



LUFTHANSA GROUP

Corporate Conference Commerzbank/Oddo BHF

September 06, 2023



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Second Quarter 2023 Results

Strategy

Investment in ITA Airways

Operational and financial outlook

Appendix

Q2 Adjusted EBIT and net income reach new record level

(in EUR million)	Q2 '23	Q2 '22	Change in %
Revenues	9,389	8,000	+17
Operating expenses	9,095	8,207	+11
Of which fuel	1,934	2,151	-10
Of which staff	2,064	1,752	+18
Of which depreciation	555	551	+1
Adjusted EBITDA	1,639	973	+75
Adjusted EBIT	1,085	392	+177
EBIT	1,081	341	+217
Net income	881	259	+240
Adjusted Free cash flow	589	2,122	-72

Note: Results of the Catering segment presented in separate line "Result from discontinued operations" (not included in Group Adjusted EBIT, included in net income)

Passenger Airlines: Strong Q2 performance as yields remain high

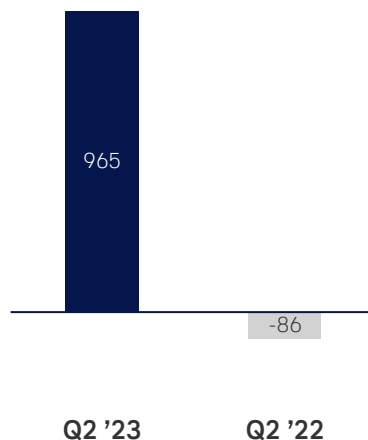


Operational KPIs

Adjusted EBIT in EUR million

Comments

	Q2 '23	vs. 2022	vs. 2019
ASK	78,520	+12,2%	-17,5%
SLF	83.2%	+3.1pts	-0.1pts
Yield¹	10.0 €c	+13.1%	+24.7%
Short-haul		+14.4%	+13.5%
Long-haul		+13.5%	+30.8%
RASK¹	9.9 €c	+14.9%	+25.1%
CASK¹	6.2 €c	+7.2%	+16.3%



- All airlines record an operated profit in Q2 - SWISS, Austrian Airlines, Brussels Airlines and Eurowings reach new record levels
- Performance remains strong across the entire long-haul business
- Disproportionately high year-on-year yield increase in short-haul due to strong (premium) leisure demand over summer

¹ Incl. currency

Unit cost increases expected to moderate in H2 – productivity improvements to support unit cost reduction in 2024

CASK expected to improve in H2

Quarterly CASK performance

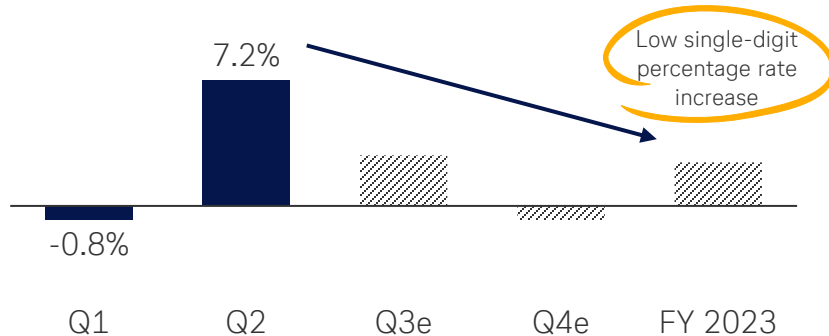
vs. PY

Drivers in H1:

- Investments in operational stability
- Ramp-up costs
- Industry-wide cost inflation

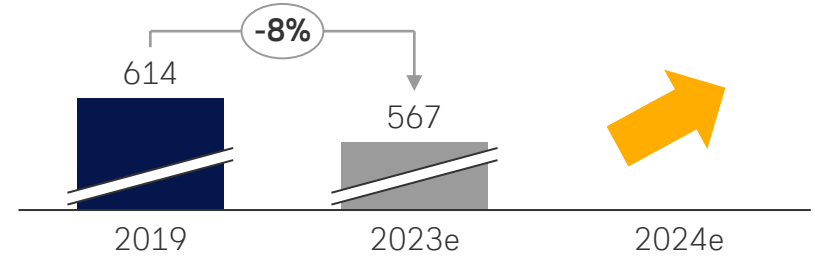
Drivers of expected H2 improvement:

- ASK growth
- Non-recurring ramp-up cost
- Better productivity

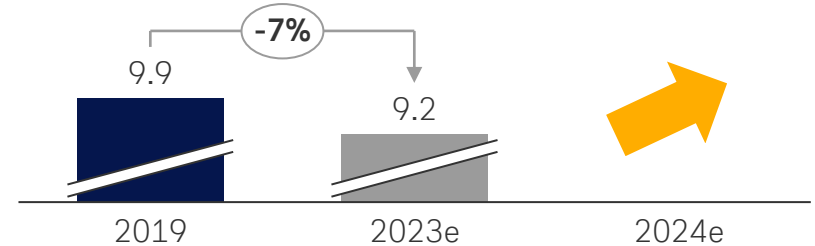


Productivity forecasted to recover in 2024

Crew productivity



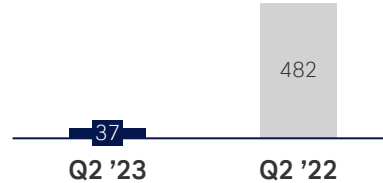
Aircraft productivity



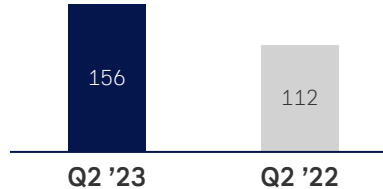
Record results at Lufthansa Technik – Lufthansa Cargo's profits normalize

Adjusted EBIT in EUR million

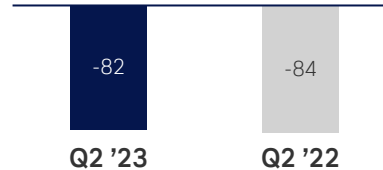
 **Lufthansa Cargo**



 **Lufthansa Technik**



Others



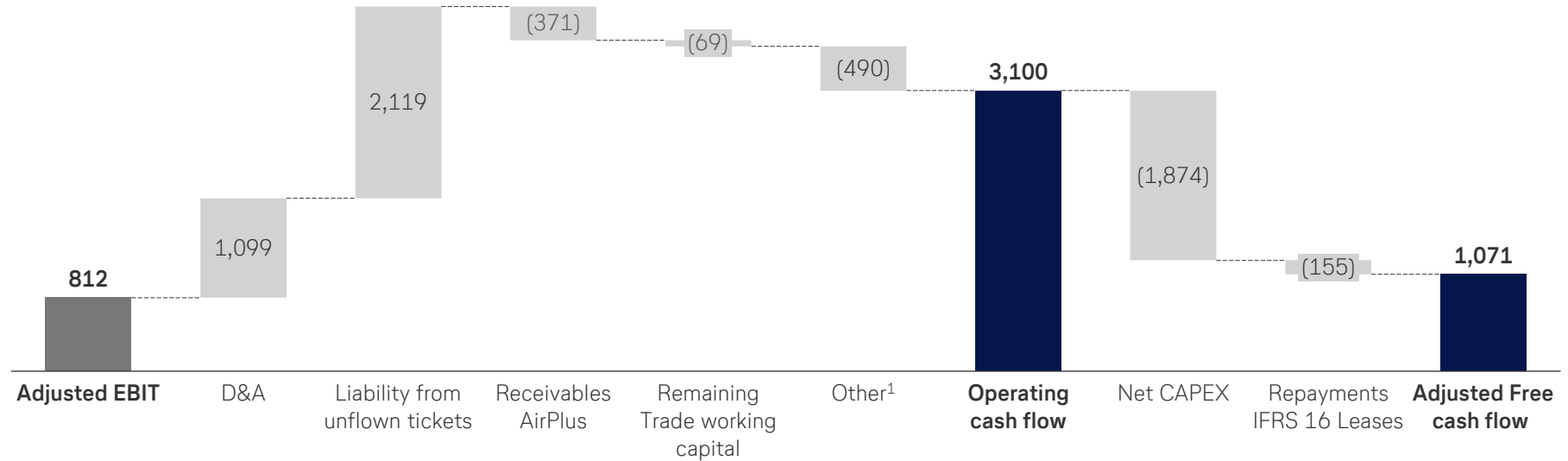
Comments

- Cargo business impacted by market-wide rate declines and low volumes – Lufthansa Cargo gains market share and sustains its yield premium (Q2 yields up >40% vs. 2019)
- Record performance by Lufthansa Technik driven by strong demand and industry-wide shortage of MRO capacity

Free cash flow performance driven by strong operating result and bookings

H1 Adjusted EBIT / Adjusted free cash flow

in EUR million

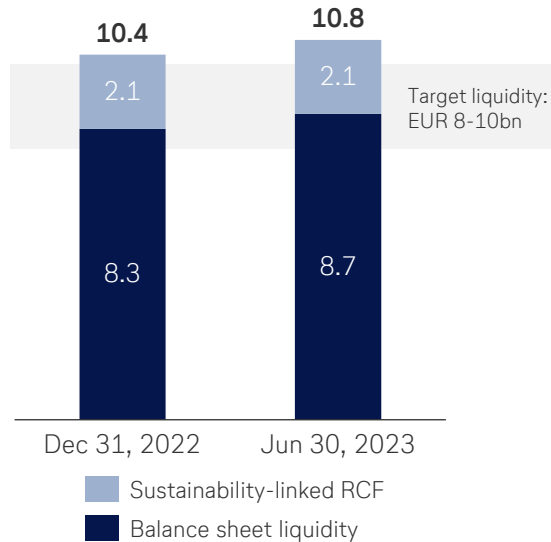


¹ Incl. result from discontinued operations, other non-cash items, change in other assets & liabilities, tax

Credit rating upgrades reflect significant progress in deleveraging

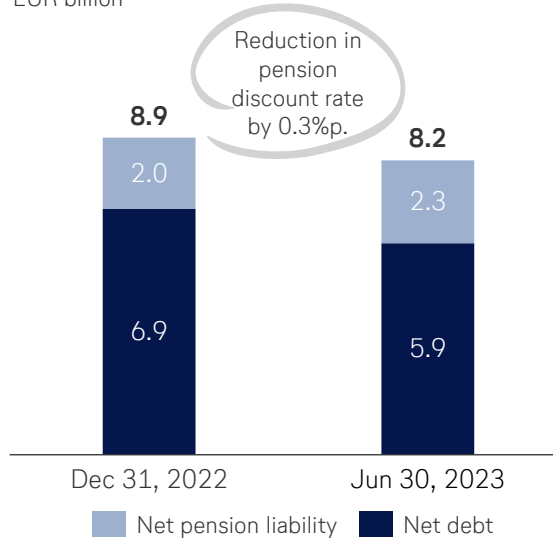
Liquidity

EUR billion



Net debt and net pension liabilities¹

EUR billion



Ratings upgraded

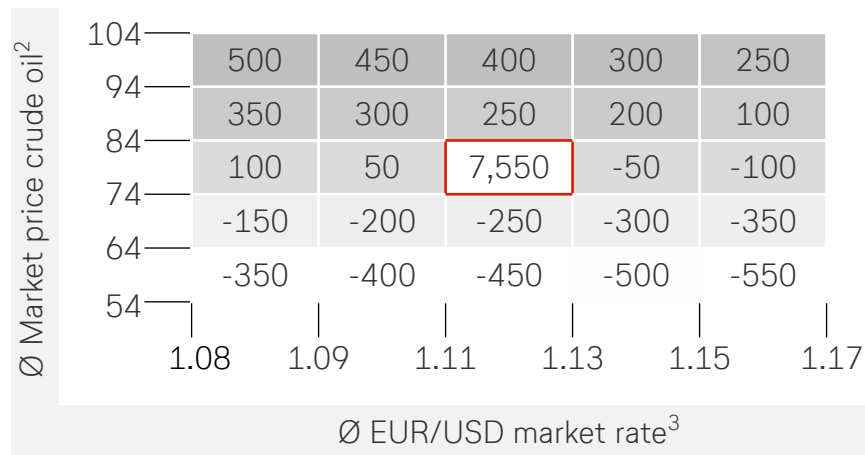
- S&P Global: Upgrade to BB+ from BB with positive outlook in April
- Moody's: Upgrade to Ba1 from Ba2 with stable outlook in May
- Scope: Confirmation of BBB-rating, upgrade of outlook to 'positive' in May

Balance sheet improvement enables the payment of a dividend for the year 2023

¹ Incl. pension plan surpluses which may not be netted according to IFRS (June 30, 2023: EUR 77m; December 31, 2022: EUR 76m)

Option-based fuel hedging offers protection while leaving the opportunity to benefit from lower prices

Expected fuel cost sensitivity after hedging (FY 2023)¹



Hedging portfolio excl. LH Cargo

	Q3	H2 2023
Hedge ratio Crude (%)	86	85
Break-even price (USD/bbl)	91	91
Hedge ratio Crack ⁴ (%)	64	56
Strike Crack Hedges (USD/bbl)	30	28

	Q3e	Q4e	FY 2023e
Jet fuel volume (mTons)	2.5	2.3	8.9

¹ Passenger Airlines and Logistics (as of July 14, 2023), including existing hedges, assuming stable Jet Crack of 21 USD/bbl

² Average 2023 Brent ICE Crude oil future in USD/barrel (July 14, 2023: 79.18 USD/bbl)

³ Average 2023 EUR/USD forward rate (July 14, 2023: 1.113 EUR/USD)

⁴ Hedges on basis of Jet and Gasoil derivatives

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Appendix

Lufthansa Group is delivering on its key strategic priorities



**Customer
Experience**



**New Product
Generation**



**Multi-Airline
Multi-Hub**



**Transformation into
an Airline Group**

Operational measures have successfully stabilized operations

Measures to support stable operations



9,000 new employees YTD in 2023 mainly in operations



Close alignment with system partners



Flight plan adjustments to avoid overloads at peaks



Process optimization to address pain points

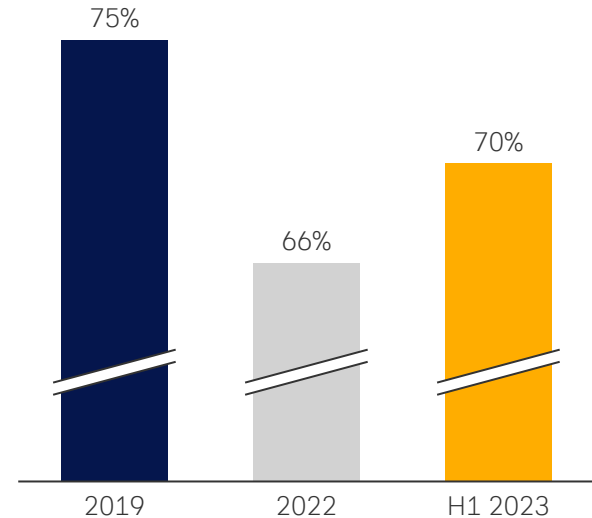


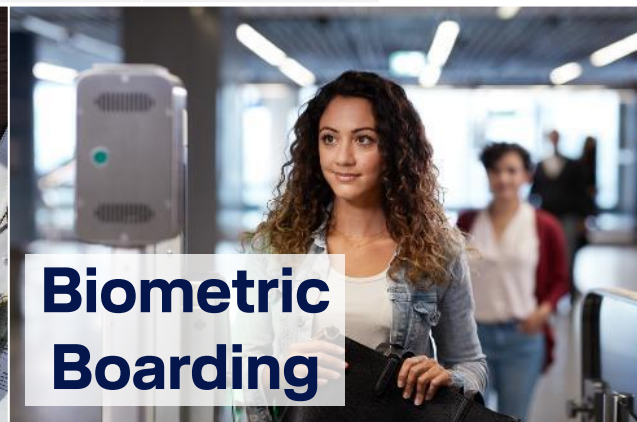
Flexible deployment of staff



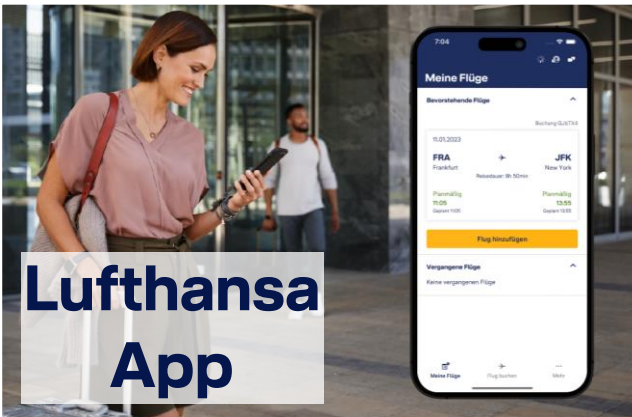
Punctuality improved

Departure Punctuality





Continuous implementation of innovative solutions along the customer journey



Comprehensive product and service innovations underline our aspiration to define premium in the European airline industry



Introduction
of
**New First
Class
suite**



**New Premium
Economy**
already in the air
at **SWISS**



7 seat options

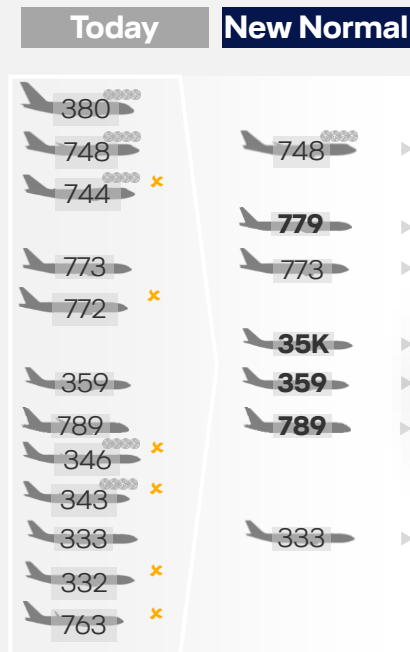
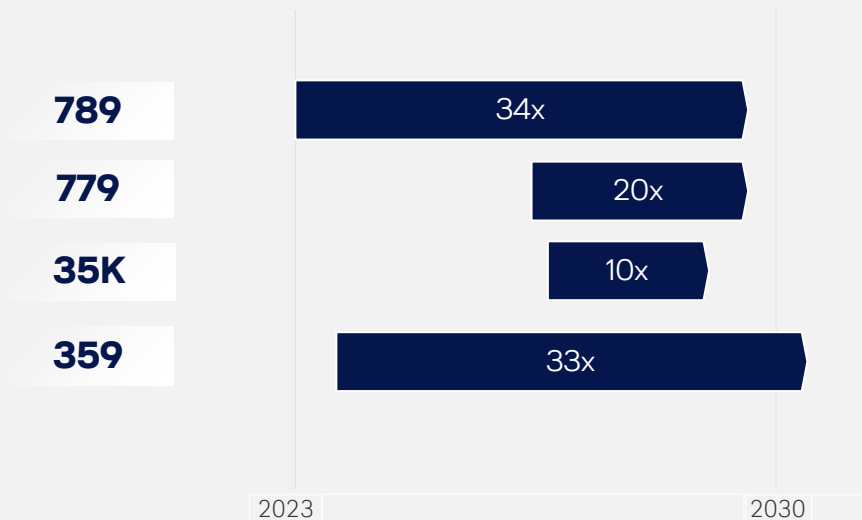
in **Business class** cater to
individual travel needs



New Economy
with more choice

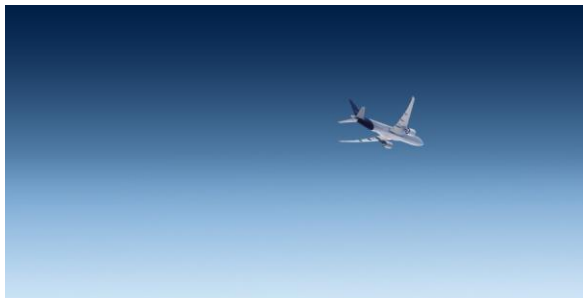
Lufthansa Group accelerates fleet modernization

Order book well filled with nearly 100 NewGen long-haul aircraft



6 older A/C types to be phased out completely in the medium term

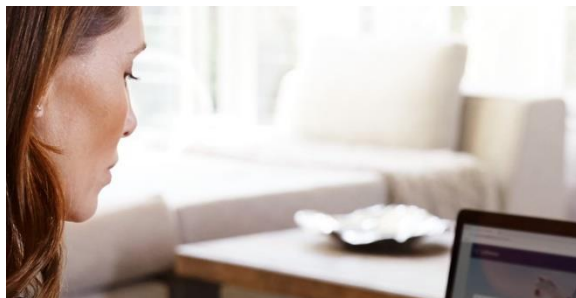
Technological and commercial innovation are key to decarbonization



Technology drives emission reduction

Specific CO2 emissions:
-11% FY '22 vs. '21

SAF offer on the rise



Rising contribution made by customers

New Green fares launched
3% of customers currently
buy SAF or compensation

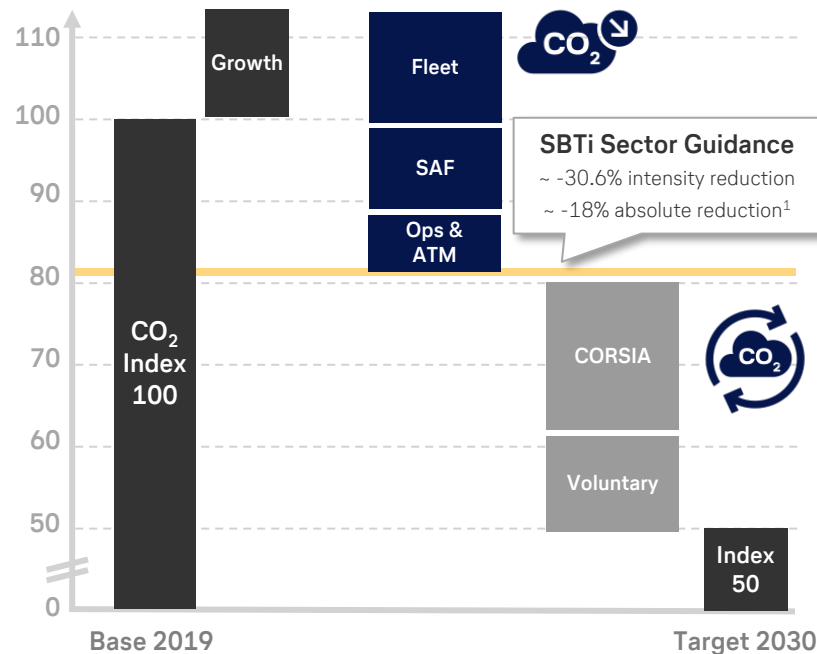


Among top-ranked airlines in CDP

Received **top score (A-)** in
CDP global climate ranking
2022

Group's emission reduction targets successfully validated by Science Based Targets initiative (SBTi)

Index LHG CO₂ Emissions (not to scale)



¹ Based on current industry growth assumptions

Reduction

Major levers for CO₂ Reduction:
(SBTi relevance)

- Fleet rollover
- Sustainable Aviation Fuel (SAF) usage
- Ops efficiency (incl. ATM)

Compensation

Compensation:
(no relevance for SBTi)

- CORSIA
- Voluntary compensation



**First European
airline group and
second airline
group worldwide
to receive
validation by SBTi**

Multi-Hub and Multi-Brand strategy is key for the success of Lufthansa Group



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

Significant progress in the transformation into an Airline group

April



Sale of LSG International to AURELIUS

- Reduction of organizational complexity
- Closing expected in Q3

May



Acquisition of 41% of ITA Airways incl. option for a full takeover

- Broader access to the key Italian market and the Southern hemisphere
- Closing expected by the end of 2023

June



Sale of payment specialist AirPlus to SEB Kort

- Positive effects on the Group's ROCE and free cash flow
- Closing expected in 2024

Transformation into Airline Group to continue

Second Quarter 2023 Results

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Appendix

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

Italy – a key market for Lufthansa Group

3rd largest

Economy in
the EU (GDP)

3rd largest

Airline market
in Europe

5th 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**

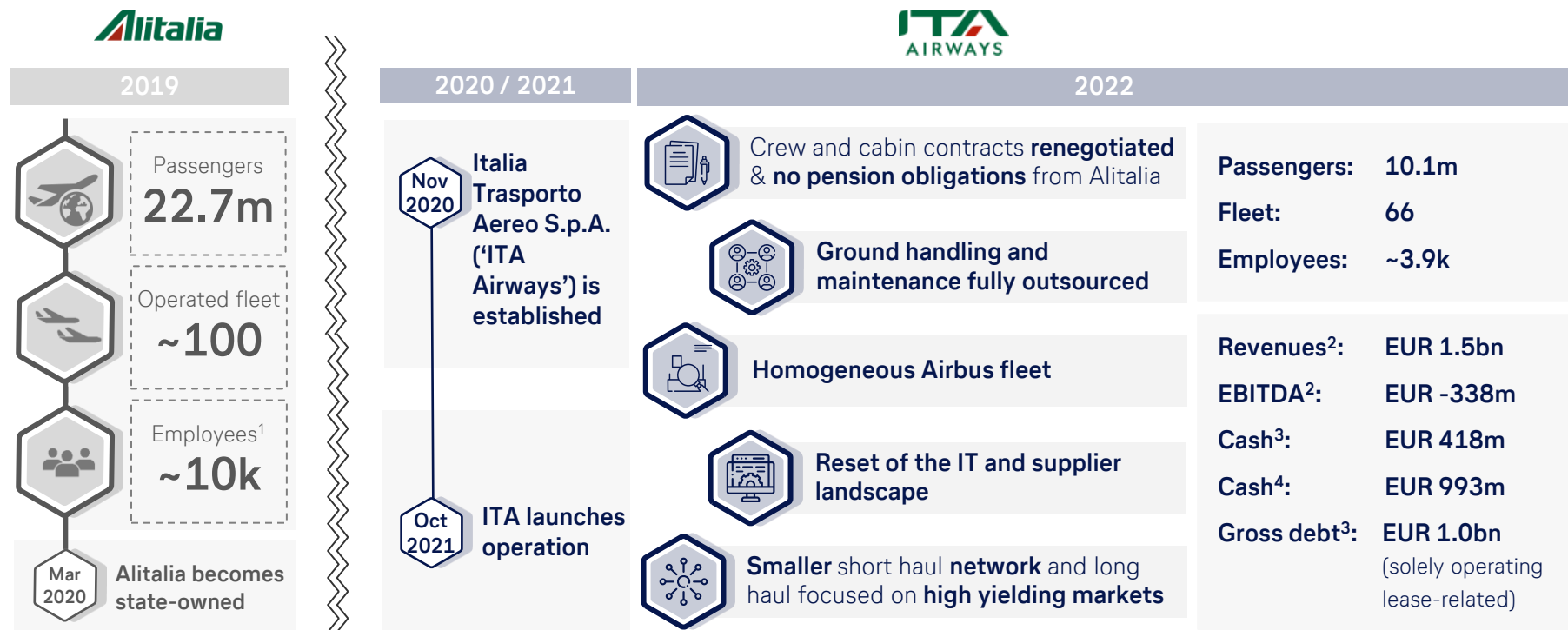
Impact on Group

- **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



¹ Entire Alitalia Group; ² FY 22; ³ As of Dec 31, 2022; ⁴ 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

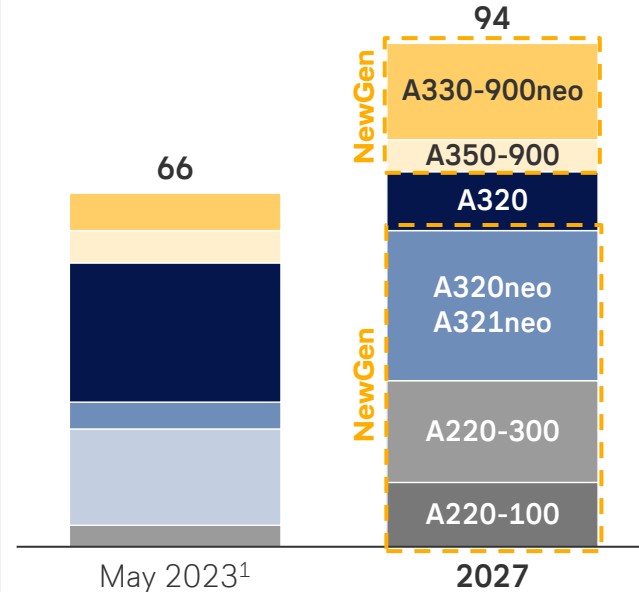


Group-leading crew productivity



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

Modernized fleet

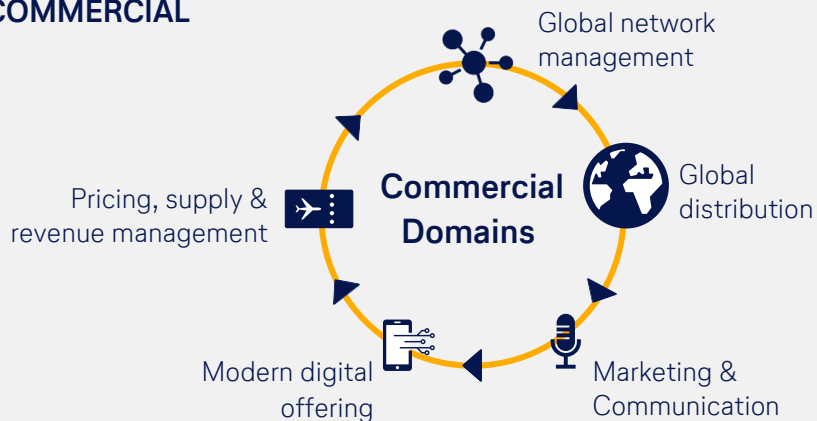


- Homogeneous, all Airbus fleet, allowing for efficiencies in operations and maintenance
- Current fleet completely leased, aim to gradually increase the share of own A/C in the future
- Complementary to Lufthansa Group fleet

¹ 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

Second Quarter 2023 Results

Strategy

Investment in ITA Airways

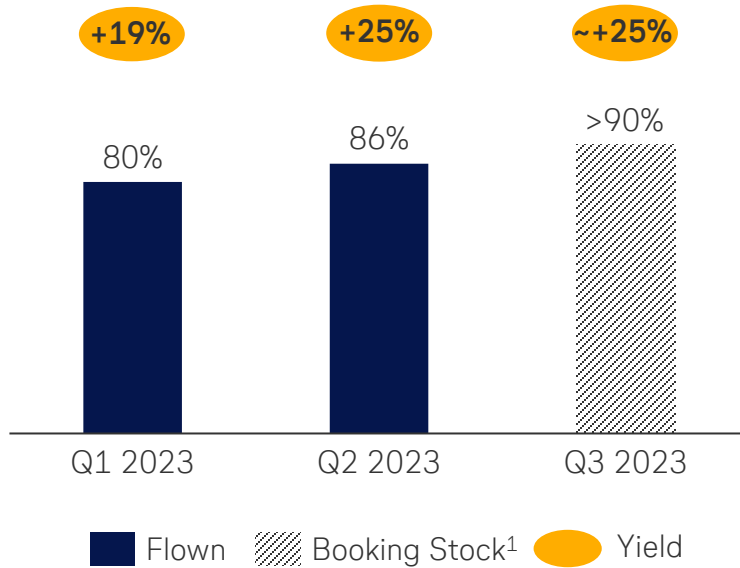
Operational and financial outlook

Appendix

Demand remains strong also beyond summer – premium outperforms

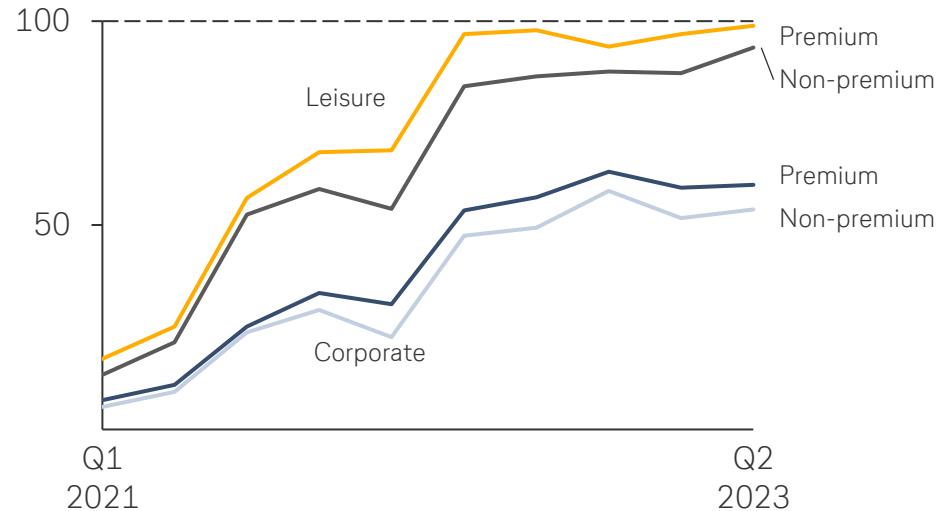
Passenger development and booking outlook

Pax and yield vs. 2019



Recovery per customer segment

Flown pax in % of 2019



¹ Compared to the same point in time in 2019

Various constraints in the system will limit growth in the industry for a long time to come



**Bottlenecks
in air traffic
control**



**Staff shortages
at handling
providers**

**Missing
spare parts**



**Significant delays
in aircraft
deliveries**



**Engine
durability
issues**

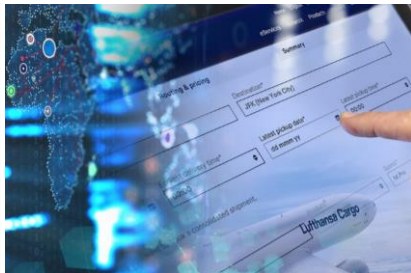


**Industry-wide
personnel
shortage**



Lufthansa Cargo's unique market position expected to support performance also in 2023

At the
forefront of
digitization



**eCommerce
push**

Taking advantage of
the market's rapid
growth



Modern aircraft

Pure 777F
long haul fleet



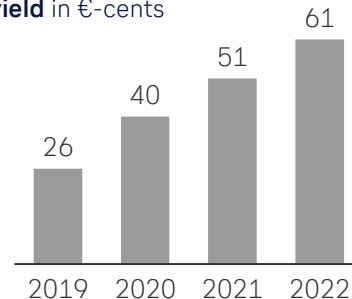
**Short-haul
freighter network**

A321-F fleet to grow
from 2 to 4 in 2023



**Yields will normalize in 2023 but
remain above pre-crisis level**

LCAG yield in €-cents

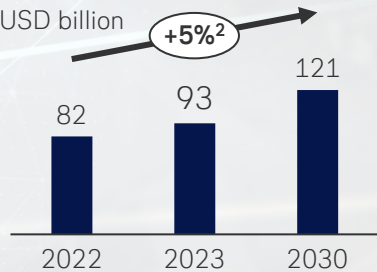


Lufthansa Technik well positioned to remain a leader in a very attractive market

Leading position in highly attractive MRO market

- >4,000 aircraft under exclusive contract
- #1 provider globally in high-growth MRO market

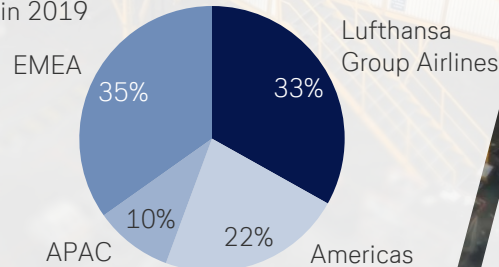
Global Commercial MRO market¹
in USD billion



Strongest portfolio of customers and OEM partnerships

- Leading MRO portfolio of aircraft and engine technology
- Diversified customer portfolio

Revenue split
in 2019



At the forefront of the industry's digital transformation

- Digitalization of Lufthansa Technik's MRO services with a focus on prediction, material management and process innovation
- Digital Tech Ops Ecosystem: Comprehensive data coverage along the entire value stream in technical operations

¹ Commercial MRO market (Lufthansa Technik internal market model, based on ICF data)

² CAGR

Significant progress towards 2024 targets expected in 2023

Q3 2023



Capacity (ASK)
c. 88% of 2019 levels



Adjusted EBIT
Above 2019 level of
EUR 1.3bn

Full Year 2023



Capacity (ASK)
Around 85% of 2019 levels



Adjusted EBIT
Above EUR 2.6bn



Adjusted Free cash flow
Significantly positive



Net CapEx
EUR 2.5-3.0bn

Full Year 2024



Adjusted EBIT margin
At least 8%



Adjusted ROCE (excl. cash)
At least 10%

Confident outlook

- ✓ **Demand remains strong, supply constrained**
- ✓ **Product and service innovations will support our premium positioning**
- ✓ **Transformation into Airline Group well underway**

Second Quarter 2023 Results

Strategy

Investment in ITA Airways

Operational and financial outlook

Appendix

Traffic Data

		Apr	vs.2019	May	vs.2019	Jun	vs.2019	Q2	vs.2019
Total Lufthansa Group Airlines	Passengers in 1,000	10,234	-18.3%	11,235	-14.9%	11,826	-14.4%	33,296	-15.8%
	Available seat-kilometers (m)	24,857	-18.9%	26,369	-18.4%	27,295	-15.2%	78,520	-17.5%
	Revenue seat-kilometers (m)	20,374	-20.2%	21,653	-17.5%	23,262	-15.3%	65,289	-17.6%
	Passenger load-factor (%)	82.0	-1.4pts	82.1	+0.9pts	85.2	-0.1pts	83.2	-0.1pts
	Available Cargo tonne-kilometers (m)	1,245	-16.1%	1,280	-16.3%	1,222	-11.9%	3,833	-14.8%
	Revenue Cargo tonne-kilometers (m)	729	-18.2%	707	-24.0%	763	-18.6%	2,161	-20.3%
	Cargo load-factor (%)	58.5	-1.5pts	55.2	-5.6pts	62.4	-4.6pts	56.4	-3.9pts
	Number of flights	80,624	-19.9%	86,899	-19.7%	88,136	-17.2%	255,659	-18.9%

Operating KPIs of Passenger Airlines by region vs. 2019 (unless stated otherwise)

Total	Q2'23
Number of flights	-19.0%
ASK	-17.5%
RPK	-17.6%
SLF	-0.1pts.

Yield	+24.7%
Yield vs 2022	+13.1%
Yield ex currency vs 2022	+13.7%
RASK	+25.1%
RASK ex currency vs 2022	+15.6%
CASK ex. fuel, ex. emissions cost	+16.3%
CASK ex. fuel, ex. emissions cost vs 2022	+7.2%
CASK ex currency, ex fuel, ex emissions cost vs 2022	+6.9%

Europe	Q2'23
ASK	-7.7%
RPK	-6.0%
SLF	+1.5pts.
RASK incl. currency ¹⁾	+15.6%

Americas	Q2'23
ASK	-21.5%
RPK	-21.3%
SLF	+0.2pts.
RASK incl. currency ¹⁾	+30.6%

North America	+26.8%
South America	+44.7%

Asia / Pacific	Q2'23
ASK	-37.4%
RPK	-39.5%
SLF	-2.8pts.
RASK incl. currency ¹⁾	+37.4%

Middle East / Africa	Q2'23
ASK	-0.1%
RPK	-1.0%
SLF	-0.7pts.
RASK incl. currency ¹⁾	+13.8%

¹⁾ Regional RASK are based on regional traffic revenues only

Calculation of operational airline KPIs

Passenger Airlines, Q2 2023

Yield	1) Traffic revenues (€m)	7,270
	2) Not assignable (€m)	763
	= 3) Basis for Yield (1)-(2) (€m)	6,507
	4) RPK (m) ¹	65,289
	Yield (3/4)*100 (€c)	10.0

RASK	1) Total Revenues (€m)	7,669
	2) Other operating income (€m)	218
	3) Reversal of provisions (€m)	33
	4) FX losses (€m)	-81
	= 5) Basis for RASK (1)+(2)-(3)+(4) (€m)	7,844
	6) ASK (m) ²	78,520
	RASK (5/6)*100 (€c)	9.9

CASK	1) Total operating expenses (€m)	-6,910
	2) Reversal of provisions (€m)	33
	3) FX losses (€m)	-81
	4) Fuel expenses (€m)	-1,852
	5) Emission Trading (€m)	-62
	= 6) Basis for CASK (1)+(2)-(3)-(4)-(5) (€m)	-4,882
	7) ASK (m) ²	78,520
	CASK -(6)/(7)*100 (€c)	6.2

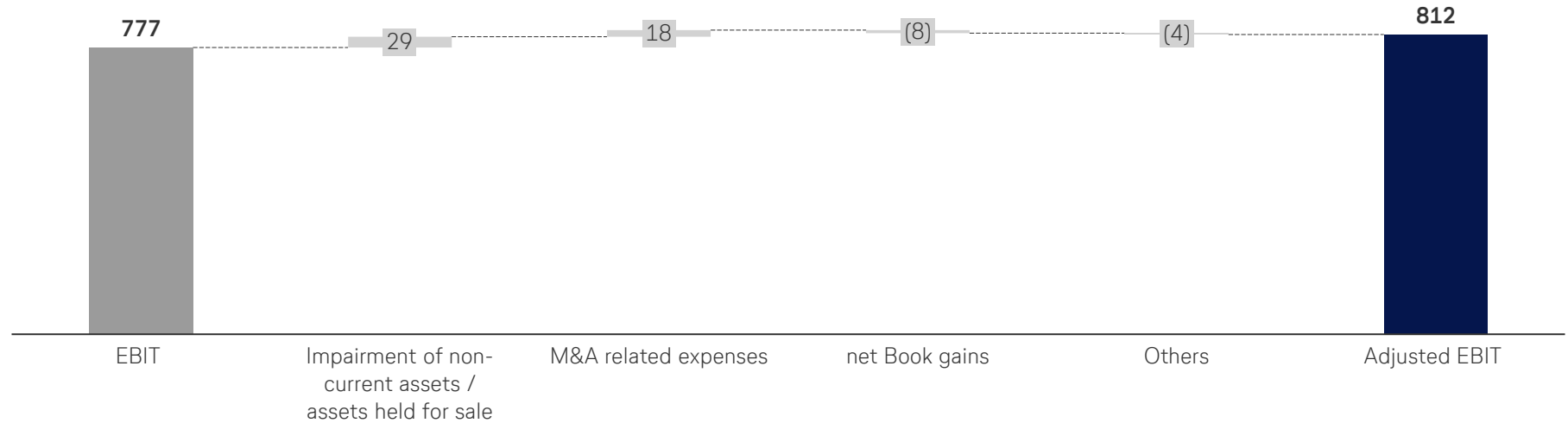
¹ RPK: Revenue Passenger Kilometers, ² ASK: Available Seat Kilometers

Group P&L

Lufthansa Group (in EUR m)	Q2 '23	vs. Q2 '22
Revenues	9,389	+17%
Total operating income	10,154	+19%
Operating expenses	9,064	+11%
Of which fees & charges	1,202	+20%
Of which fuel	1,934	-10%
Of which staff	2,064	+18%
Of which depreciation	555	+1%
Result from equity investments	-5	+60%
Adjusted EBIT	1,085	+177%
Adjusted EBIT Margin	11.6%	+6.7 pts.
Adjustments	-4	0%
EBIT	1,081	+217%
Net interest income	-82	+35%
Other financial items	62	-57%
EBT	1,061	+196%
Income taxes	-187	-101%
Profit / loss from discontinued operations	7	n.m.f.
Profit / loss attributable to minority interests	0	+100%
Net income	881	+238%

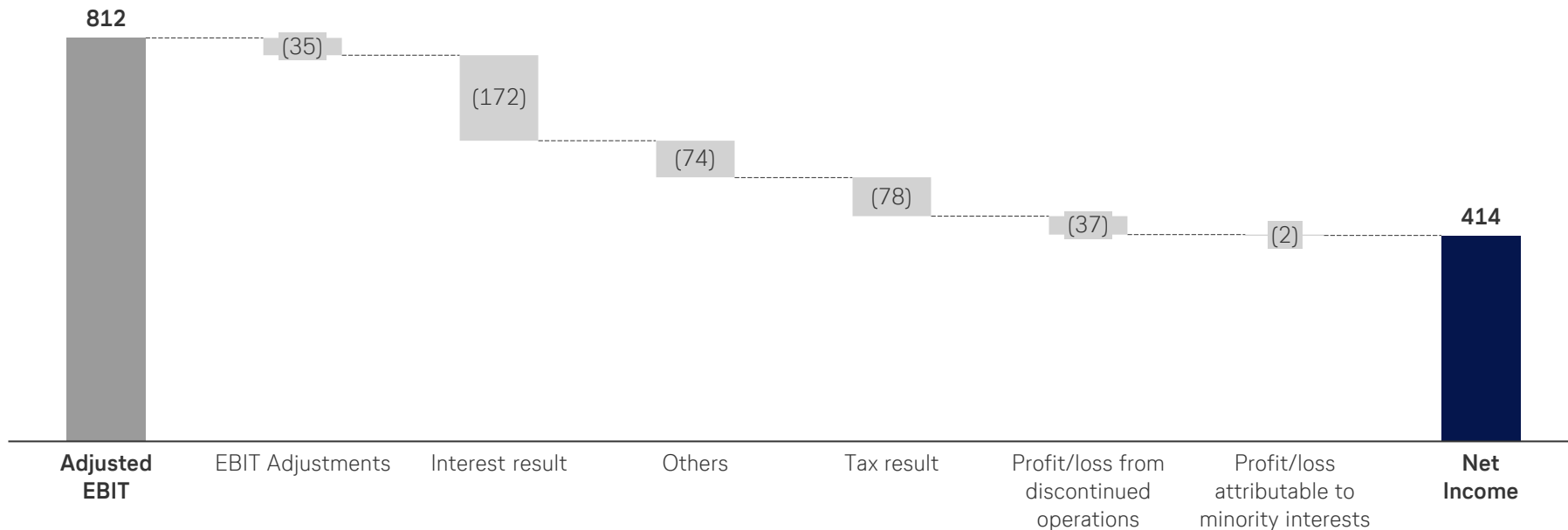
EBIT / Adjusted EBIT bridge H1 2023

in EUR million








Adjusted EBIT / Net Income H1 2023

in EUR million



Adjusted EBIT by Airline

Adjusted EBIT (in EUR m)		Q2 '23	Q2 '22	Change in %	6M '23	6M '22	Change in %
Lufthansa German Airlines 		515	-83	n.m.f.	149	-798	n.m.f.
SWISS 		272	107	+154%	349	45	n.m.f.
Austrian Airlines 		88	3	n.m.f.	15	-106	n.m.f.
Brussels Airlines 		31	-27	n.m.f.	-12	-89	87
Eurowings 		69	-76	n.m.f.	-34	-239	86
Passenger Airlines		965	-86	n.m.f.	453	-1,200	n.m.f.

Cash flow statement

Lufthansa Group (in m EUR)	Q2 '23	vs. Q2 '22 ¹
EBT (earnings before income taxes)	1,086	+730
Depreciation & amortization (incl. repairable MRO materials)	+562	+22
Net proceeds from disposal of non-current assets	-16	-13
Result of equity investments	+2	-7
Net interest	+85	-44
Income tax payments/reimbursements	-99	+11
Significant non-cash-relevant expenses / income	-87	+72
Change in trade working capital	+132	-1,753
Change in other assets / liabilities	-146	-444
Operating cash flow	+1,519	-1,426
Capital expenditure (net)	-831	-87
Free cash flow	+688	-1,513
Adjusted Free cash flow	+589	-1,533
Cash and cash equivalents as of 30.06.23 excl. assets held for sale	+1,242	-1,460
Current securities	+7,233	+576
Total Group liquidity	+8,475	-884

¹ Changes in balance sheet items compared to year end 2022

1 Significant improvement in the operating result compared to the previous year

2 Decline versus prior year reflects non-recurrence of exceptionally strong cash inflow due strong bookings in the prior year

3 Mainly related to pre-payments and new aircraft deliveries

Multi-year financial overview

Lufthansa Group (in EUR million, as reported)	2016	2017	2018	2019 ¹	2020	2021	2022 ⁴
Operating KPIs							
RASK ex currency	-5.9%	+1.9%	-0.5%	-2.5%	-26.7%	-6.1%	-6.1%
CASK ex currency, ex fuel ²	-2.5%	-1.8%	-1.7%	-1.5%	+84.6%	-25.8%	-25.8%
Profit & Loss							
Revenues	31,660	35,579	35,542	36,424	13,589	16,811	32,770
Fuel Cost	4,885	5,232	6,087	6,715	1,875	2,409	7,601
Adjusted EBIT	1,752	2,969	2,836	2,026	-5,451	-1,666	1,509
Adjusted EBIT Margin	5.5%	8.3%	8.0%	5.6%	-40.1%	-9.9%	4.6%
Balance Sheet							
Total Assets	34,697	35,778	38,213	42,659	39,484	42,538	43,335
Net Financial Debt and Pension Liabilities	11,065	8,000	9,354	13,321	19,453	15,563	8,864
Adjusted ROCE	7.0%	11.9%	10.6%	6.6%	-16.7%	-7.4%	+7.3%
Cash Flow statement							
Operating Cash Flow	3,246	5,368	4,109	4,030	-2,328	399	5,168
Capital expenditure (net)	2,108	3,251	3,859	3,448	962	1,119	2,286
Free Cash Flow ³	1,138	2,117	288	203	-3,669	-1,049	2,526

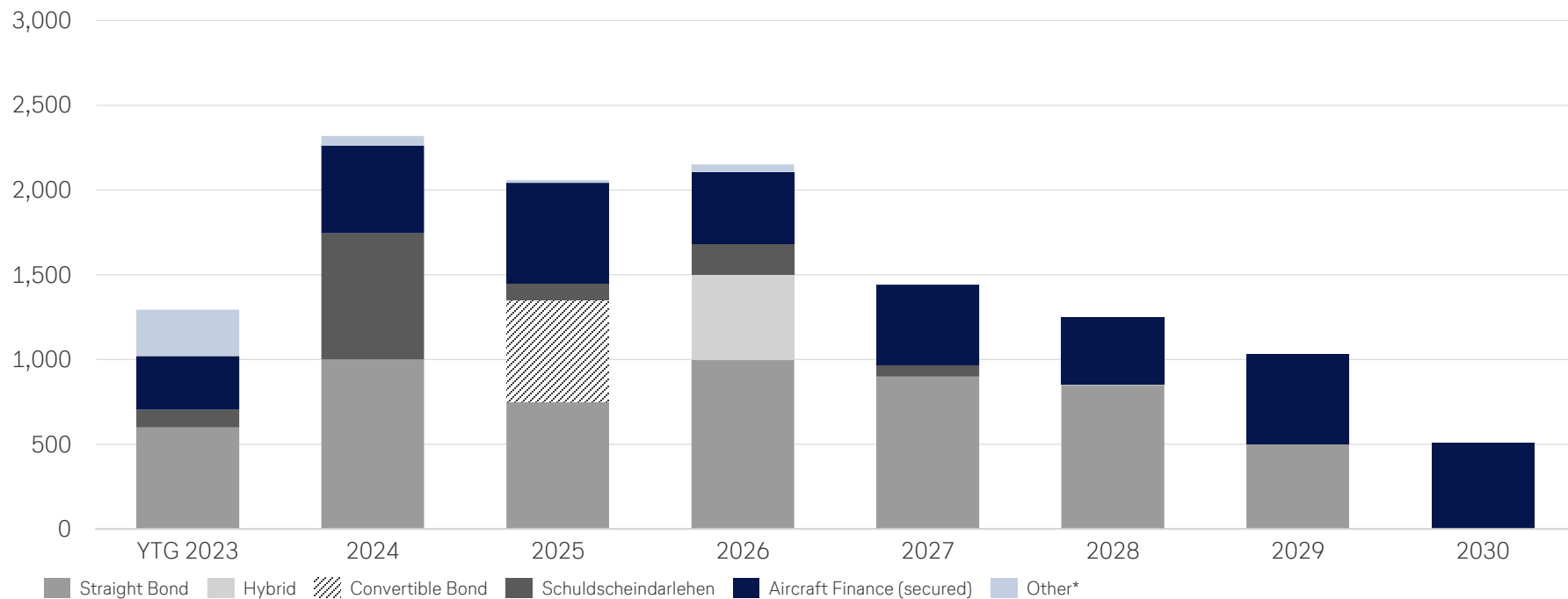
¹ 2019 reported figures including effects from IFRS 15 treatment of compensation payments, 2017 restated for better comparability

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

⁴ 2022 figures as reported (excl. adjustment for discontinued operations).

Maturity profile of borrowings as of June 30, 2023



*Mainly bilateral loans – does not include operating leases; as drawn on June 30 - including AirPlus ABCP program