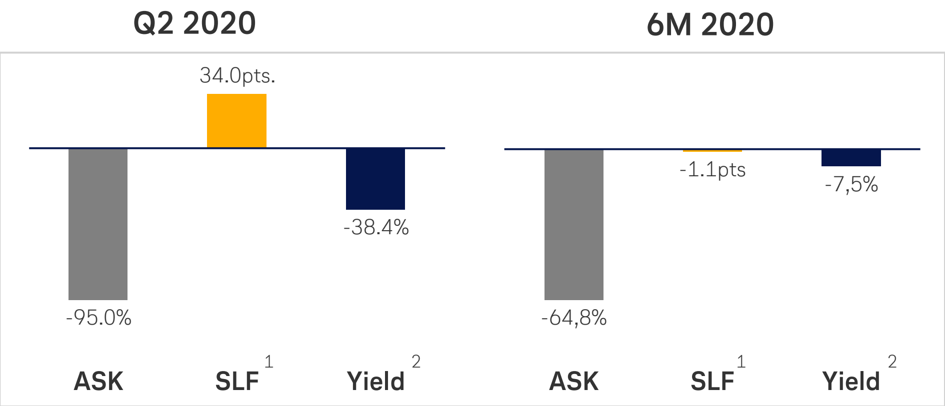
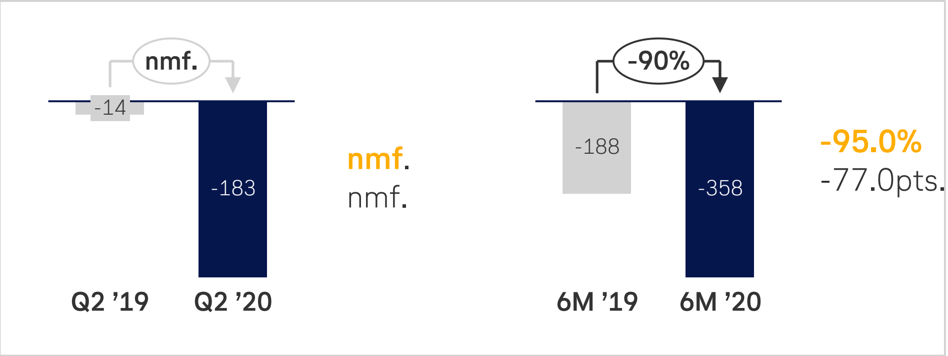
Eurowings: Operating profit declines despite significant cost reductions

Operational KPIs



Adjusted EBIT / Margin



Comments

- Significant reduction of flight schedule in the second quarter
- Operating expenses down 66% in the second quarter, primarily driven by implementation of short-time work, other personnel measures and reduction of discretionary spend
- Adjusted EBIT declines 90% in the first half year

[1] Based on bookings [2] Excl. currency

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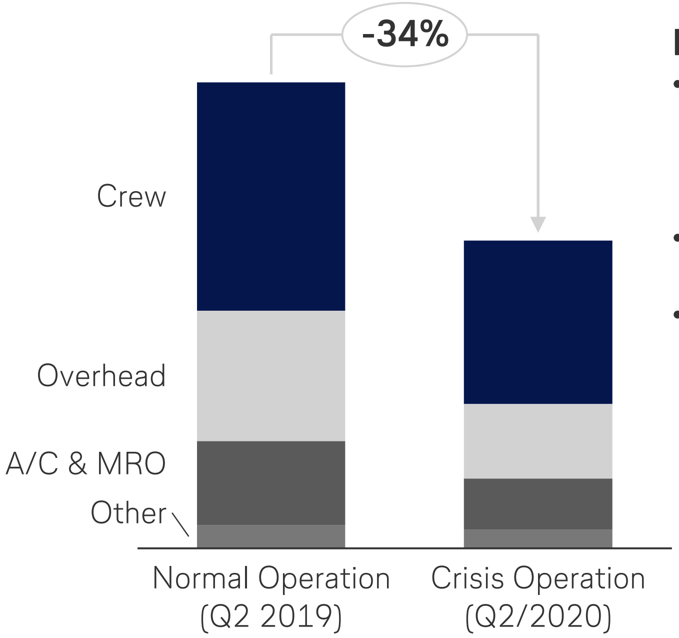
Fixed cash cost reduction limits monthly cash burn to c. EUR 550 million

Airline fixed cash costs reduced significantly



Key drivers:

- Implementation of short-time work (up to 90k employees) and other personnel cost measures
- Project postponements and cancellations
- Shift of aircraft maintenance

Q2 Group cash burn

c. EUR 550 million

average monthly operating cash burn (excluding working capital, investing and financing cash flows)

- Cash in
- Personnel
- Material
- Fuel overhedging
- Rents
- Other

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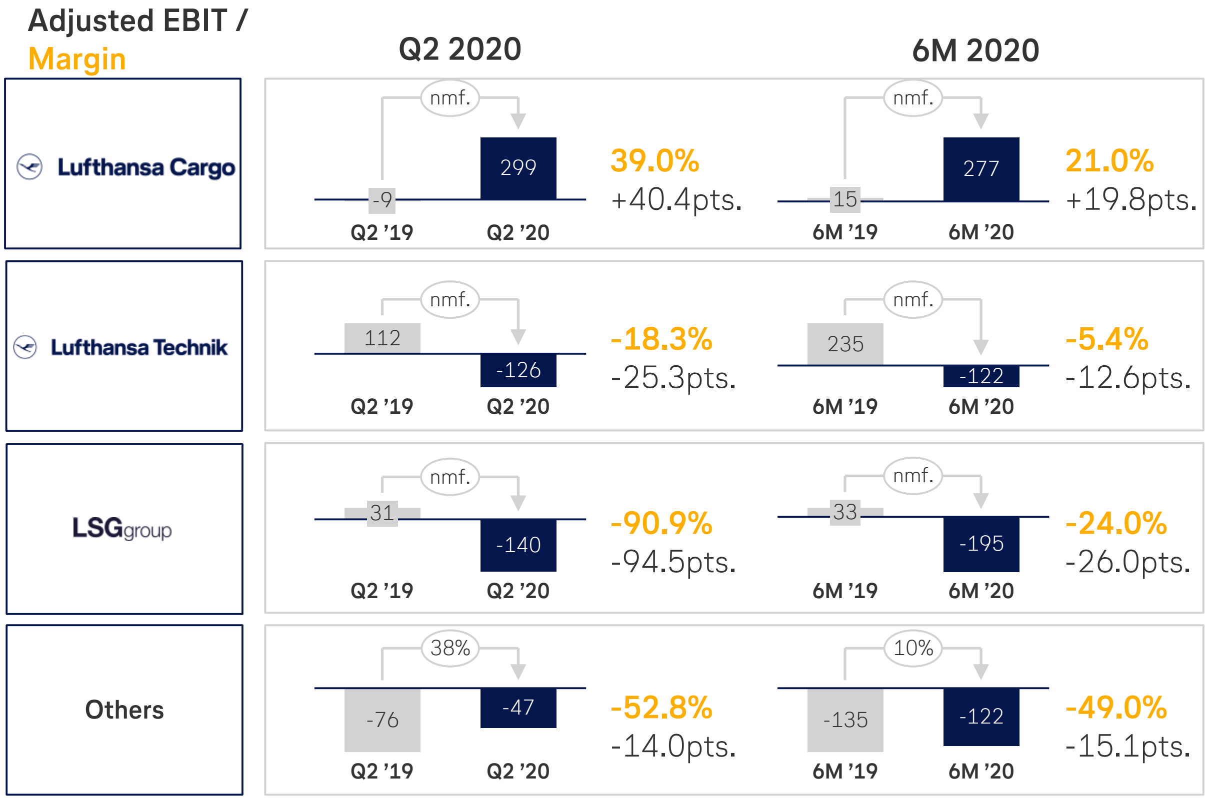
Profits in Logistics segment up strongly, losses in MRO and Catering



Comments

- Profits in Cargo business benefit from doubling of yields in the second quarter as a result of capacity squeeze from grounding of passenger aircraft
- MRO and Catering segments hit hard by almost complete grounding of global commercial aircraft fleet
- Cost reductions in central functions more than offset Adjusted EBIT declines in Other Businesses

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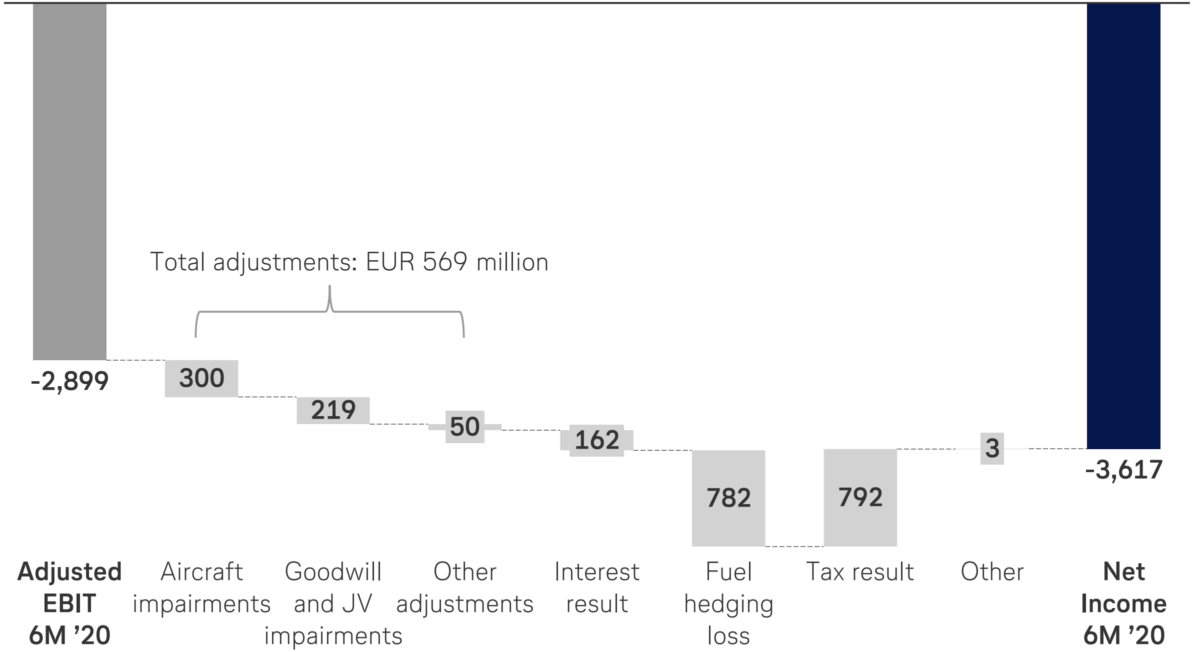
Impairments and fuel hedging losses burden net income

Adjusted EBIT / Net Income 6M 2020



Comments

- Aircraft impairments relate to 65 planes which will be permanently grounded
- Goodwill impairments relate to LSG US, Eurowings and JV operations of Lufthansa Technik
- Oil price recovery reduces fuel hedging loss by EUR 205 million compared to Q1

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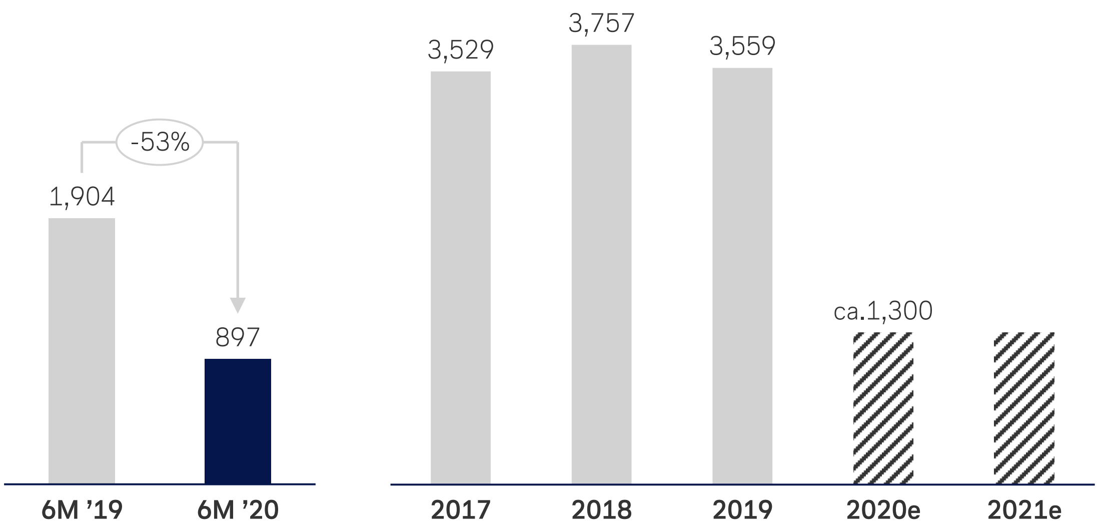
Investments reduced drastically in response to the crisis

Gross Investments[1]



Comments

- Strong progress made in negotiating adjustment of aircraft payment and delivery schedules with aircraft manufacturers
- 23 aircraft deliveries planned in 2020 (9 received in H1), 12 in 2021
- Investments expected to amount to EUR circa 1.3 billion in 2020, similar level in 2021

[1] Excluding cash-outs from equity investments
[2] Amortization of operating lease obligations shown in financing cash flow

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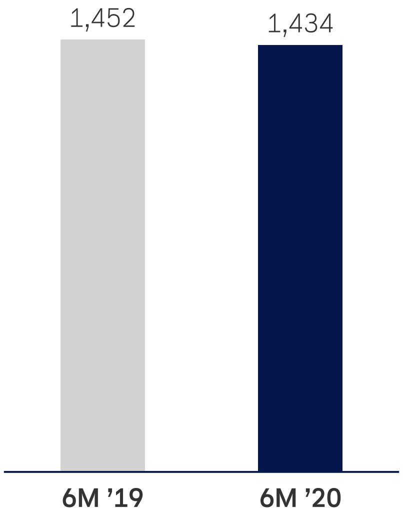
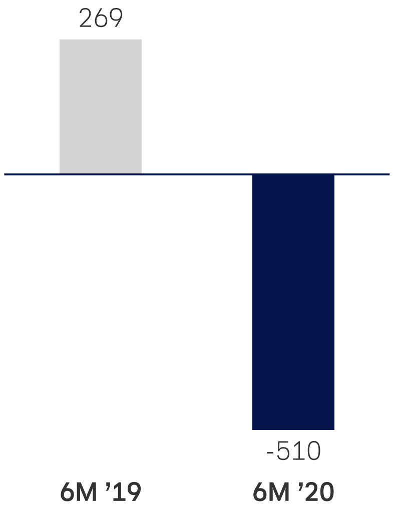
Group-wide focus on cash preservation limits free cash flow decline

Working Capital Contribution to Operating Cash Flow



Adjusted Free Cash Flow



Comments

- Strict focus on cash preservation implemented across the Group
- Receivables reduction and successful negotiations with suppliers support stable working capital contribution to operating cash flow
- Positive tax effects and lower investments further limit free cash flow decline relative to earnings

[1] Excluding cash-outs from equity investments
[2] Amortization of operating lease obligations shown in financing cash flow

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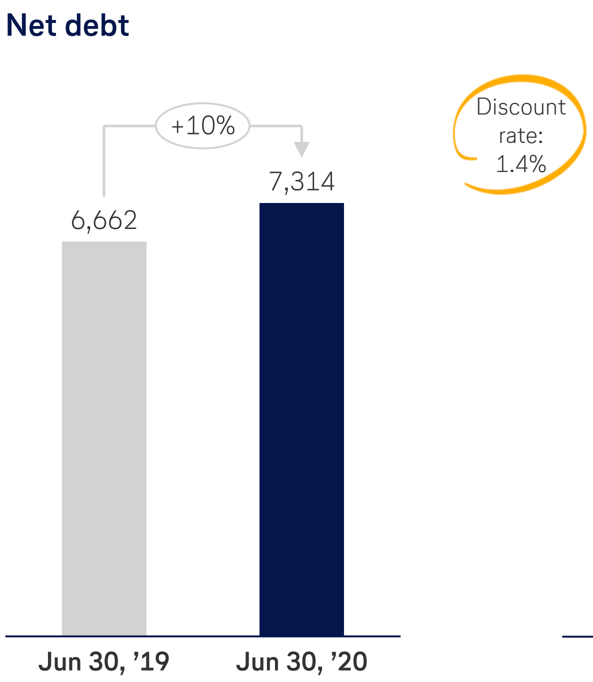
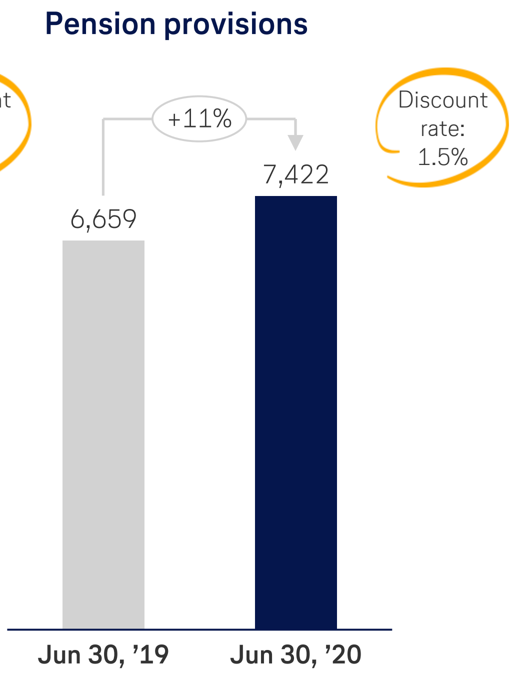
Net debt increases only moderately relative to earnings decline





Comments

- Only moderate decline of net debt compared to year-end
- Pension provisions increase due to negative asset performance
- Adjusted Net Debt/12-month Adjusted EBITDA increases 7.5 points to 10.3

[1] Excluding cash-outs from equity investments
[2] Amortization of operating lease obligations shown in financing cash flow

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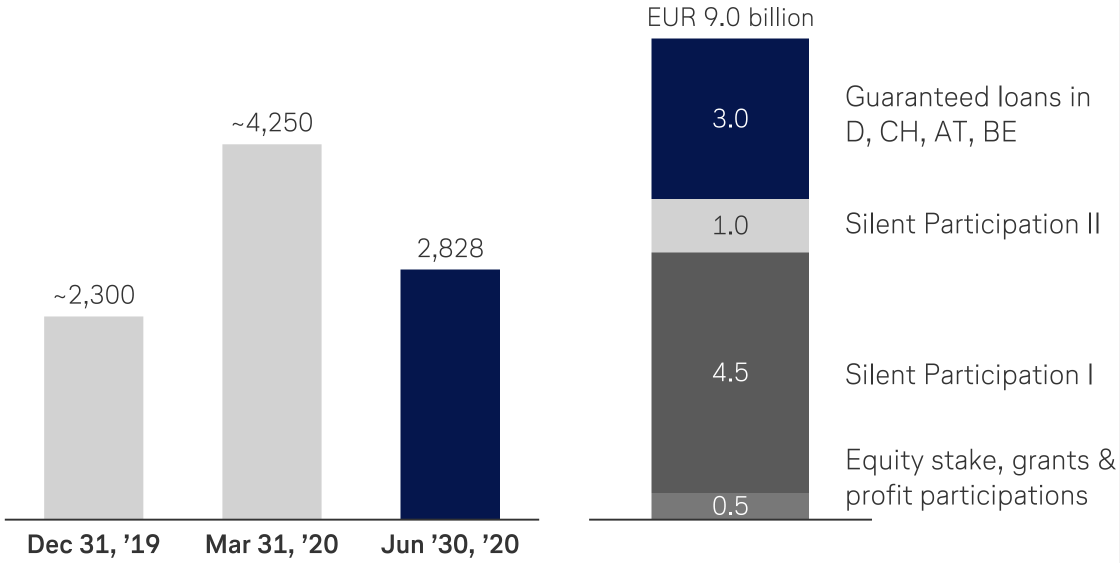
Stabilization measures ensure the Group's going concern

Centrally available liquidity & Stabilization package (undrawn as of Jun 30, '20)



Conclusion

c. EUR 11.8 billion

Total available liquidity as of June 30, 2020

- Group fully funded for the next twelve months
- Enables public market refinancing, two aircraft-backed loans secured in July (EUR 167m)
- Contributes to maintaining the Group's global competitiveness and financial strength

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Agenda

01 First Half Year Results 2020

02 Financial Stabilization Package

03 Outlook

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Financial Stabilization Package - Key Points

- Stabilization package agreed with the German Economic Stabilization Fund (ESF) **ensures going concern and viability** of the Lufthansa Group

- Result of **intense negotiations** with the ESF and EU Commission

- **Secures the necessary strategic and operational flexibility** of Lufthansa Group in the current challenging environment

- **Preserves integrity** of Lufthansa Group as an **integrated airline group**

- **Balanced approach protecting all stakeholder groups** (shareholders, creditors, customers, business partners, employees, German tax payers)

Key facts around the stabilization package

Key elements of the stabilization package	▪ **EUR 5.7 billion silent participation** ▪ EUR 4.7 billion accounted as equity[1] (“Silent Participation I” and grant in AT) ▪ EUR 1.0 billion accounted as financial debt[1], incl. conversion rights for ESF (“Silent Participation II”) ▪ **EUR 2.0 billion state-guaranteed loans** in Switzerland, Austria and Belgium ▪ **EUR 1.0 billion syndicated credit facility**, 80% backed by KfW ▪ **20% direct stake** by the ESF, contributing **EUR 0.3 billion equity**
Additional terms and conditions	▪ Conditions include, among other, no dividend payments for the time of the stabilization measure, limitations on management compensation, 2 seats on Supervisory Board to be filled in agreement with ESF, commitment to invest in further CO_2 emission reduction ▪ Except in the event of a takeover, the ESF agrees not to exercise its voting rights at the AGM in connection with the ordinary resolutions of regular AGMs
Clear exit perspective	▪ Subject to full repayment of the silent participations and certain minimum price, obligation of the ESF to sell all shares by Dec 31, 2023 ▪ **Clear take-out and refinancing plan in place to redeem instruments** of the stabilization package with clear target to return to **Investment Grade** credit rating over the mid-term
Shareholder and regulatory approval	▪ **Approved by EGM** on June 25, 2020 ▪ **Clearance by EU Commission** received on June 25, 2020

1) According to German GAAP (HGB) and IFRS

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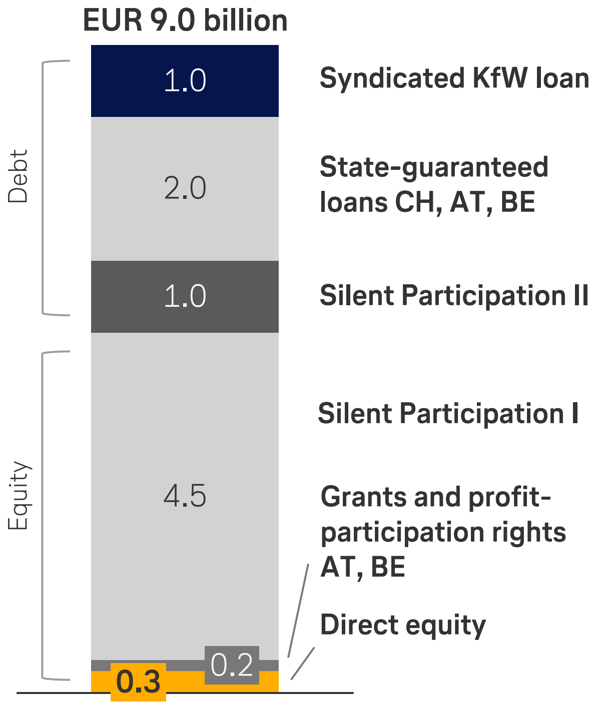
Overview of the ESF stabilization package



- **Syndicated loan**; 80% backed by KfW
- **Maturity of 3 years** with margin grid linked to rating

- **State-guaranteed loans** of EUR 1.4 billion in Switzerland, EUR 300 million in Austria and EUR 290 million in Belgium

- Linked to certain **conversion rights,** maturity of six years
- **Financial liability** under IFRS / German GAAP

- Accounted for as **equity according to IFRS / German GAAP**
- **No maturity** – repayment and coupon payments at discretion of LHG

- **20% direct share issuance** to ESF at EUR 2.56 per share

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Key elements of the silent participation and equity instruments

Silent Participation I and II

- **Silent Participation I**
  - Deeply subordinated / only senior to equity
  - Key features include loss participation and coupon deferral right
  - No maturity
  - Accounted as equity acc. to IFRS / German GAAP
  - Broadly linear coupon step-up from 4% p.a. in 2020 / 2021 to 9.5% p.a. from 2027 onwards
- **Silent Participation II**
  - Two tranches with conversion features
  - 6 year maturity with extension option until full repayment of Silent Participation I
  - Broadly linear coupon step-up from 4% p.a. in 2020 / 2021 to 9.5% p.a. from 2027 onwards

Share issuance and conversion rights

Direct share issuance

EUR 306 million

- **119.5 million shares** issued at EUR 2.56
- Subject to full repayment of the silent participations and minimum price, obligation by ESF to sell all shares by Dec 31, 2023

Conversion rights of Silent Participation II

EUR 102 million

- In case of a takeover or after sale of the instrument by the ESF: right to convert into **39.8 million shares** at a price of EUR 2.56

EUR 898 million

- In case of non-payment of Silent Participation I coupons until 2024 (and/or until 2026) right to convert into **5% of share capital**, respectively, at 5.25% discount to market price
- **Dilution protection** for 20% stake in case of a non-pre-emptive capital increase or for 25% stake in case of a takeover, at a 10% discount to market price

1) Minimum sale price of EUR 2.56 per share plus an annual interest of 12%

Syndicated KfW loan with three year maturity

Key terms

EUR 1 billion

syndicated credit facility

3 year

total maturity

Secured

debt instrument backed by aircraft and other assets

Comments

- EUR 1 billion syndicated revolving credit facility with
  - **80%** held and backed by KfW, and
  - **20%** syndicated to a bank consortium
- Loan **backed by shares in Lufthansa's aircraft holding companies**
- Any **proceeds** from capital market financing (both equity or debt) or resulting from a sale of assets / shares in subsidiaries (with few exceptions) shall be used to repay the KfW facility
- Interest rate of EURIBOR plus **3.25% p.a. in 2020** (based on current BB rating by S&P), thereafter between 2.75% and 4.75% depending on credit rating of LH Group
- Support measures in Austria, Belgium and Switzerland **ring-fenced** from KfW facility

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Other key terms and conditions of the stabilization package

Board representation	▪ **2x seats on the Supervisory Board** filled in agreement with the German government with Angela Titzrath (CEO HHLA) and Michael Kerkloh (ex-CEO Munich Airport)
Voting rights	▪ Except in the event of a takeover, the ESF agrees **not to exercise its voting rights** at the AGM in connection with the usual resolutions of ordinary AGMs
Dividends and share repurchases	▪ **No dividend payments** and share repurchases until full exit from the stabilization package
Fleet and emission reduction	▪ Subject to economic viability and market environment, commitment to invest in further **CO_2 emission reduction** of the fleet ▪ Investment in up to 80 new aircraft from 2021 to 2023 to modernize the fleet ▪ Expand strategic cooperation on aircraft fuels from environmentally friendly sources
Management compensation	▪ Restrictions on fixed and variable **management remuneration** until repayment of 75% of the stabilization package
Other	▪ **Ban on acquisitions of >10% of a target's share capital** until 75% of the stabilization package has been repaid

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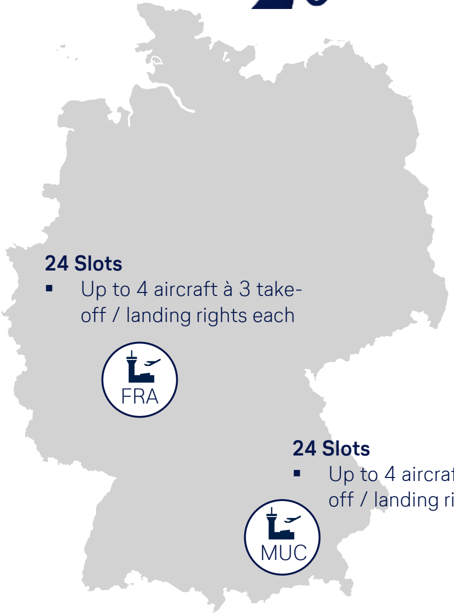
Slot remedies agreed with the EU Commission

Overview of slot transfers

Total of 48 slots transfers



Key facts and conditions

- Lufthansa Group to transfer a total of 48 take-off and landing rights (slots) to a competitor
  - **3 take-off and 3 landing rights per aircraft per day** for the stationing of **up to 4 aircraft** at **Frankfurt International Airport** and at **Munich International Airport**
  - Resulting in **up to 24 daily slots each at both airports**
- The slots will be allocated in a bidding process and can only be taken over by a European competitor not subject to substantial government recapitalization during the COVID-19 pandemic
- Option available to a new competitor only for first 1.5 years
- If no new competitor makes use of this option, it will be extended to existing competitors at the respective airports

Agenda

Lufthansa Group remains the leading European airline group

Sustainable balance of all stakeholders' interests

- Based in economically strong home markets: Germany, Switzerland, Austria, Belgium
- Flexible multi-hub model with premium network airlines as core
- Strategically increasing point-to-point and leisure business
- Strong financial foundation: valuable portfolio of Aviation Services. Flexible, unencumbered fleet
- #1 employees of the industry

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Ambitious targets for the New Normal

Targets 2023

- Business unit restructuring plans achieved
- Maximum payback of stabilization package
- >22,000 FTE reduced to adjust to new size
- 15% productivity increase by 2023
- Redimensioned minus 150 A/C in 10 AOCs
- Corporate Headquarter and LH Group portfolio restructured to contribute to airline focus

Core elements of the restructuring program Re**New**

Business Units

Re**Structure**

Business unit restructuring

Lufthansa New Tomorrow · Alpenrose · ReBoot++ · Sunrise² · NEW · CLean UP · LSGgroup · Lufthansa Technik · Lufthansa Group Business Services · Lufthansa Cargo · Miles & More · AirPlus · ...

Corporate

Re**Focus**	Re**Org**	Re**Pay**
Portfolio optimization, partnering opportunities	Corporate and functional restructuring	Capital market initiatives and refinancing of credit facilities

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Crisis measures agreed with Vereinigung Cockpit and UFO

Pilots – Vereinigung Cockpit (VC)

- Short-term agreement concluded in August
- Reduced top-up payments for short-time work, compensation adjustments and reductions in pension benefits until December 2020
- No redundancies until end of March 2021
- Negotiations of crisis agreement including longer-term cost reductions continue

Cabin personnel - UFO

- Long-term agreement concluded in June, confirmed by union members in August
- Savings of more than half a billion euros until the end of 2023
- Suspension of pay increases, reduction in flying hours with a corresponding reduction in pay and temporary reductions in pension contributions
- Package of voluntary measures and severance programs in preparation

Ground staff – ver.di

- Negotiations of long-term crisis agreement aims at 20% reduction of personnel costs
- Discussion on hold since August 12, resumption dependent on improved ver.di offer

Third package within restructuring program decided on 21 September

- Capacity in Q4 amount to between 20 and 30 percent of the prior year level (revised from ca. 50% before)
- Permanent, Group-wide capacity reduction of 150 aircraft
- Aircraft retirements (long-term storage of eight A380s and ten A340-600s, decommissioning of seven A340-600s) will result in a further impairment of up to EUR 1.1 billion booked in Q3
- Previously announced personnel surplus of 22,000 full-time positions may increase based on market development
- Negotiations with the collective bargaining partners continue irrespective of the negotiations on reconciliations of interests and social plans for redundancies
- Target to reduce the monthly cash burn to an average of EUR 400 million in winter 2020/21
- Target to return to positive operating cash flows during 2021 confirmed

Financial outlook continues to be challenged by the effects of the Corona crisis

- Target to reduce the monthly cash burn to an average of EUR 400 million in winter 2020/21
- Substantial Adjusted EBIT losses also in H2
- Full year outlook remains highly uncertain: Expectation of significant Adjusted EBIT decline unchanged

Appendix

- supplementary information-

Traffic Data

		Jan	yoy	Feb	yoy	Mar	yoy	Q1	yoy
Total Lufthansa Group Airlines	Passengers in 1,000	9,043	-0.4%	8,799	-2.9%	3,914	-65.3%	21,756	-26.1%
	Available seat-kilometers (m)	26,173	-0.6%	24,006	-1.9%	14,117	-50.7%	64,296	-19.1%
	Revenue seat-kilometers (m)	20,387	1.5%	18,087	-3.5%	8,625	-62.7%	47,099	-24.0%
	Passenger load-factor (%)	77.9	1.6	75.3	-1.2	61.1	-19.5	73.3	-4.7
	Available Cargo tonne-kilometers (m)	1,283	-1.4%	1,185	-5.1%	980	-34.9%	3,449	-15.0%
	Revenue Cargo tonne-kilometers (m)	746	-3.0%	760	-5.4%	651	-33.5%	2,156	-15.5%
	Cargo load-factor (%)	58.1	-0.9	64.1	-0.2	66.4	1.4	62.5	-0.4
	Number of flights	83,718	-2.3%	81,157	-2.5%	44,389	-53.8%	209,264	-21.0%

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Group P&L

Lufthansa Group (in EUR m)	Q1 '20	vs. Q1 '19
Revenues	6,441	-18%
Total operating income	6,976	-16%
Operating expenses	8,162	-6%
Of which fees & charges	874	-16%
Of which fuel	1,227	-14%
Of which staff	2,143	-4%
Of which depreciation	680	+4%
Result from equity investments	-34	nmf.
Adjusted EBIT	**-1,220**	**-263%**
Adjusted EBIT Margin	**-18.9%**	**-14.6pts.**
Adjustments	-402	nmf.
EBIT	**-1,622**	**-372%**
Net interest income	-56	+30%
Other financial items	-998	nmf.
EBT	**-2,676**	**-550%**
Income taxes	553	618%
Profit / loss attributable to minority interests	-1	86%
Net income	**-2,124**	**-521%**

Operating KPIs of Network Airlines by region

Total	Q1 '20
Number of flights	-19.6%
ASK	-18.6%
RPK	-23.9%
SLF	-5.1pts.

Yield	-2.3%
Yield ex currency	-3.9%
RASK	-3.9%
RASK ex currency	-5.5%
CASK ex. fuel, ex. emissions cost	+12.6%
CASK ex currency ex fuel, ex emissions cost	+11.1%

Europe	Q1'20
ASK	-18.6%
RPK	-24.5%
SLF	-5.2pts.
RASK ex currency[1]	-10.2%

Asia / Pacific	Q1'20
ASK	-25.5%
RPK	-30.9%
SLF	-6.0pts.
RASK ex currency	-17.8%

Americas	Q1'20
ASK	-15.8%
RPK	-21.2%
SLF	-5.2pts.
RASK ex currency	-8.5%

North America	-12.8%
South America	+5.2%

Middle East / Africa	Q1'20
ASK	-14.3%
RPK	-17.6%
SLF	-3.0pts.
RASK ex currency	-3.9%

1) Regional RASK are based on regional traffic revenues only

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Cash flow statement

Lufthansa Group (in m EUR)	Q1 '20	vs. Q1 '19	
EBT (earnings before income taxes)	**-2,647**	**-2,264**	
Depreciation & amortization (incl. non-current assets)	1,145	+476	1
Net proceeds from disposal of non-current assets	6	-12	
Result of equity investments	34	+39	
Net interest	56	+12	
Income tax payments/reimbursements	21	+398	2
Significant non-cash-relevant expenses / income	1,011	+1,012	3
Change in trade working capital	1,871	+390	4
Change in other assets / liabilities	-101	-242	
Operating cash flow	**1,367**	**-191**	
Capital expenditure (net)	-642	+637	
Free cash flow	**725**	**+446**	
Adjusted Free cash flow	**620**	**+442**	
Cash and cash equivalents as of 31.12.19[1] less assets held for sale	1,827	+587	
Current securities	3,312	+1,234	
Total Group liquidity	5,139	+1,821	

1 Excluding fixed-term deposits with terms from three to twelve months (2020: 1m EUR, 2019: 2m EUR)

1. Includes regular depreciation and crisis-related impairments
2. No tax prepayments in 2020
3. Non-cash effect of fuel hedge losses related to options maturing in the remainder of 2020
4. Strict cash management

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Multi-Year financial overview

Lufthansa Group (in m EUR, as reported)	2015	2016	2017	2018	2019[1]
Operating KPIs					
RASK ex currency	-3.0%	-5.9%	+1.9%	-0.5%	-2.5%
CASK ex currency, ex fuel [2]	+2.4%	-2.5%	-1.8%	-1.7%	-1.5%
Profit & Loss					
Revenues	32,056	31,660	35,579	35,542	36,424
Fuel Cost	5,784	4,885	5,232	6,087	6,715
Adjusted EBIT	1,817	1,752	2,969	2,836	2,026
Adjusted EBIT Margin	5.7%	5.5%	8.3%	8,0%	5,6%
Balance Sheet					
Total Assets	32,462	34,697	35,778	38,213	42,659
Net Financial Debt and Pension Liabilities	9,973	11,065	8,000	9,354	13,321
ROCE	7.7%	9.0%	13.2%	11.1%	6.1%
Cash Flow statement					
Operating Cash Flow	3,393	3,246	5,368	4,109	4,030
Capital expenditure (net)	2,559	2,108	3,251	3,859	3,448
Free Cash Flow [3]	834	1,138	2,117	288	203

[1] 2019 reported figures including effects from IFRS 15 treatment of compensation payments, 2017 restated for better comparability
[2] Adjusted for pension effects in 2016 and 2017 as a result from the change from defined benefit to defined contribution
[3] Adjusted free cash flow from 2018 onwards

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