



# ITA Airways – a perfect addition to Lufthansa Group

May 26, 2023



# 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.

ITA Airways is a perfect addition to the portfolio of Lufthansa Group airlines

Investment  
further  
broadens  
**access to key  
Italian market**



**Sound plan**

in place to  
**turn ITA  
profitable**



Deep restructuring  
has made ITA  
**a right-sized and  
structurally  
competitive airline**



Agreement  
provides  
**option for  
full takeover  
in the  
medium term**

# ITA Airways fits well into the Group's multi-airline multi-hub strategy



## Customer centricity:

- Strong national brands with unique identity
- Customer offering tailored to market-specific needs
- Connected networks offer maximum connectivity



## Cost advantages:

Significant synergies through joint sourcing and harmonized operating processes

# ITA provides the Group even better access to the very attractive Italian market and regional diversification

## Italy – a key market for Lufthansa Group

**3<sup>rd</sup> largest**

Economy in the EU (GDP)

**3<sup>rd</sup> largest**

Airline market in Europe

**5<sup>th</sup> largest**

Market for the Group (after the U.S. and home markets)



**Milan #2**

(47m passengers '19)



**Rome #6**

(40m passengers '19)

**... in local passenger traffic within EU**

## ITA & Lufthansa Group

- Attractive proposition to grow a profitable long-haul business in **Rome Fiumicino**
- Well positioned to take advantage of Italy's importance as **top private travel destination**
- Potential to increase the **feed of passengers into the Group's existing long-haul network** incl. JV partners
- Significant **cost synergies**
- Attractive **opportunities for Lufthansa Cargo and Lufthansa Technik**



# Transaction terms minimize the Group's financial risk and create optionality

## Key terms

- Acquisition of **41% of shares** in ITA Airways through a **capital increase**
  - **Investment into the company's equity**, no payment to Italian Ministry of Economy and Finance (MEF)
  - **Capital increase of EUR 325 million** fully financed from available cash-on-hand
  - MEF commits to EUR 250 million cash injection
  - Transaction expected to **close by year-end 2023**

## Governance

- Transaction structure provides for **joint operational control by Lufthansa Group and MEF** immediately after closing
- MEF remains on board to support the execution of the business plan
- **ITA's CEO and one other member of the Board of Directors** (5 in total) will be **appointed by Lufthansa Group**

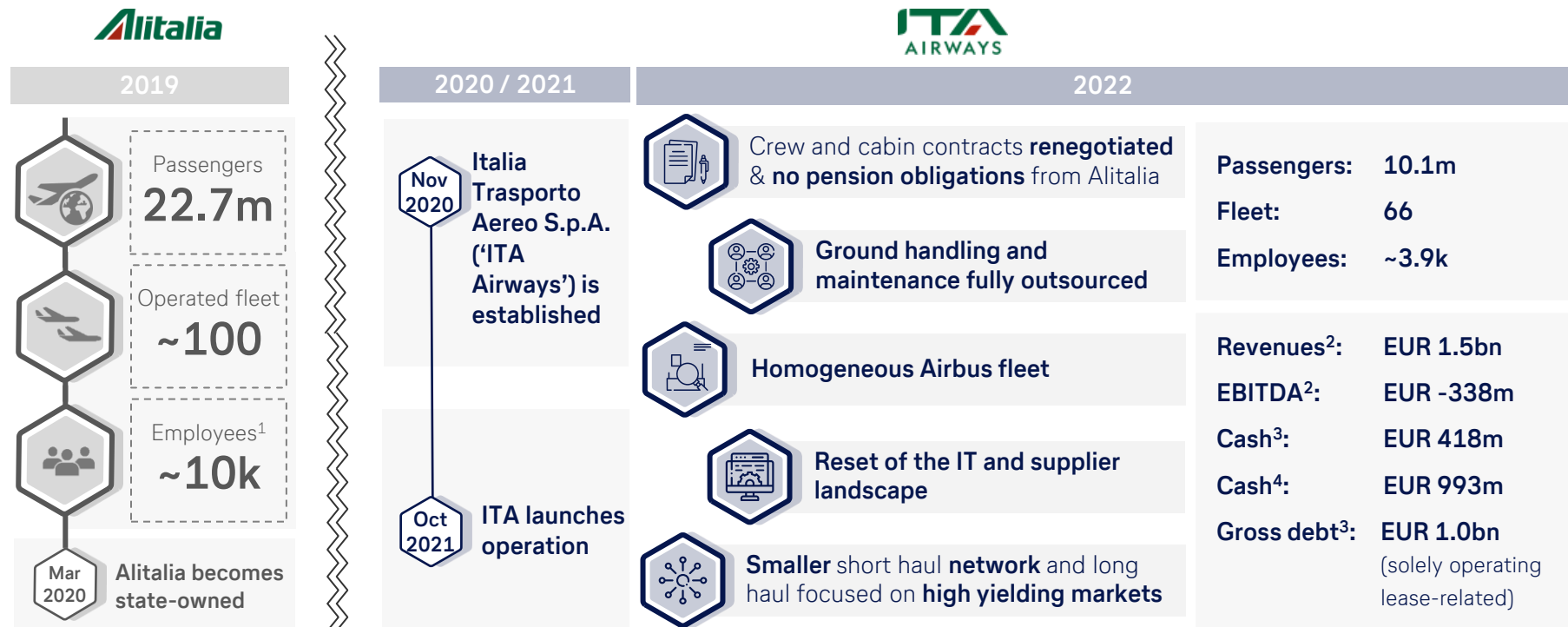
## Impact on Group

- **No consolidation of ITA** in Lufthansa Group's financial accounts
- **No impact on credit rating** expected

## Clear path to complete takeover

- **Option mechanism** agreed to enable a full takeover by Lufthansa Group in the medium term
- **Risk-based approach:** Acquisition of remaining shares at the discretion of Lufthansa Group and/or dependent on **financial performance relative to the jointly agreed business plan**, reducing negative effects on the overall capital structure of Lufthansa Group as far as possible

# ITA Airways has been fully restructured and set up as a structurally cost-competitive airline with no legacy issues associated with the old Alitalia



<sup>1</sup> Entire Alitalia Group; <sup>2</sup> FY 22; <sup>3</sup> As of Dec 31, 2022; <sup>4</sup> As of Dec 31, 2022, pro-forma of committed capital injections in 2023 (EUR 250m MEF plus EUR 325m Lufthansa Group)  
Source: Company information; Reuters, ANSA, Rome Airport

# Lufthansa Group has a sound plan to turn ITA into a profitable airline

## Optimizing the network

- Ensure that **ITA's network is complementary to the existing LHG network**
- Develop **Rome Fiumicino into a profitable hub** and build on ITA's **established position in Linate**
- Improve the profitability of short-haul by **optimizing the network** and expanding **intermodality**

## Driving profitable growth

- Capitalize on **ITA's favorable cost position**
- Drive measured **fleet growth**
- **Invest in ITA's employees**

## Maximizing synergies

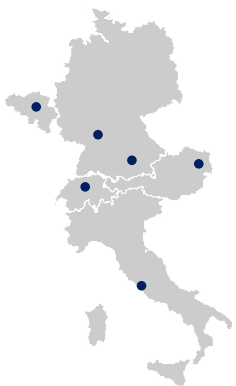
- Unlock the significant **potential for revenue and cost synergies** for the benefit of both sides
- Make ITA benefit from Lufthansa Group's **expertise and scale**
- Focus on **unifying the backend** without compromising ITA's unique brand identity

**The Group's proven multi-brand, multi-hub strategy will preserve ITA's Italian heritage while enabling synergies and providing additional avenues for growth**



# Rome Fiumicino as new Southern Hub and Milan Linate as premium point-to-point airport will interconnect the ITA and LHG networks

## Feeder network



- Enhance the short-haul network for the feeding of the hub in Rome
- Take advantage of the additional choice and connectivity available for customers in our home markets

## Rome Fiumicino



- Focus the long-haul network on North & South America, Africa as well as selected Asian markets
- Optimize the hub's access to the existing Lufthansa network

## Milan Linate



- Expand the touristic offering in addition to the classic corporate offer
- Jointly upgrade the customer proposition to grow premium point-to-point traffic

# Competitive cost base and homogenous, modern fleet form a solid base for future growth

## Favorable cost position



Highly competitive labour cost

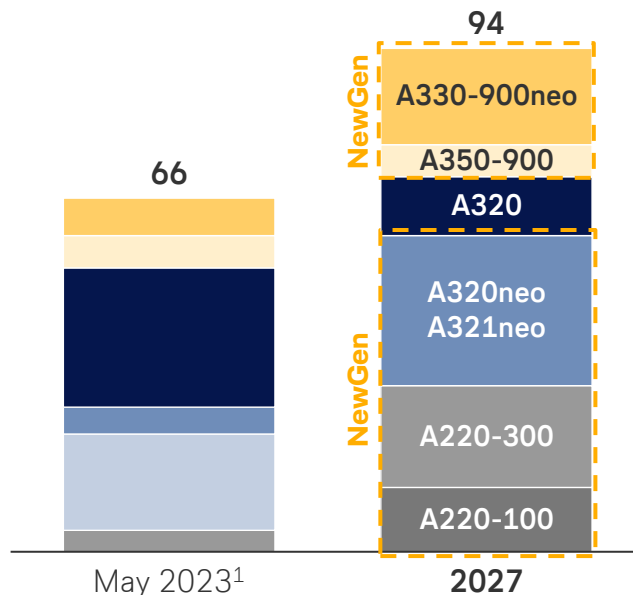


Group-leading crew productivity



Lean organizational structure and high share of variable costs due to outsourcing

## Modernized fleet

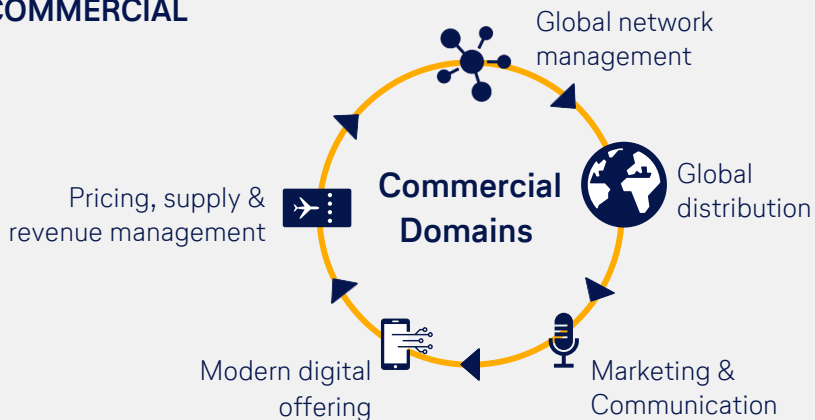


- Homogeneous, all Airbus fleet, allowing for efficiencies in operations and maintenance
- Current fleet completely leased, aim to gradually increase the share of own A/C in the future
- Complementary to Lufthansa Group fleet

<sup>1</sup> Excluding 5 wet leases

In combination with Lufthansa Group, ITA can realize its full potential by benefitting from the size and synergies of a global group

## COMMERCIAL



Access to global airline partner network  
(e.g. A++ JV with United and Air Canada)

Integration into global distribution channels  
(incl. business customer contracts)

Access to digital products & services

Centralized, industry-leading  
revenue optimization

## OPERATIONS



Fleet management



Fuel purchase



Ground processes

Economies of scale & cost synergies

## CORPORATE



Finance & Admin



Legal & Compliance



IT & Cyber Security

Sharing of knowledge & best practices

# Investment in ITA Airways has significant value for our shareholders



ITA Airways is a perfect addition to the portfolio of Lufthansa Group airlines



Restructured and structurally cost-competitive airline: Sound plan in place to turn ITA profitable



Investment approach minimizes risk: Option for full takeover with timing and price dependent on ITA's performance

# Q&A

