LUFTHANSA GROUP

Financial Stabilization Package

Briefing Materials

Frankfurt
June 2020

Disclaimer

The information herein is based on publicly available information. It has been prepared by the Company solely for use in this presentation and has not been verified by independent third parties. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. The information contained in this presentation should be considered in the context of the circumstances prevailing at that time and will not be updated to reflect material developments which may occur after the date of the presentation.

The information does not constitute any offer or invitation to sell, purchase or subscribe any securities of the Company. Without the Company's consent the information may not be copied, distributed, passed on or disclosed.

This presentation contains statements that express the Company‘s opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results, in contrast with statements that reflect historical facts. While the Company always intends to express its best knowledge when it makes statements about what it believes will occur in the future, and although it bases these statements on assumptions that it believes to be reasonable when made, these forward-looking statements are not a guarantee of performance, and no undue reliance should be placed on such statements. Forward-looking statements are subject to many risks, uncertainties and other variable circumstances that may cause the statements to be inaccurate. Many of these risks are outside of the Company‘s control and could cause its actual results (positively or negatively) to differ materially from those it thought would occur. The forward-looking statements included in this presentation are made only as of the date hereof. The Company does not undertake, and specifically declines, any obligation to update any such statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments.

Key Highlights

- Stabilization package agreed with the German Economic Stabilization Fund (ESF) will **ensure 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)

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

LUFTHANSA GROUP

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”) ▪ EUR 1.0 billion accounted as financial debt[1], with certain conversion rights for the ESF (“Silent Participation II”) ▪ **EUR 3.0 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
Next steps and key conditions	▪ Finalization and execution of **long-form documentation** ▪ **Clearance by EU Commission** and relevant **Antitrust Authorities** ▪ **EGM** scheduled for **June 25, 2020**

1) According to German GAAP (HGB) and IFRS

The Covid-19 impact on Lufthansa Group

Pre-crisis situation (as of 31. December 2019)

€36.4 billion
revenue

€2.0 billion (5.6%)
adj. EBIT (margin)

€4.0 billion
operating cash flow

>22,500
weekly flights
on average

€2.3 billion / BBB
Available liquidity[1] /
S&P credit rating

€7.8 billion
market capitalization

Current situation (as of May 2020)

c.$60 billion
cash burn expected for
airlines in Q2 2020[2]

c.95%
fewer bookings

c.95%
of flights cancelled

c.87,000
employees in
term work

negative EBIT
expected in 2020

Significant
liquidity need

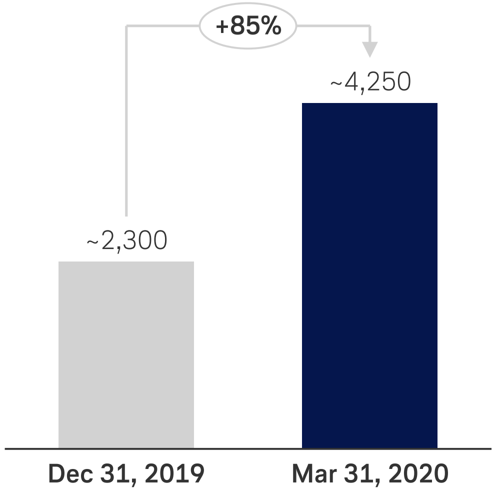
1) Centrally available liquidity as per 31 December 2019; 2) According to IATA Economics

Lufthansa has successfully protected liquidity but significant cash risks remain

Strong pre-crisis liquidity

(EUR million)

Centrally available liquidity



~EUR 1.5 billion of new funds raised

Cash burn due to COVID-19

c. EUR 800 million

current monthly operating cash burn (excludes working capital, investing and financing cash flows)

- Personnel
- Material
- Fuel hedging
- Rents
- Other

Additional working capital risks and **refinancing needs** create risk of liquidity reserves to be exhausted by end of Q2 / beginning of Q3 2020

Way forward

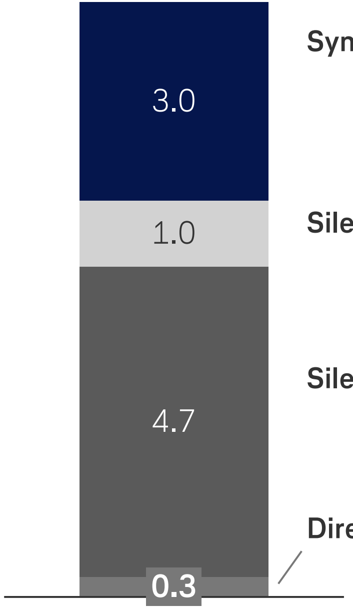
- Successfully implemented **decisive measures to protect our liquidity**
- **Stabilization of cash flows** expected towards the end 2020 but some risks remain
- **~ EUR 9 billion stabilization package** ensures going concern and full funding throughout 2020

LUFTHANSA GROUP

Overview of the ESF stabilization package

Key components

EUR 9.0 billion



Description

Syndicated KfW loan

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

Silent Participation II

- Linked to certain **conversion rights** for the ESF
- **Financial liability** under IFRS / German GAAP
- **Maturity of 6 years** with extension in case Silent Participation I not yet redeemed

Silent Participation I

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

Direct equity

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

LUFTHANSA GROUP

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%

LUFTHANSA GROUP

Other key terms and conditions of the stabilization package

Board representation	▪ **2x seats on the Supervisory Board** of LH Group to be filled in agreement with the German government ("Airbus model"), 1x of which is to become a member of the Audit Committee
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 into 80 new aircrafts 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%** in a target until 75% of the stabilization package has been repaid

LUFTHANSA GROUP

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 **24 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

LUFTHANSA GROUP

Restructuring plan will include right-sizing and assessment of Group portfolio

Restructuring plan & Payback 2023

Repayment of EUR 9 billion and securing investment capability and competitiveness

Financing Measures & Corporate Structure

Refinancing / Raising of capital

Active portfolio management

...

Operational Restructuring

Fleet size / Right-sizing

AOC structure

Hub strategy

Dimensioning aviation services

....

Staff Reduction & Productivity

Airlines + affiliated businesses

Aviation services / Third-party business

Leadership team

...

System Partner Contributions

Airports & ATC

OEMs

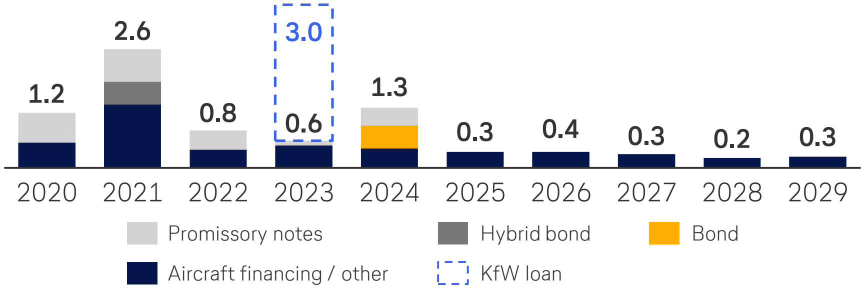
Suppliers

...

Future financial profile and financing considerations

Maturity profile of existing borrowings

(As of March 31, 2020; in EUR billion)



Repay **KfW** until 2023

Repay **Silent Parti-cipations** thereafter

Financing strategy

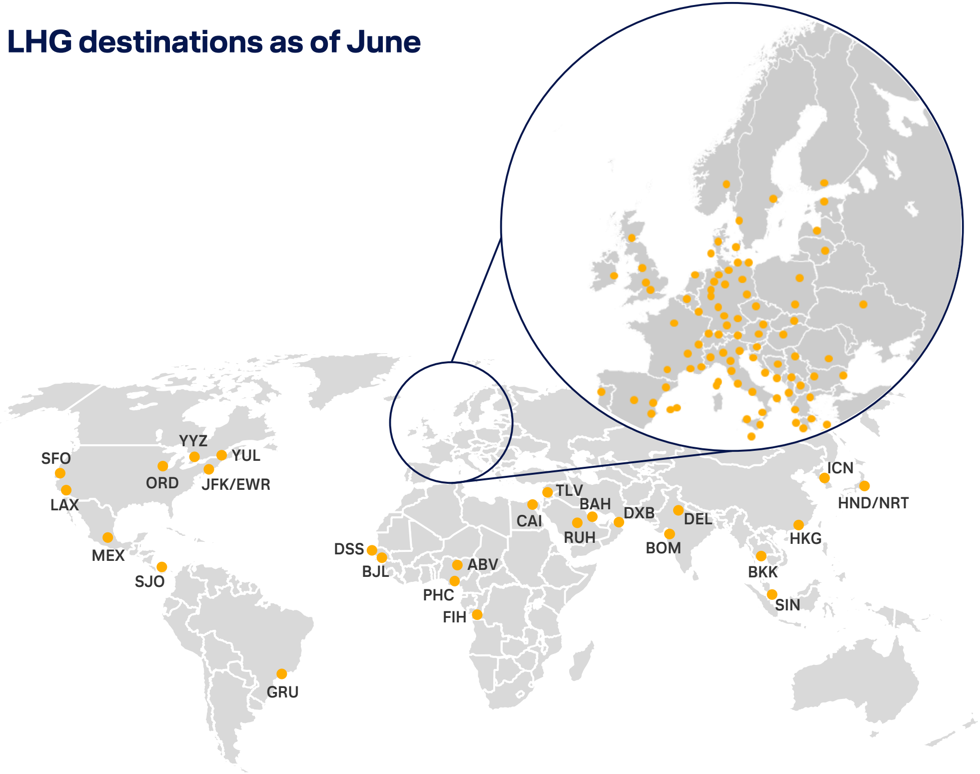
Target of LH Group to **revert to Investment Grade** credit rating

- **Near-term refinancing via a mix** of European unsecured bonds, EETCs and JOL/JOLCOs or other secured financing as well as promissory notes
- Future refinancing to include **additional equity issuance** post recovery to facilitate **return to IG rating**
- Remaining refinancing **after return to IG rating** likely primarily based **on unsecured financing**, e.g. larger size issuances in European unsecured bond market
- Potential selected **asset disposals of non-core businesses**

LUFTHANSA GROUP

Lufthansa Group will further expand flight program from June onwards

LHG destinations as of June



Key facts

- 15% of total capacity and 50% of destination portfolio back online
- Over 2,000 weekly connections to more than 130 destinations worldwide
- Focus on summer tourist destinations
- As of autumn 2020, 40% capacity with 70% (Intercontinental) and 90% (Continental) of destination portfolio back online

LUFTHANSA GROUP

Next steps and key conditions in relation to the ESF package

- Finalization and execution of **long-form documentation**
- **Clearance** of State Aid Package by EU Commission
- Receipt of required **antitrust clearances**
- **Approval by Lufthansa shareholders** in EGM on June 25, 2020
  (2/3 majority required <u>or</u> simple majority in case attendance higher than 50%)