

Expert Session Eurowings

Management Presentation



Disclaimer in respect of forward-looking statements

Information published in this presentation concerning the future development of the Lufthansa Group and its subsidiaries consists purely of forecasts and assessments and not of definitive facts. These forward-looking statements are based on all discernible information, facts and expectations available at the time. They can, therefore, only claim validity up to the date of their publication. Since forward-looking statements are by their nature subject to uncertainties and imponderable risk factors – such as changes in underlying economic conditions – and rest on assumptions that may not occur, or may occur differently, it is possible that the Group's actual results and development may differ materially from the forecasts. Lufthansa makes a point of checking and updating the information it publishes. However, the Company is under no obligation to update forward-looking statements or adapt them to subsequent events or developments. Accordingly, it neither explicitly nor implicitly accepts liability, nor gives any guarantee for the actuality, accuracy or completeness of this data and information.

Eurowings

- #1 point-to-point airline in home markets
- Top point-to-point airline in Europe
- Partnership model to drive consolidation
- We do things differently



Agenda

- 1 Market environment and positioning of Eurowings**
- 2 Commercial strategy**
- 3 Organizational setup and financials**
- 4 Growth opportunities through innovative Eurowings cooperation model**
- 5 Summary and next steps**

Eurowings builds on the success of Germanwings

Development of Eurowings in three phases

1 New Germanwings



- Transfer of **non-hub traffic** from Lufthansa to '**New Germanwings**' from 2013 (30 aircraft)
- **New fare concept** BASIC, SMART, BEST
- **Financial turn-around / break-even** in 2015

2 Eurowings Group



- CR9 conversion to **homogenous A320 fleet**
- **Greenfield LCC** operating platform **EW Europe**
- First base outside Germany in **VIE**
- Start of **long-haul operations**
- **EW Group** bundling activities for all AOCs
- Eurowings as **lead brand**

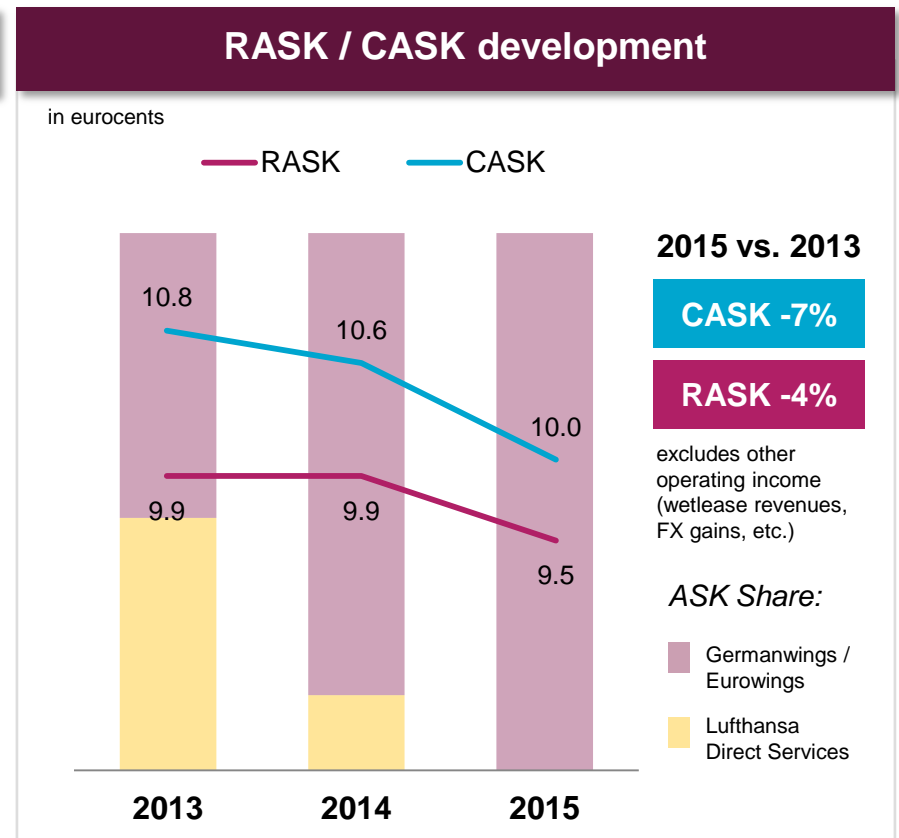
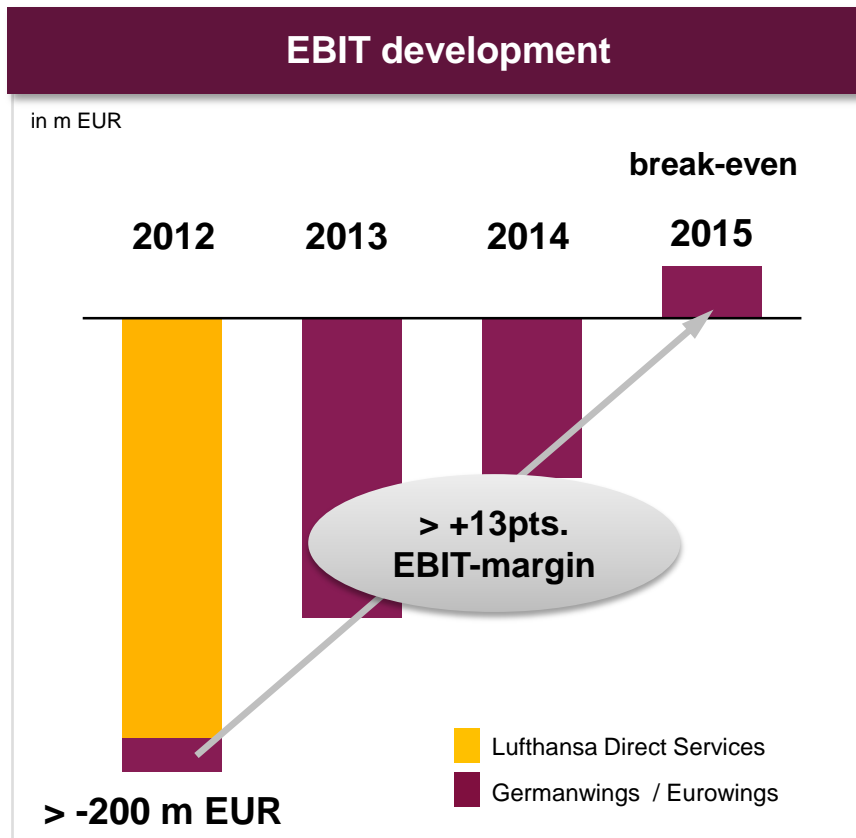
3 Growth opportunities



- **Organic growth:** re-fleeting, additional aircraft and Lufthansa Group internal consolidation
- **External growth option:** various alternatives (strategic partnerships and M&A)
- Innovative **cooperation model** to foster profitable growth and **benefit from consolidation** in Europe

The business model has proven successful

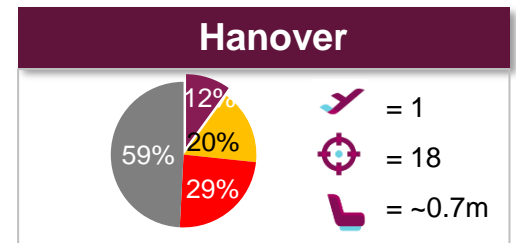
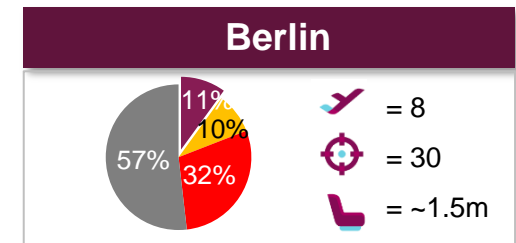
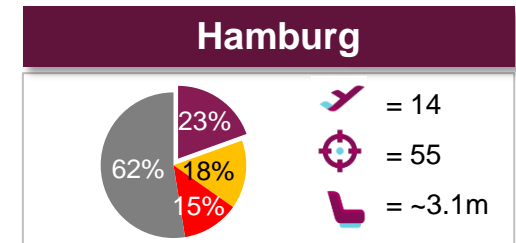
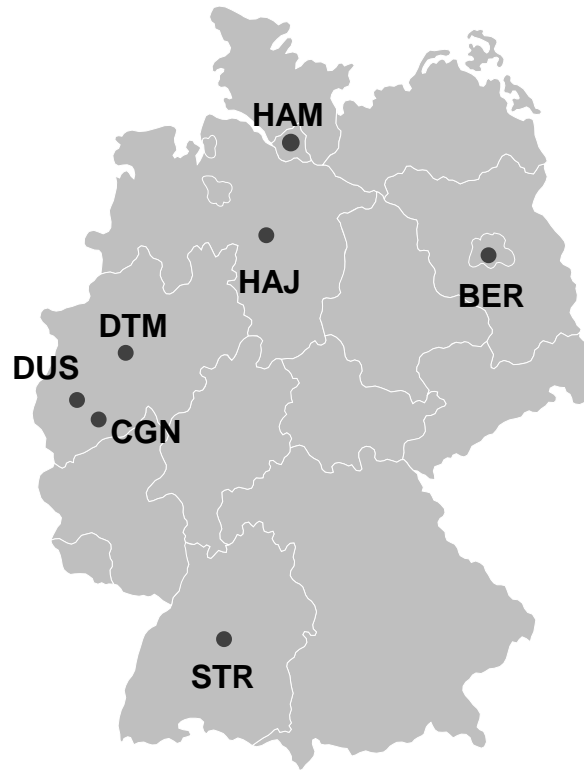
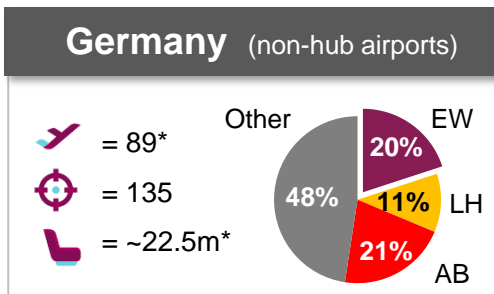
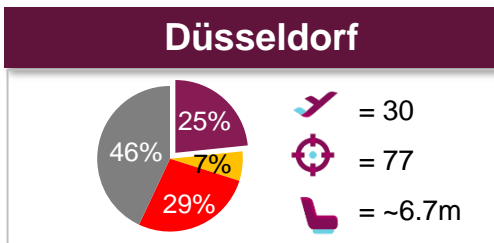
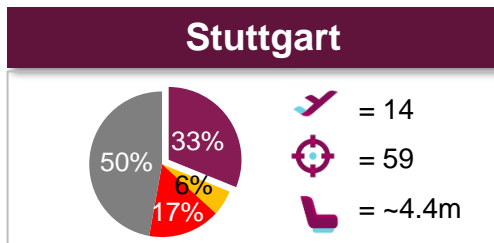
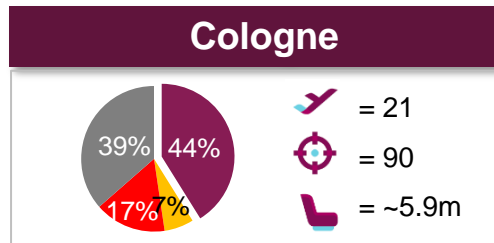
Financial turnaround achieved in 2015



- ▶ **Successful turnaround** despite increased LCC competition
- ▶ **CASK improvement** overcompensates RASK decline
- ▶ Constantly **increasing load factor** since 2013

Eurowings holds #1 or #2 positions in all relevant German catchments

Strong competitive position in Germany



Eurowings operates from the heart of Europe

- ▶ **Decentral structure** of German market; several large catchments
- ▶ Premium position in **high-yield markets with high purchasing power**
- ▶ **Shorter average sector length** due to central geographic location in Europe

Market shares based on offered outbound seats to Europe 2015; number of short- and long-haul fleet per base and number of destinations as of Jun 2016; *incl. Dortmund

Eurowings leverages legacy advantages at lower cost

Positioning of Eurowings within Lufthansa Group and LCC market

Eurowings within LH Group

Eurowings leverages LH Group advantages...

- LH status & corporate customer base
- Frequent flyer program
- Joint procurement
- Fleet management
- Codesharing
- Lounge access

... while maintaining autonomy

- P2P focus
- Unbundled fares
- Revenue management
- Independent labour agreements
- Non-legacy cost base
- Separate IT system (Navitaire)

Eurowings Positioning within the LCC Segment

Ultra Low Cost

- Single class, maximized seat density
- Aggressive seat pricing, with strong focus on ancillaries
- Focus on leisure travelers
- Mainly secondary and tertiary airports



Traditional Low Cost

- Point-to-point
- High frequency
- Leisure travelers and price sensitive business travelers
- Mainly primary and secondary airports



Modern Low Cost

- Point-to-point and network
- Leisure travelers and price sensitive business travelers
- Premium cabin, compromised seat density
- Frequently primary airports



Eurowings is able to retain LH Group customers and increase demand

FFP data and travel profile of a frequent traveler

Eurowings' hybrid role

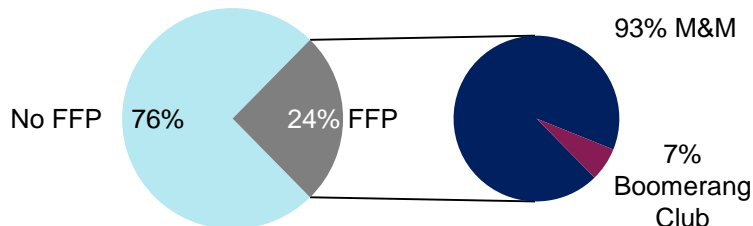
Retain loyal
Lufthansa Group
customer base

Raise purchase
frequency

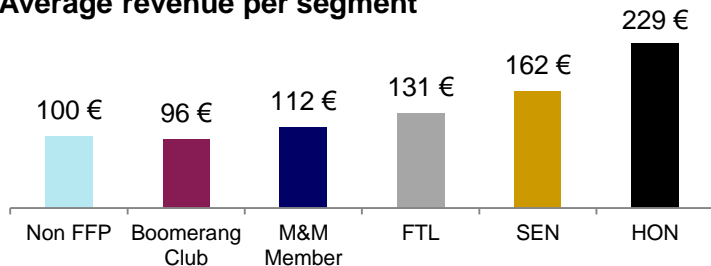
Increase demand
and tap into new
target groups

Frequent flyer program

Passengers with FFP-Membership

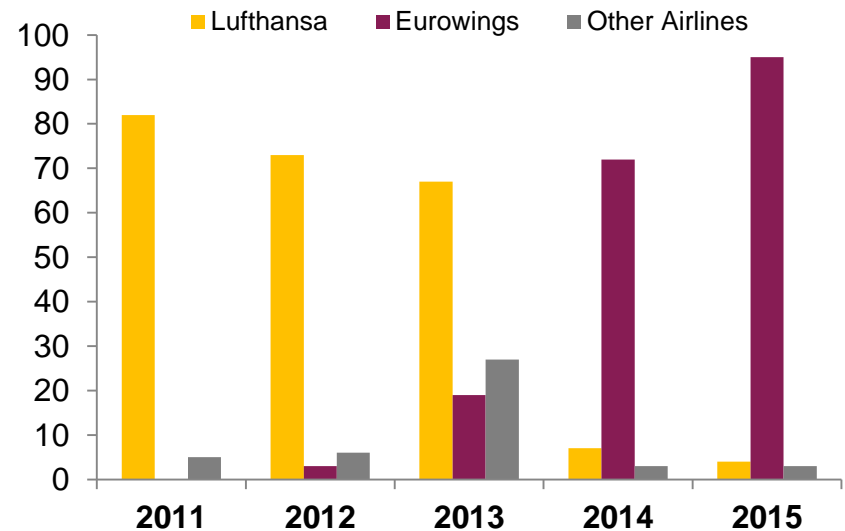


Average revenue per segment



Example: flight travel pattern of a Miles&More Gold Status passenger from Hamburg

Number of trips per year



FFP = Frequent Flyer Program; M&M = Miles&More; BC = Boomerang Club; FTL = Frequent Traveler (Silver Status); SEN = Senator (Gold Status); HON = Hon Circle Member (Platinum Status)

Eurowings is one of the three pillars of the Lufthansa Group

Stand-alone business within the leading Aviation Group

First choice in aviation

Premium network carrier system

#1 in Europe



Eurowings Group

#1 in home markets*

- À-la-carte-concept
- Point-to-point traffic
- Pan-European



Aviation Services

#1 worldwide



Lufthansa Cargo



Lufthansa Technik



Miles & More
Lufthansa

and more

* Germany, Austria, Switzerland and Belgium

1 Market environment and positioning of Eurowings

2 Commercial strategy

3 Organizational setup and financials

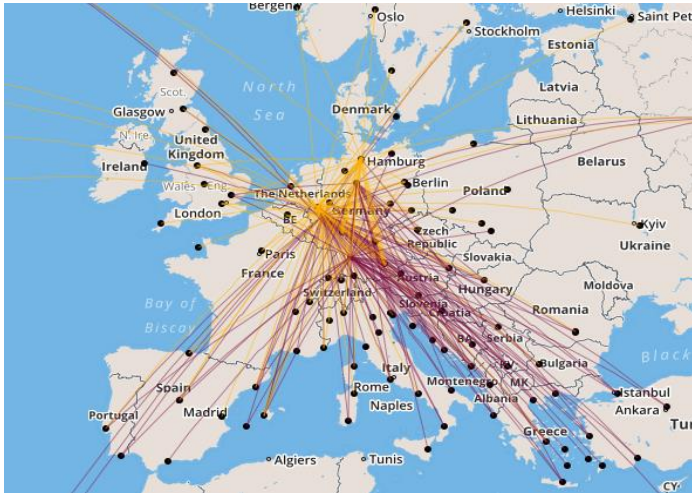
4 Growth opportunities through innovative Eurowings cooperation model

5 Summary and next steps

Eurowings serves more than 130 destinations

High frequency domestic and European trunks plus attractive leisure routes

Non-hub network 2011

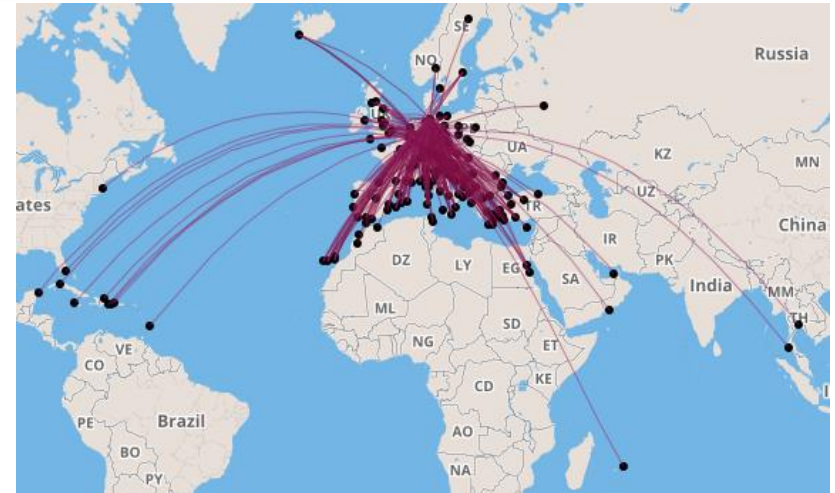


LH+4U destinations ~110

LH+4U seats offered ~24m

- ▶ Primary European leisure destinations served by **Germanwings**
- ▶ Primary domestic and European trunks served by **Lufthansa**
- ▶ 4U and LH networks not aligned

Eurowings network 2016



EW destinations ~135

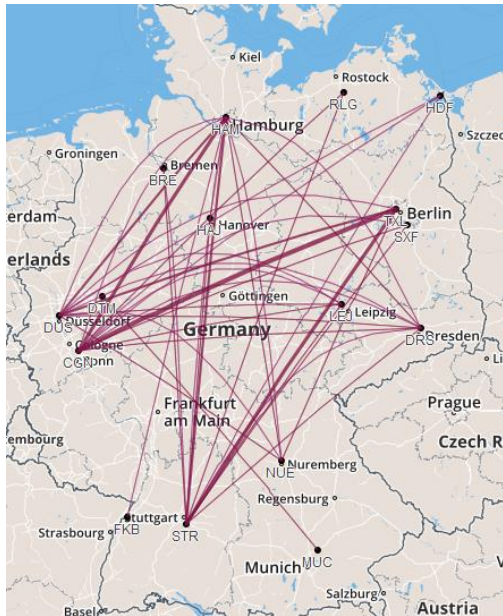
EW seats offered ~26m

- ▶ **High frequency on domestic and European trunks** (LON, PAR, MIL, BCN)
- ▶ **Touristic routes** within central Europe (partly seasonal service)
- ▶ **Leisure long-haul routes** with a mix of „city“ and „beach“ destinations

Eurowings strategy designed to fully exploit strong home market

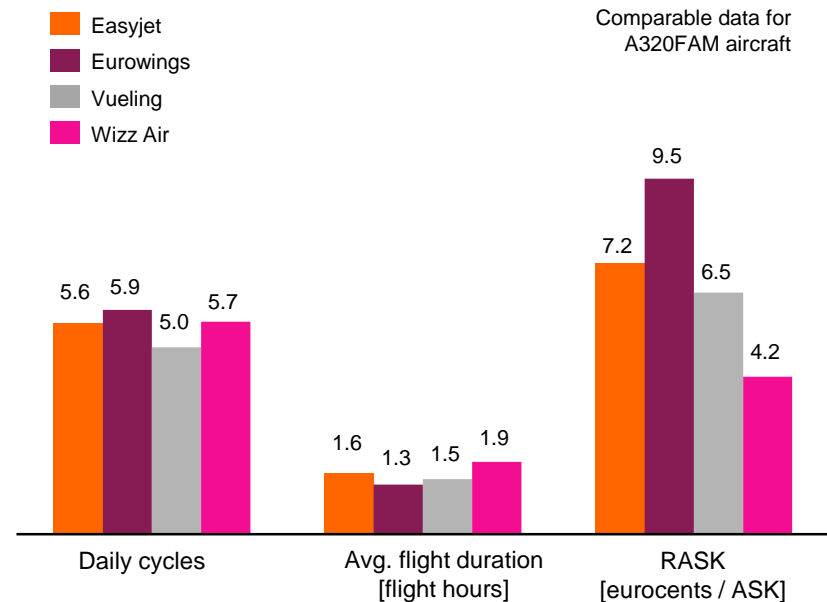
Domestic route network and KPI benchmark

Domestic network 2016



- ▶ **High frequency** domestic service (e.g. up to 10x daily CGN – TXL)
- ▶ On average **~1,000 domestic flights per week**
- ▶ Domestic services **account for ~30% of total capacity**

Daily cycles, flight time and RASK 2015



- ▶ More **daily cycles** than competition and **shorter average sector length**
- ▶ **Structurally higher unit revenue** than competitors plus additional premium
- ▶ Potential to **increase productivity** with broader European P2P network

Source: Airbus; Annual Airline Reports 2015

Network continuously enhanced to optimize schedule and mix

Growth focus on leisure routes



Long-haul network serves leisure and selected city destinations

Continuously growing long-haul network



Eurowings serves price as well as value oriented customers

Appealing to business and leisure passenger

Eurowings customer segments



Price-sensitive leisure travelers
seeking lowest fares possible



Value-conscious **business travelers**
and **corporate customers**



Upmarket leisure travelers,
willing to trade up for comfort



LH Groups most loyal customers
traveling on non-hub routes

Reason for travelling

~75% Leisure/private

~25% Business

Clusters within B2C segment [Customer share]

12%

28%

43%

12%

5%

Minimalistic

- ▶ Trip duration < 10 days
- ▶ No frills / ancillaries

One-time

- ▶ Trip duration < 7 days
- ▶ Ancillaries during flight booking

Recurring

- ▶ Ø bookings per year > 2
- ▶ Additional ancillary services

Long-term

- ▶ Trip duration >10 days
- ▶ Booking early in advance

Frequent




- ▶ Ø bookings per year >10
- ▶ Additional ancillary services

'A la carte' product caters individual customer preferences

Three pre-packaged products complemented by ancillary options










BASIC

The budget fare

-  Miles
-  Hand luggage
-  Bookable add-ons












SMART

The standard fare

-  Preferred seating in the standard category
-  1 bag up to 23 kg
-  Hand luggage
-  SMART meals (1x hot, 1x cold)
-  Beverages
-  Lounge access at selected airports for HON, SEN and FTL
-  Free booking changes or cancellation with Flex option*
-  Miles
-  Bookable add-ons

BEST

The premium fare

-  Premium seat in the exclusive category
-  More legroom and generous recline
-  2 bags up to 23 kg each
-  2 items of hand luggage
-  À la carte catering
-  Security fast lane at selected airports
-  Lounge access
-  Priority check-in and priority boarding
-  On-board entertainment
-  Free booking changes or cancellation with Flex option*
-  Miles including HON Circle miles

Customer share*

55%

40%

5%

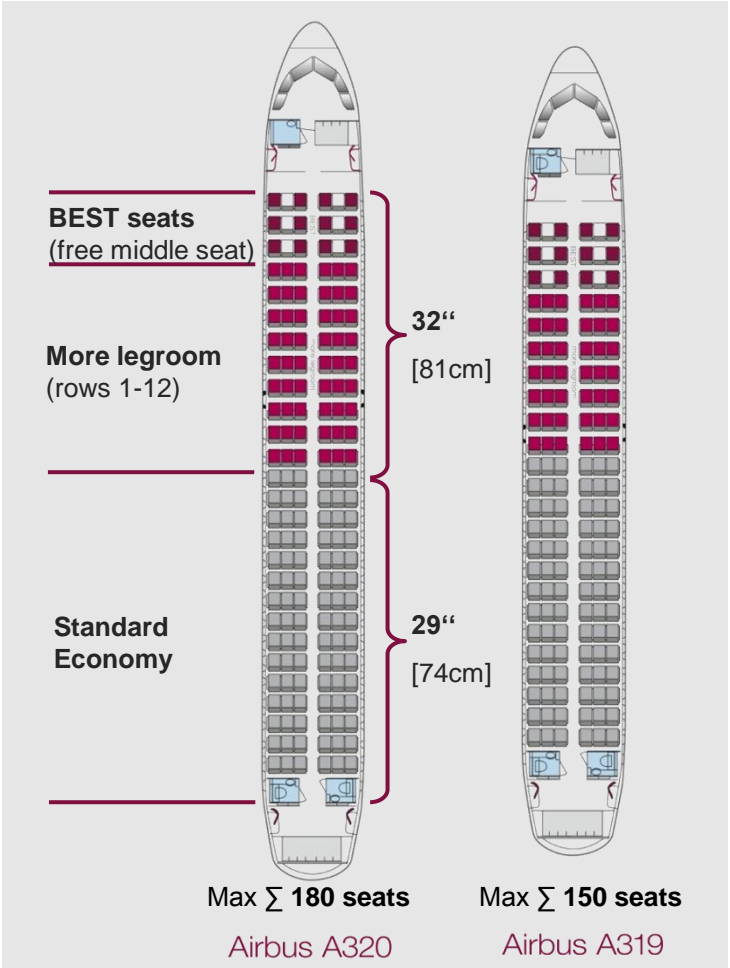
*average in Q1 2016; incl. travel agencies

Product follows customer demand: up to 32" seat pitch on short-haul

Biggest section of more legroom seats among competitors

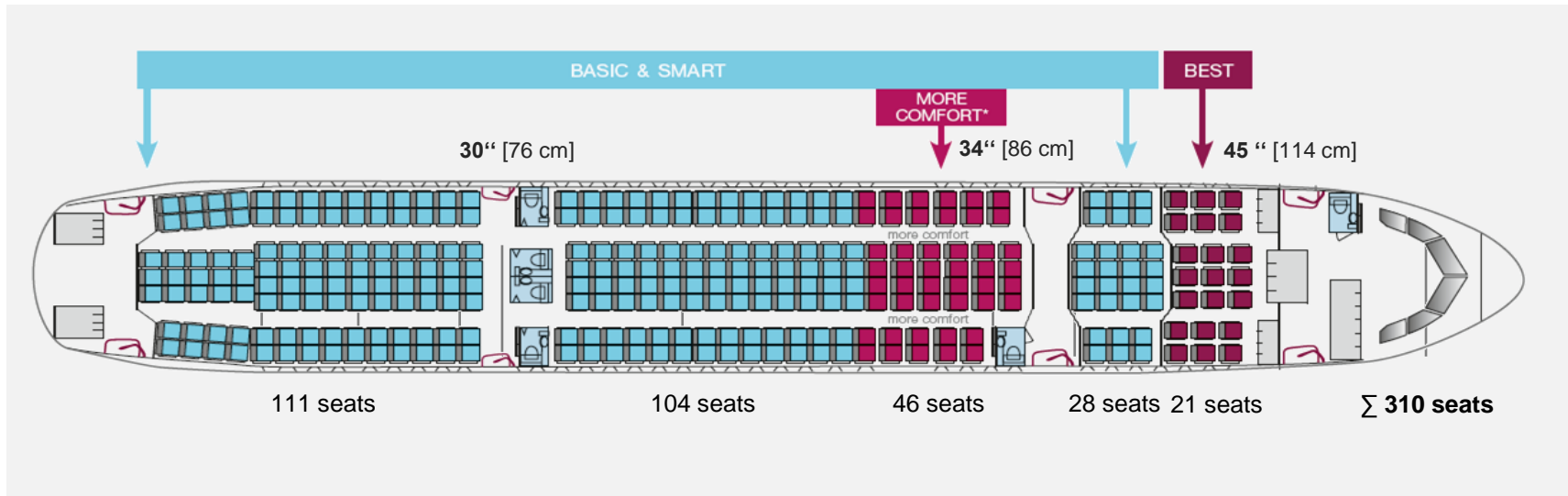


Ancillary Revenue per pax: ~11 EUR



Eurowings offers a state-of-the-art value product on long-haul

High density configuration for competitive low-cost operation



Prices to make anyone smile:
Dubai for less than 100€.

Dubai from
99.99 €











SLF
>90%

Ancillary Revenue
per pax: ~19 EUR

- ▶ **3 class high density configuration** for competitive low-cost operations with leisure customer focus
- ▶ **State-of-the-art cabin interior** with wireless **internet connectivity** and **HD Entertainment** on every seat

Comprehensive, cost efficient distribution remains key success factor

Sales channel mix

	Direct Sales				Indirect Sales ticketless					Ticketed
Sales channel	EW.com 	Mobile 	Call Center 	Airport Sales 	Corporate portal 	Direct Connect 	Tour Operator 	Groups 	GDS light 	GDS 
Revenue share*	39%				38%**					23%
Channel fee	-	-	20 EUR / booking	20 EUR / booking	-	-	-	-	7.5 EUR / segment	15 EUR / segment
Volume	81% low cost distribution									19%

- **Variety of sales channels** cover the needs of all customers
- **Customer pays additional transaction costs**

* Actual Fare+ Fees, w/o VAT , ** incl. Miscellaneous

New ancillary services to be offered in the course of the year

Developing new revenue streams



Protect your price:

Check your preferred flight with family & friends before booking – the prize is safe!



New Smart bundle differentiation:

Re-allocated & optimized bundle products differentiated between markets



Bid for BEST:

Submit a bid for an upgrade from SMART to the premium BEST fare



Eurowings Holidays:

Online integration of packaged holidays with tour operator Tropo



Private seat:

Need some private space? Book a free seat next to you



Best price guarantee on eurowings.com:

Strengthening of direct sales

Internet connectivity on board of the entire Eurowings fleet

Continuous product improvements



Inflight entertainment on your own smartphone, tablet or laptop via WiFi on board of the entire short-haul fleet



Selection of movies, music and games for all travelers

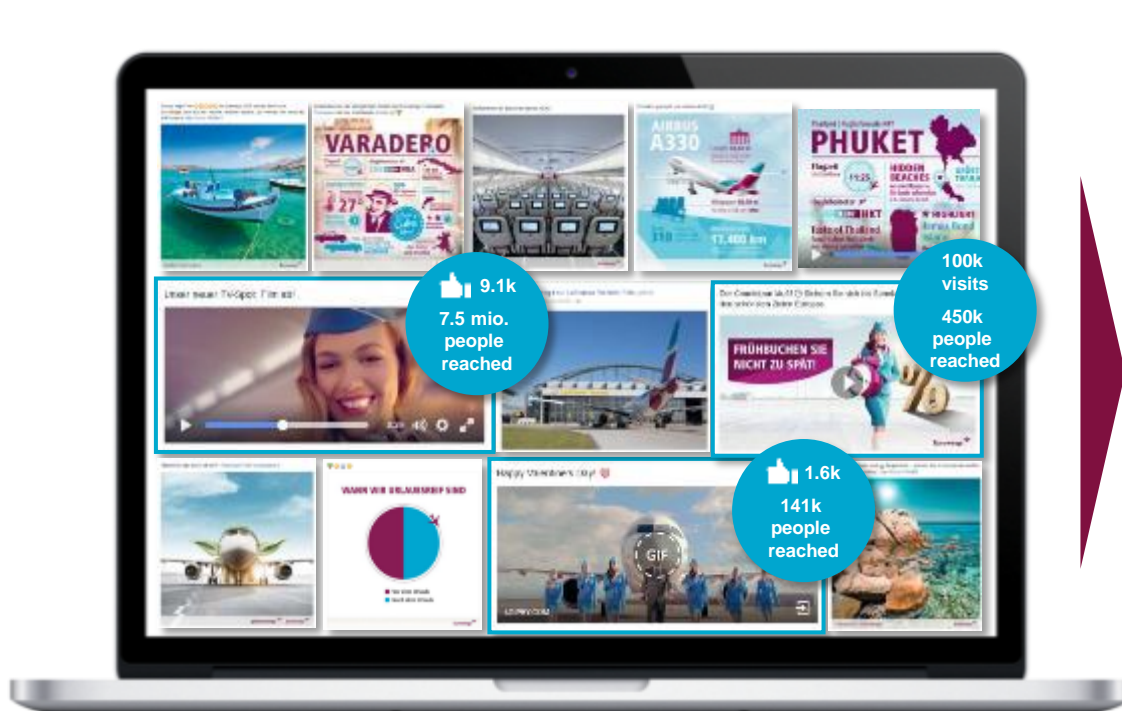


On board internet connectivity (starting winter 2016/17)



Eurowings is successfully building a modern, innovative brand

Quality image and a leading presence in social media



#1
LCC on Facebook
in Germany

**Most
committed
fans¹**

**Most
interactive
airline²**

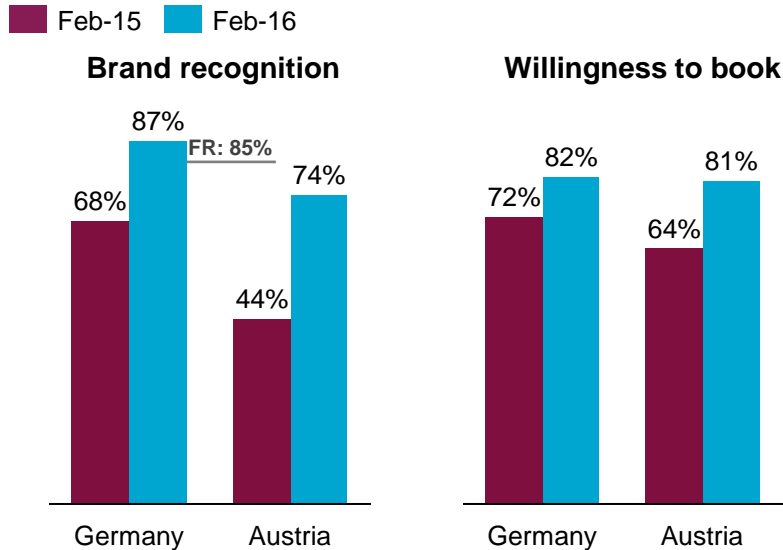
Eurowings clear #1 in Facebook likes compared to competitors.³

¹ In terms of engagement rate ((Likes + comments + shares) / total Likes) ² Shortest response time among German competitors (AB, X3, DE) ³ Local Likes in Germany among LCC competitors (EW, FR, AB & EZY)

Brand recognition increased significantly supported by TV-spots

Market research about brand recognition in Germany and Austria

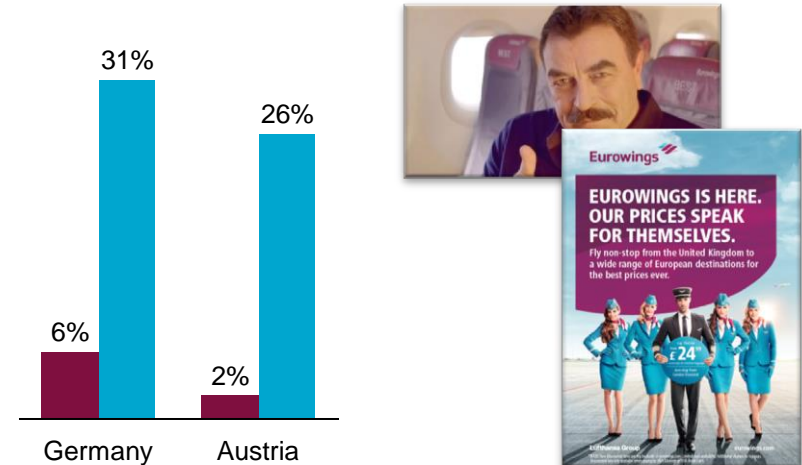
Brand recognition¹ & willingness to book²



- ▶ Brand recognition of Eurowings brand has increased significantly in Germany and Austria
- ▶ Effect on willingness to book a flight in line with brand perception
- ▶ Conversion rate increased (7% → 13%)

Advertisement recognition¹

Advertisement recognition



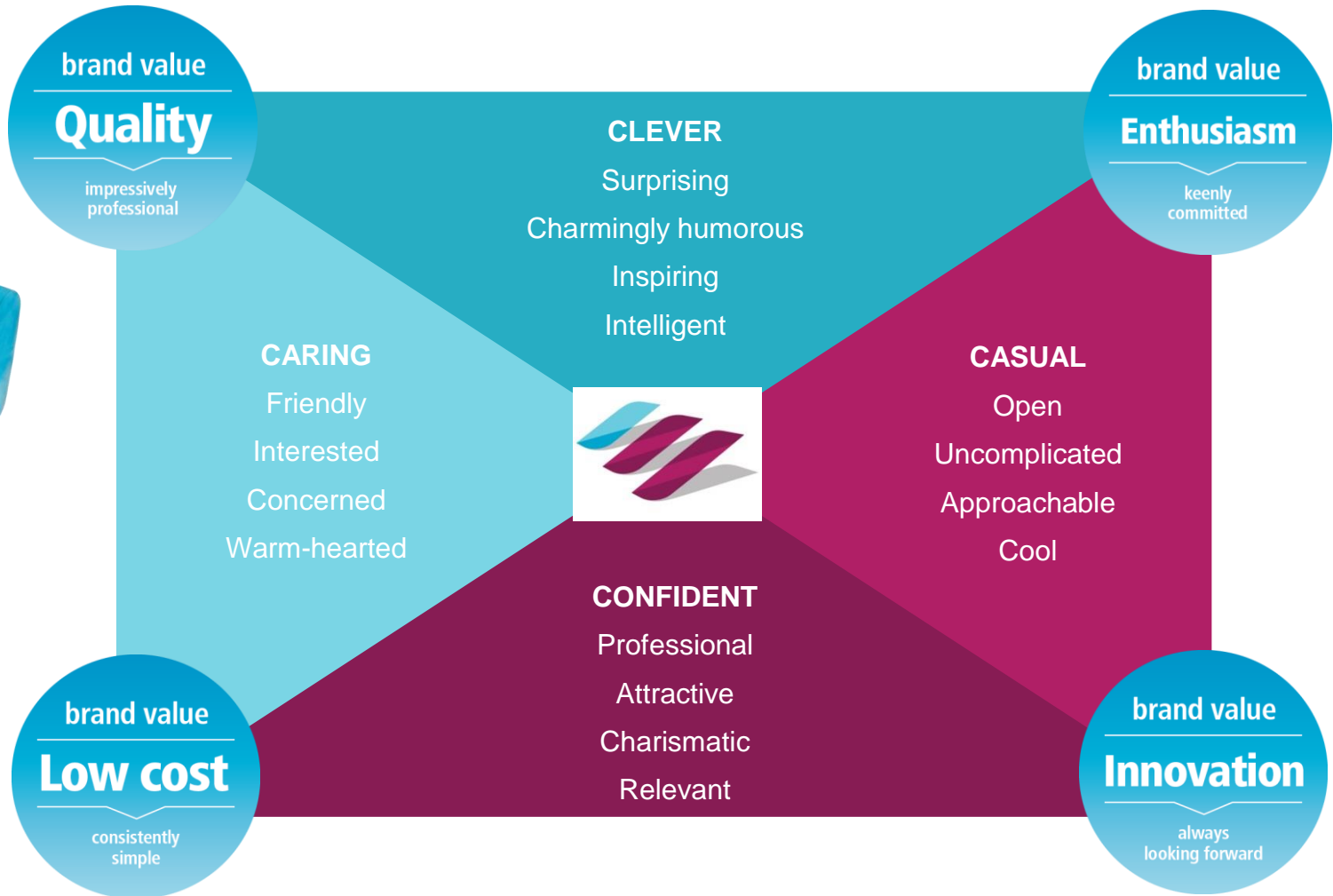
- ▶ Advertisement recognition boosted degree of brand awareness
- ▶ TV advertisement plays most important role (GER: 66%; AUT: 56%)
- ▶ ,Tom Selleck' and ,cheap prices' mentioned most frequently

Source: Online survey via INNOFACT

¹supported recognition ² booking of a short-haul flight

Eurowings stands for quality and value for money

Eurowings brand values



1 Market environment and positioning of Eurowings

2 Commercial strategy

3 Organizational setup and financials

4 Growth opportunities through innovative Eurowings cooperation model

5 Summary and next steps

Lean organisational set-up provides for efficient overhead structure

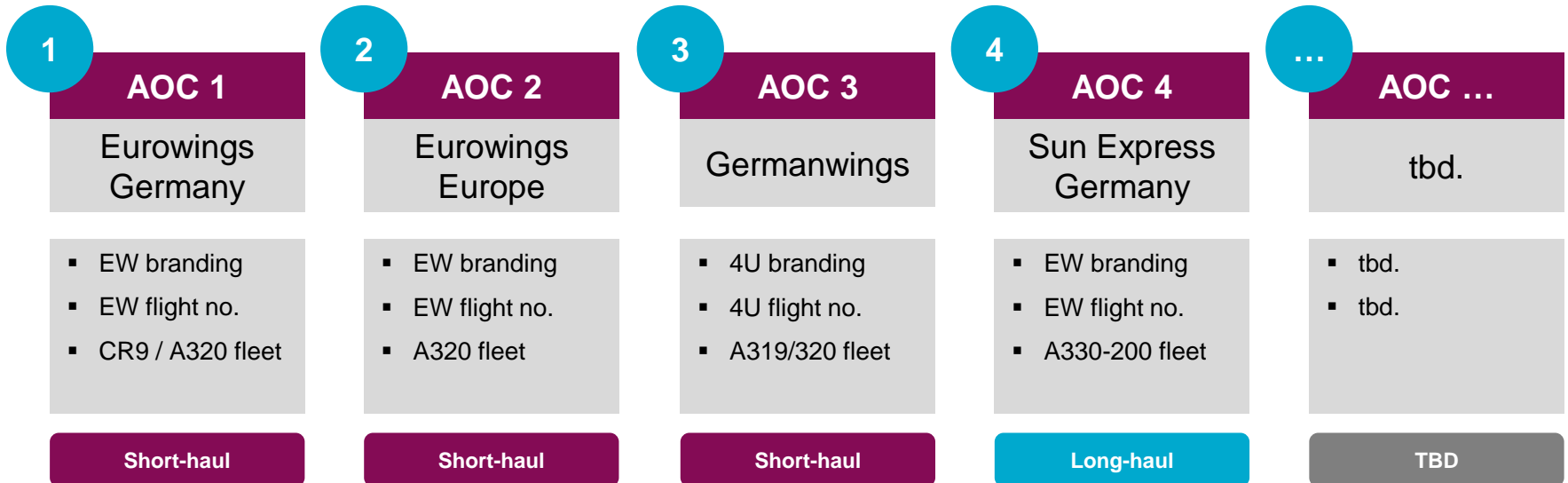
Bundling of commercial and administrative functions for multiple AOCs



Eurowings Aviation GmbH

Administration & commercial departments

- Bundled management structures
- Coordination of Eurowings Group AOCs
- Headquarters in Cologne



AOC: Air Operator Certificate

Current results are still burdened but positive underlying performance

Adj. EBIT Q1 2016 and trading assumptions 2016

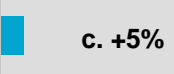
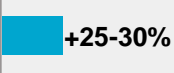

Adj. EBIT development Q1 16

<i>in m EUR</i>	Q1 2016
Revenue	377
Adj. EBIT	-86
thereof one-off costs (project and irregularity costs on long-haul)	c. 20

► First quarter was burdened by **project costs** and **irregularities** on long-haul operations

► **Positive contribution** of long-haul operations excl. irregrs already in first quarter

Trading assumptions FY 16

KPI	FY16 assumptions	Explanation
No. of Flights (Landings)	 c. +5%	Short-haul growth of c. 4% and new long-haul operations
Capacity (ASK)	 +25-30%	Short-haul growth of c. 8% and new long-haul operations
Load Factor (SLF)	slight increase	Measures to reduce seasonality; successful long-haul operations
Pricing (Yield ex currency)	clearly negative	Structural decline from increased long-haul operations; increasing competition in home markets
Unit Revenue (RASK ex currency)	clearly negative	
Unit Costs (CASK ex fuel ex currency)	c. -10% 	Refleeting CR9 to A320; long-haul growth; platform-shift

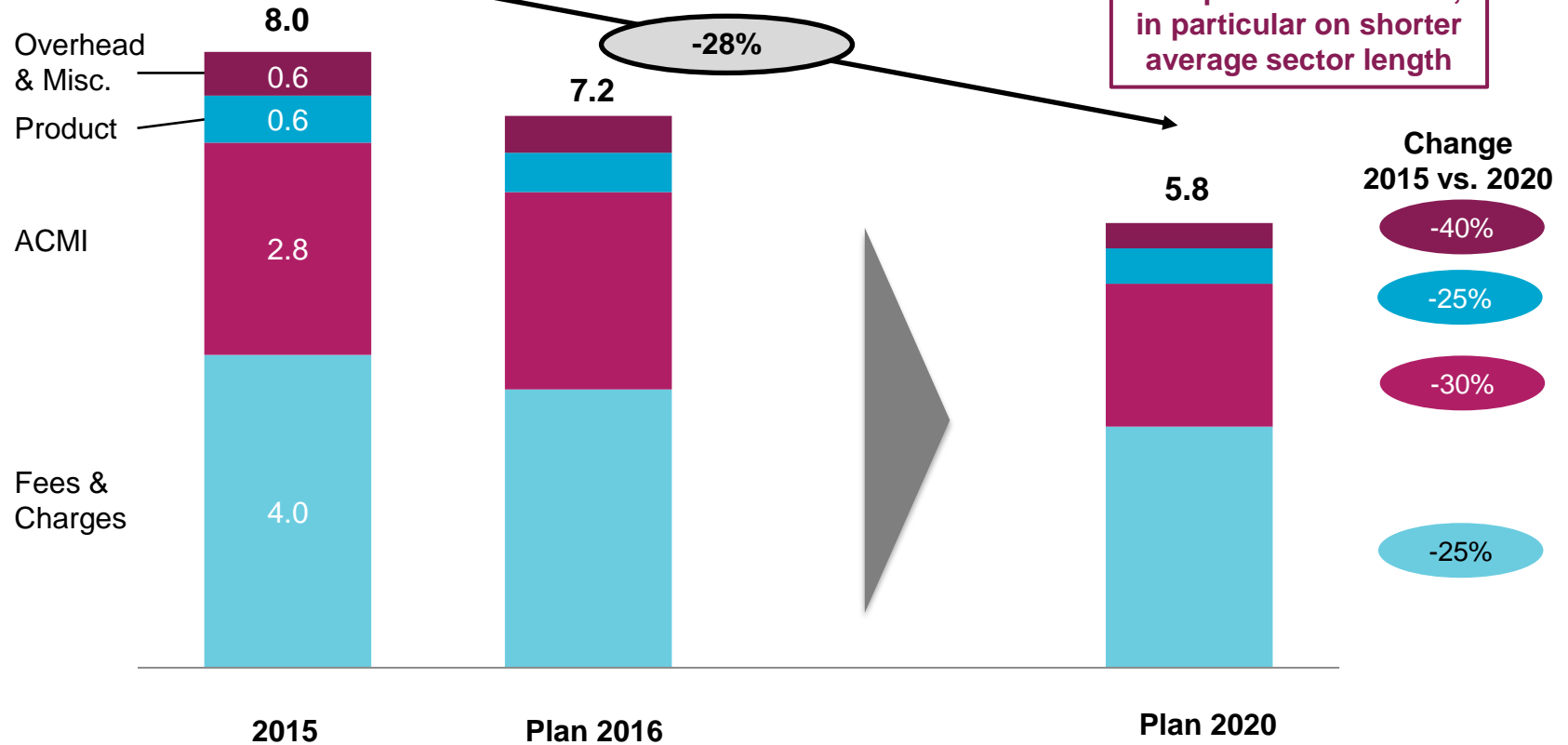
Eurowings with clear path to lower unit costs

Main drivers are up-gauging, crew costs and long-haul capacity increase

CASK development*

CASK*

in eurocents / ASK



* According to current planning; CASK excl. fuel/ETS, currency and project costs; ACMI = Aircraft, Crew, Maintenance and Insurance

Action on manageable cost items to strengthen competitiveness

Cost optimization focus and main levers

New organizational set-up



- Bundling of planning and administrative functions and realization of scale effects by offering these services to several operating platforms
- Focused standardization of all business processes

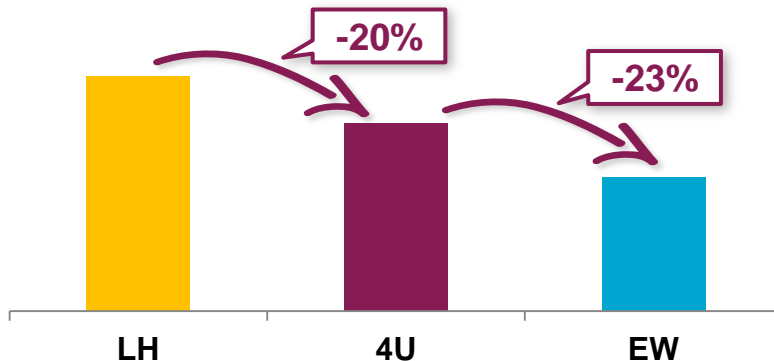
Fleet streamlining



- Upgauging of CR9 to Airbus A320 fleet
- Cost efficient operation of homogeneous A320 family fleet

Competitive tariff structures

Cockpit costs per block hour



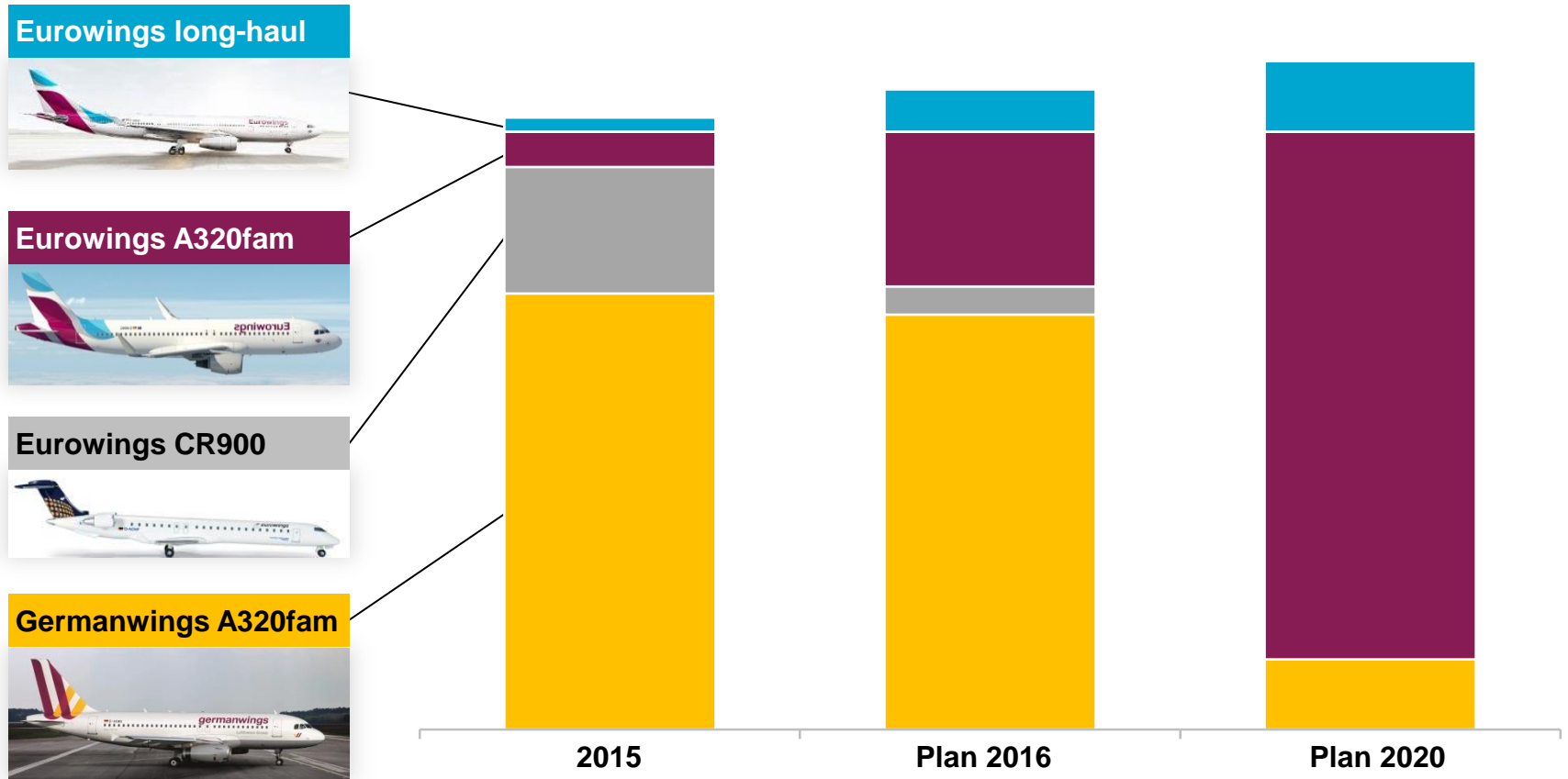
Provider Management



- Agreement on new catering contract
- Negotiation with airports and handling provider to further reduce costs

Fleet growth and transfer of assets to most competitive platforms

Development of fleet allocation until 2020*



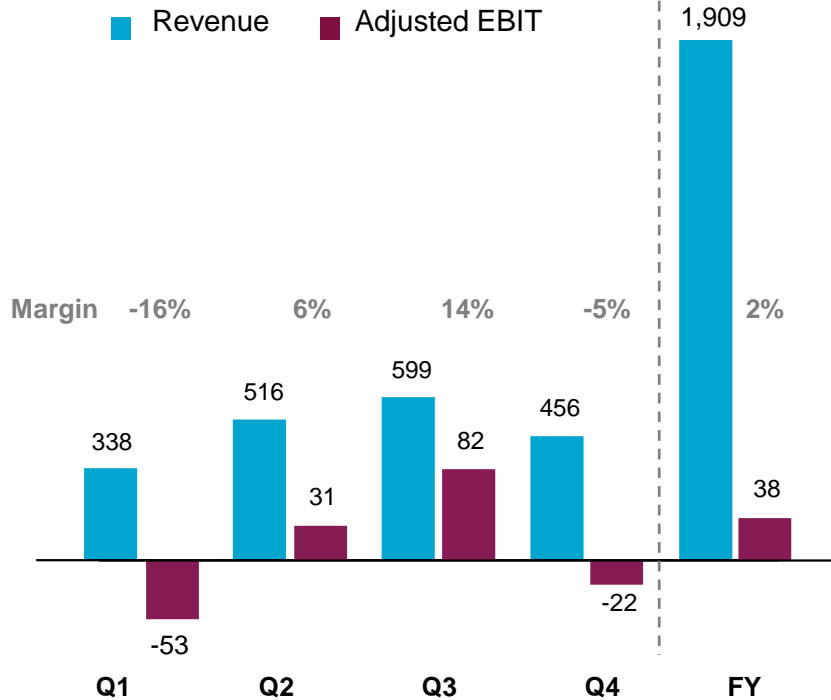
* According to current planning

More potential for profit improvement identified

Cyclical business and productivity level offer opportunities for improvement

Revenue and Adj. EBIT 2015

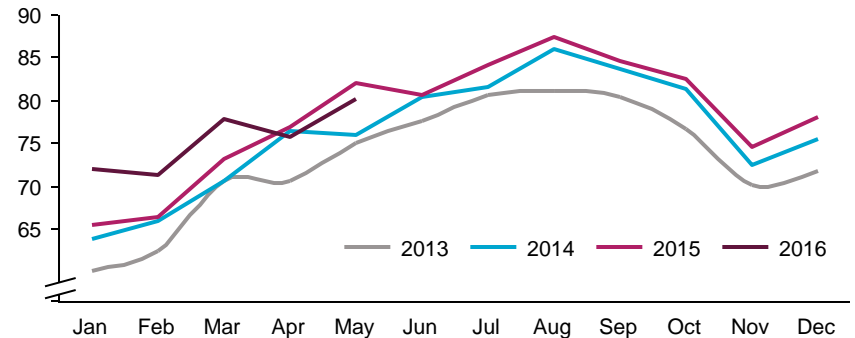
in m EUR



Positive EBIT performance in 2015, however still burdened by seasonality

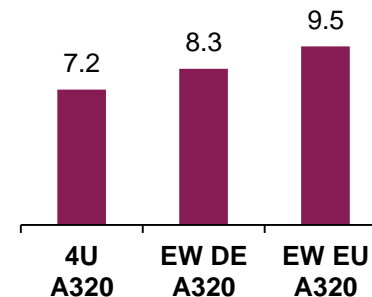
Seat load factor

Seat load factor in %



Average daily block hours

Average block hours / aircraft / day



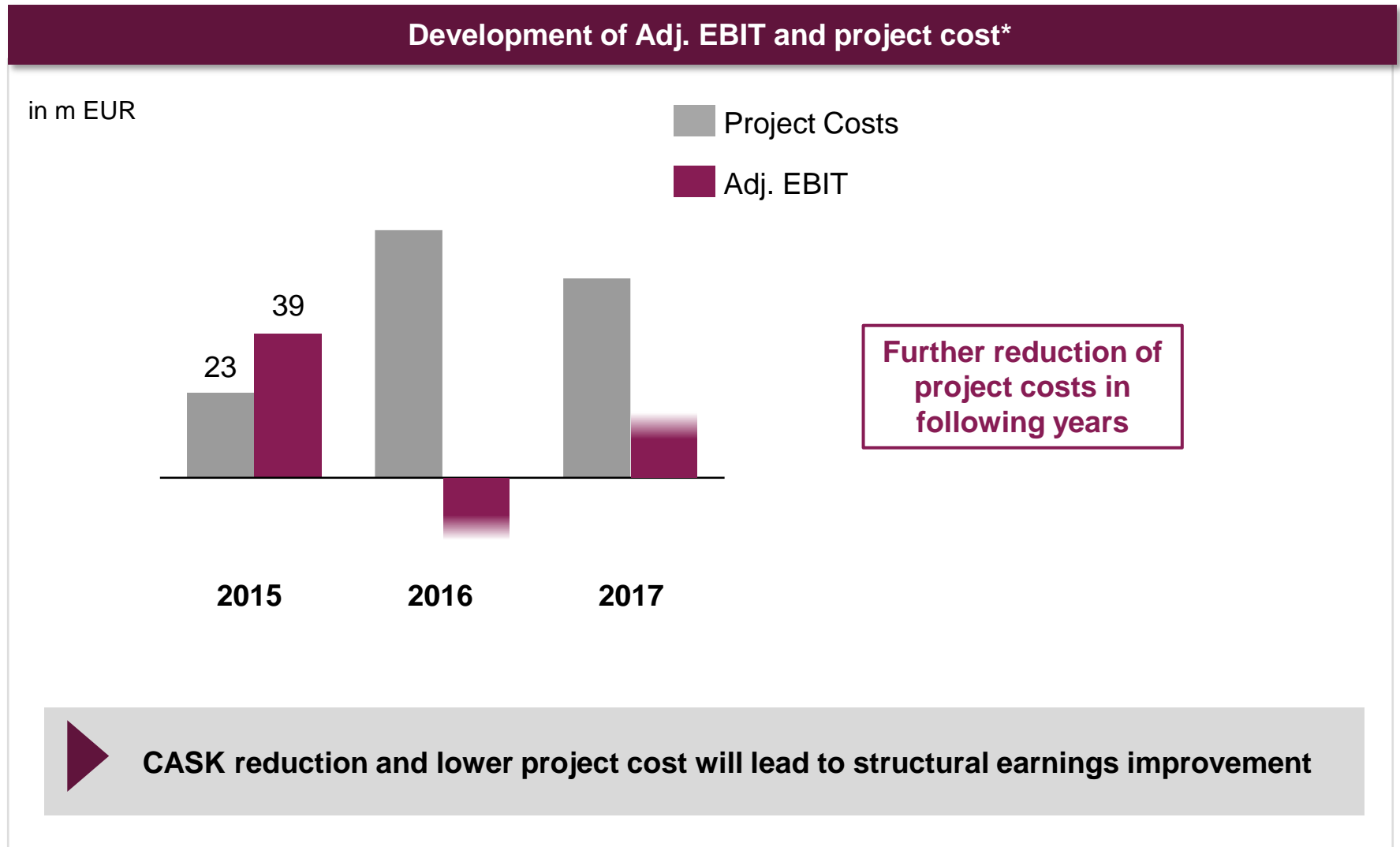
Levers for further improvement

- Network and flight plan optimization
- Finalization of pilot training
- Competitive labour agreements
- Start-up Eurowings Europe

Challenge of seasonality and productivity to be tackled with different levers, e.g. changes in network and labour agreements

EBIT improvement driven by CASK reduction and lower project costs

Project costs and EBIT development



* According to current planning

1 Market environment and positioning of Eurowings

2 Commercial strategy

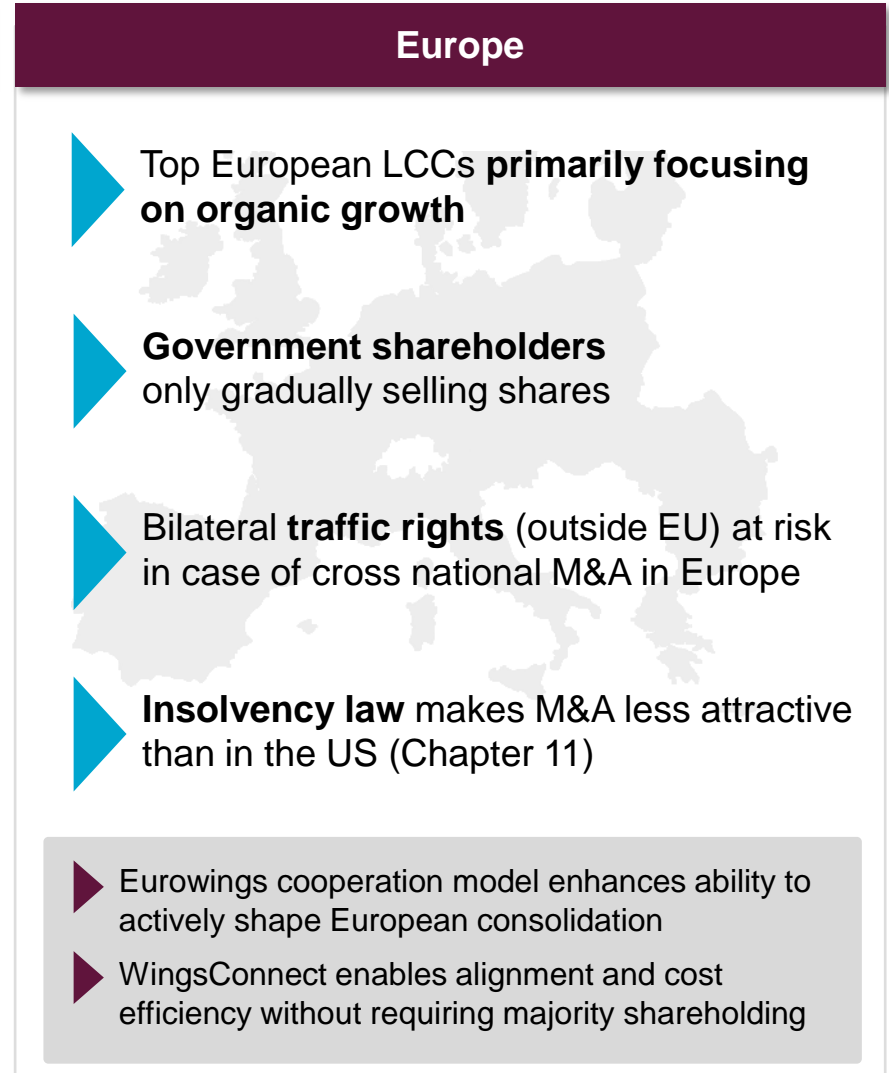
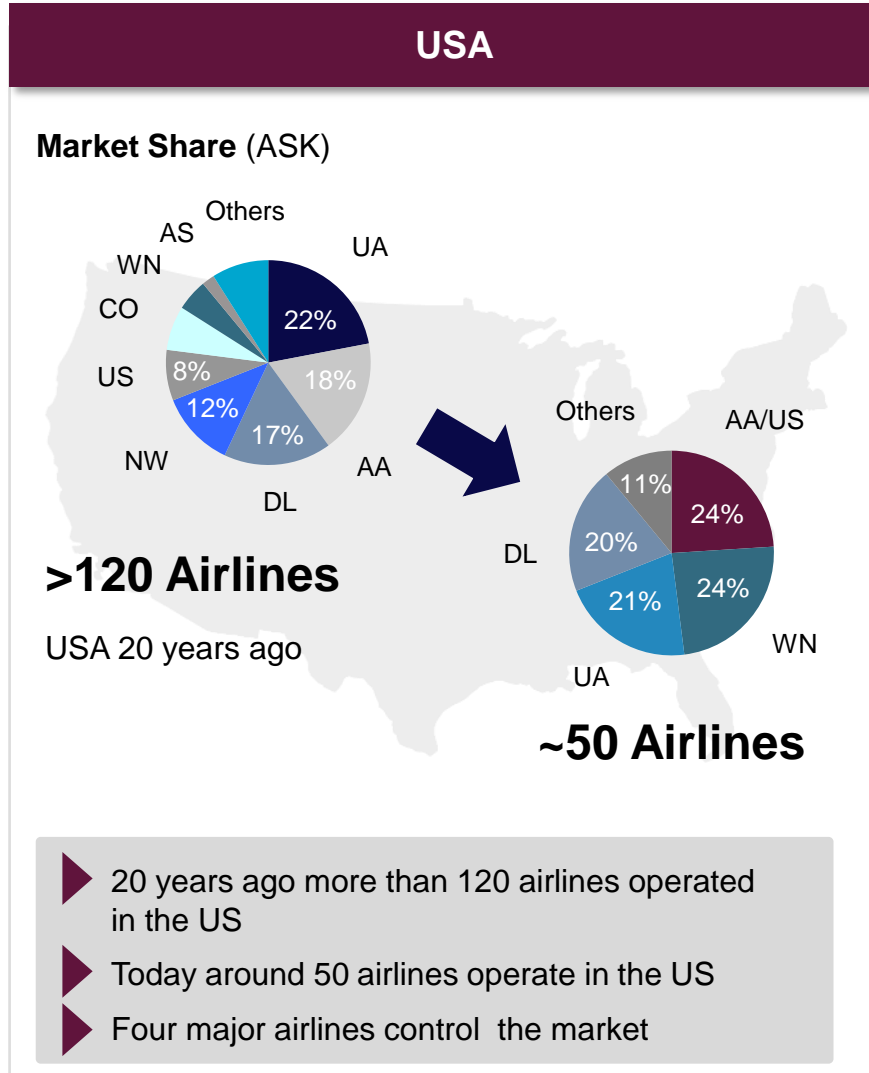
3 Organizational setup and financials

4 Growth opportunities through innovative Eurowings cooperation model

5 Summary and next steps

Consolidation in Europe will happen

Eurowings well prepared to actively benefit from consolidation



Various options for external growth

A broad set of growth options are being pursued

Top **point-to-point** airline

1 in home markets*

Growth options

1 Growth from within Lufthansa Group

- Consolidation within LH Group
- Focus on point-to-point

2 Partnerships and M&A

- Leading, cost-efficient point-to-point airlines in Europe
- Small to medium size airlines in competitive market environments

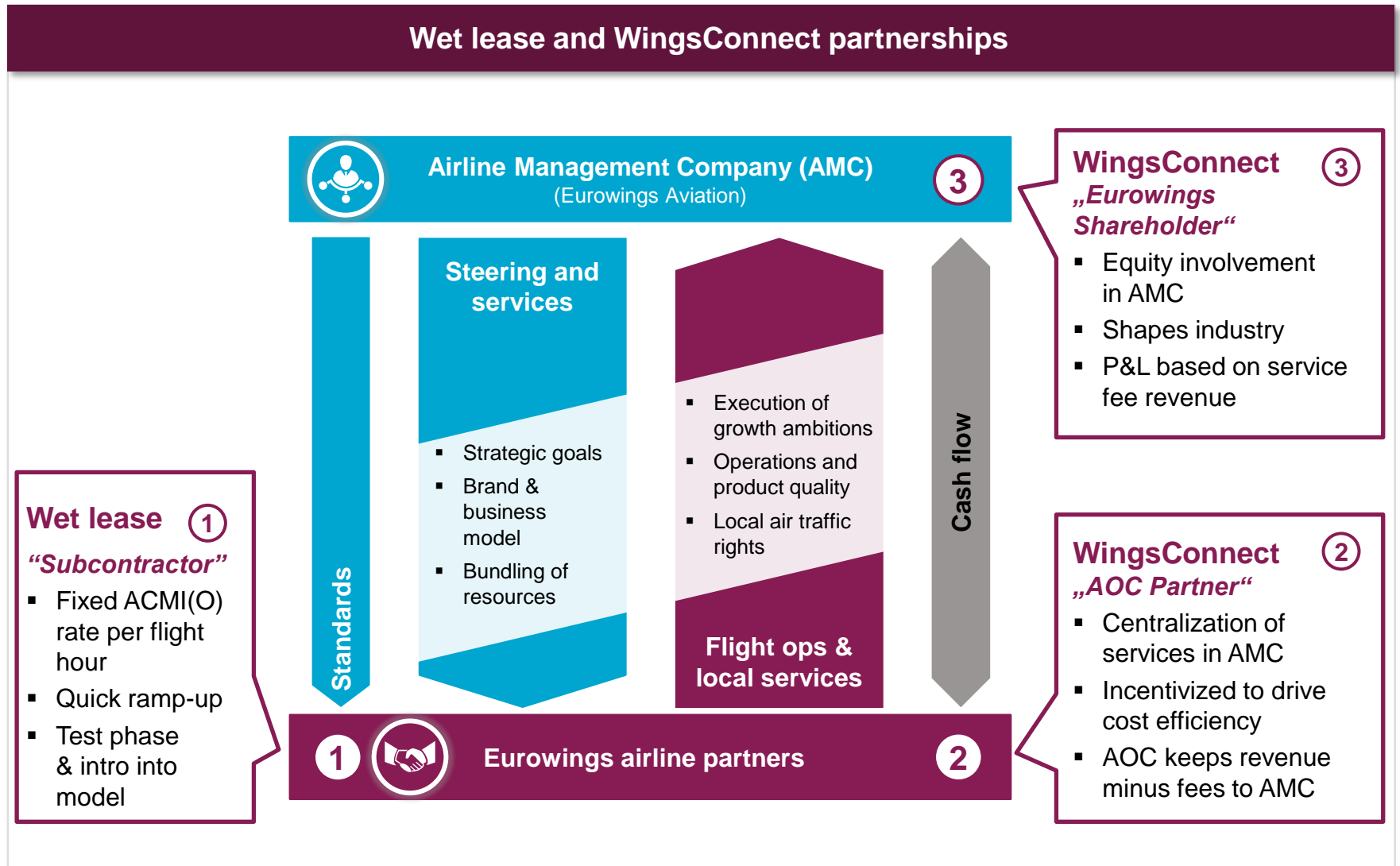
Partnership criteria

- ✓ **Cost efficiency/ LCC DNA**
 - CASK
 - Labour productivity
 - Aircraft utilization
- ✓ **Market positioning**
 - Attractive catchments (size and spend)
 - Market leader in relevant segment
 - Pan-European footprint
- ✓ **Customers**
 - Yield and ancillary revenue potential
 - Value/ quality LCC product
 - Accretive demand, different customer segments
- ✓ **Reliability**
 - Operational stability
 - Safety
 - Quality as bedrock
- ✓ **Feasibility**
 - Availability (legal, organizational)
 - Investment/ price
 - Ease of implementation
 - Cultural fit (e.g. brand, growth ambition)

* Home markets = Germany, Austria, Switzerland, Belgium

The Eurowings cooperation model

Attractive partnering options are offered at different levels of integration



Eurowings offers a consistent customer experience

Eurowings provides a one-shop travel offer



Plan & book



One website

- Marketing
- Communication
- Website eurowings.com
- Booking process
- ...



Day of travel...



One service experience

- Check-In & bag check
- Information
- Services
- Flight status
- ...



On board...



One product

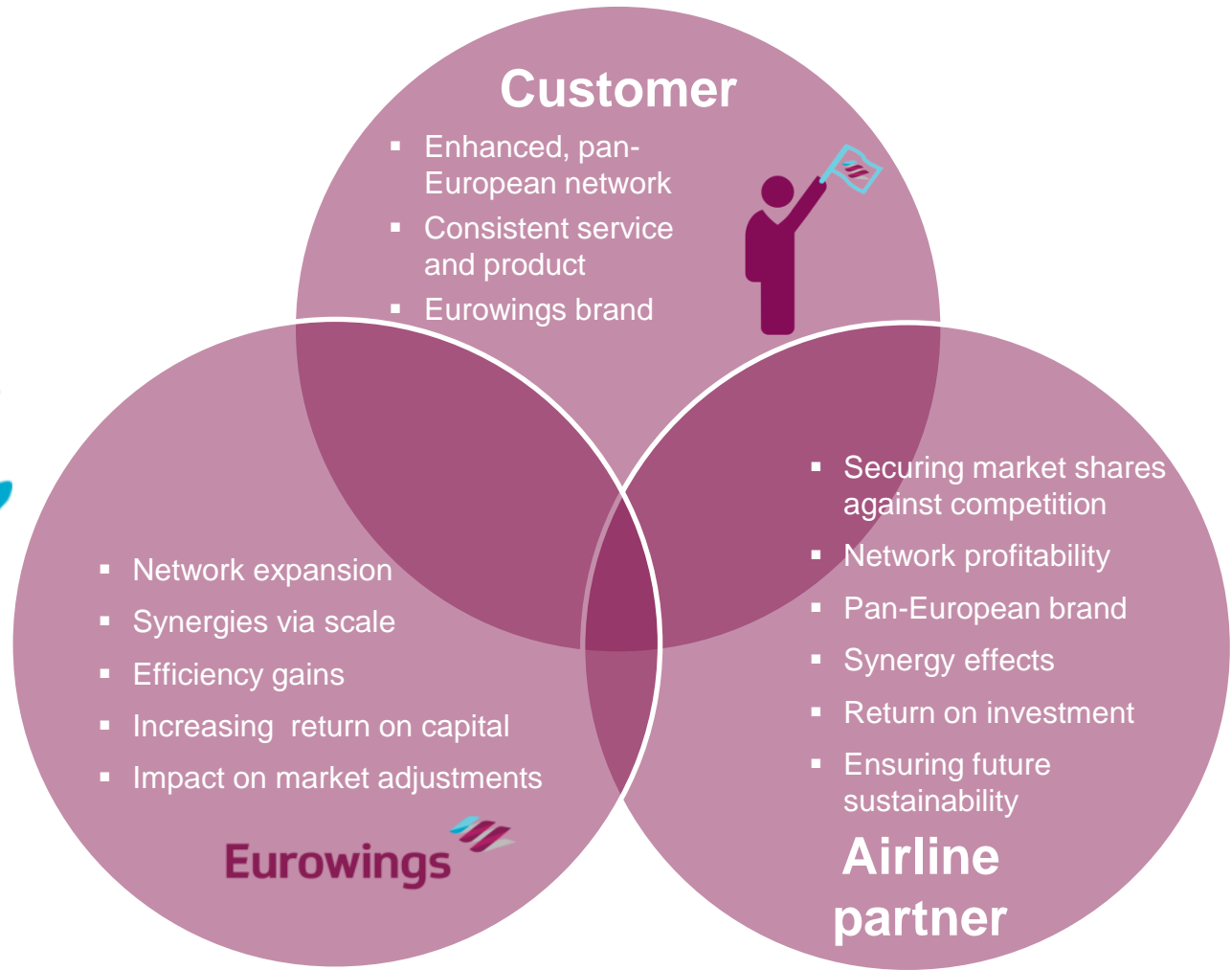
- In-flight product
- Seat & services
- Crew: Eurowings uniform and training standards
- ...



One consistent customer experience

A triple win for customers, airline partners and Eurowings itself

Overview of benefits



1 Market environment and positioning of Eurowings

2 Commercial strategy

3 Organizational setup and financials

4 Growth opportunities through innovative Eurowings cooperation model

5 Summary and next steps

Eurowings is on track to become a top European point-to-point airline

Overview of major milestones

1 New Germanwings



- ✓ Align Point-to-Point network and transfer **non-hub traffic** from Lufthansa
- ✓ Offer a **product that meets** individual **customer preferences on price and comfort**
- ✓ Turn heavily loss making non hub traffic into a **profitable business unit**

2 Eurowings Group



- ✓ Set-up of **lean organization** with **bundled management**
- ✓ Ensure **homogenous** short- and long-haul **fleet**
- ✓ **Strengthen** Eurowings quality LCC **brand** and **customer relationship**
- ✓ Continuous **control cost**
- ✓ Launch **new product choices** and tap into **new revenue streams**

3 Growth opportunities



- ✚ Pursue **organic growth** and Lufthansa Group **internal consolidation**
- ✚ Use external consolidation opportunities with **innovative cooperation model**
- ✚ Build one of the **top Point-to-Point airlines** in Europe

Lufthansa Investor Relations Contact

Deutsche Lufthansa AG
Investor Relations / FRA IR
Lufthansa Aviation Center
Airportring
D-60546 Frankfurt

Andreas Hagenbring, Head of IR
Phone: +49 (0) 69 696 28000
Fax: +49 (0) 69 696 90990
E-mail: investor.relations@dlh.de



Visit our webpage: lufthansa-group.com/investor-relations