



# FY 2019

## Analyst and Investor Conference Call

Frankfurt  
19 March 2020



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FY 2019

Analyst and Investor Conference Call

**Carsten Spohr**, CEO and Chairman of the Executive Board

Frankfurt  
19 March 2020

# Lufthansa Group achieves Adj. EBIT of 2 billion euros in a difficult economic environment - Corona is the most challenging crisis in the Company's history

2019

## Adj. EBIT of EUR 2bn

despite significant headwinds  
(in particular fuel)

## Unit costs reduced by 1.5%

Fourth consecutive year of CASK reduction

## Strengthened market position

LCCs reduced capacity in most LHG hubs



Corona

## Historical drop in demand

Capacity reduced to 5% of original plan

## Clear focus on cash flow safeguarding

based on a strong financial position

## Contribution of all stakeholders needed

to overcome the crisis

# Radical steps and contributions from all stakeholders are required to overcome the crisis

## Measures already taken

# -95%

**Drastic capacity reduction**

5% of regular flight plan remaining

**Cash flow protection**

Reduction of all costs and investments



**Suspension of dividend for 2019**



**Salary cut Executive Board and Management**

...

**Suspension of flight operations**



## Further contributions of stakeholders needed

**Liquidity protection**

e.g. deferral of taxes & government fees

# 80/20

rule suspension – “Slot Waiver”

**Short-time work**



# EU 261

No compensation for Corona related flight cancellations





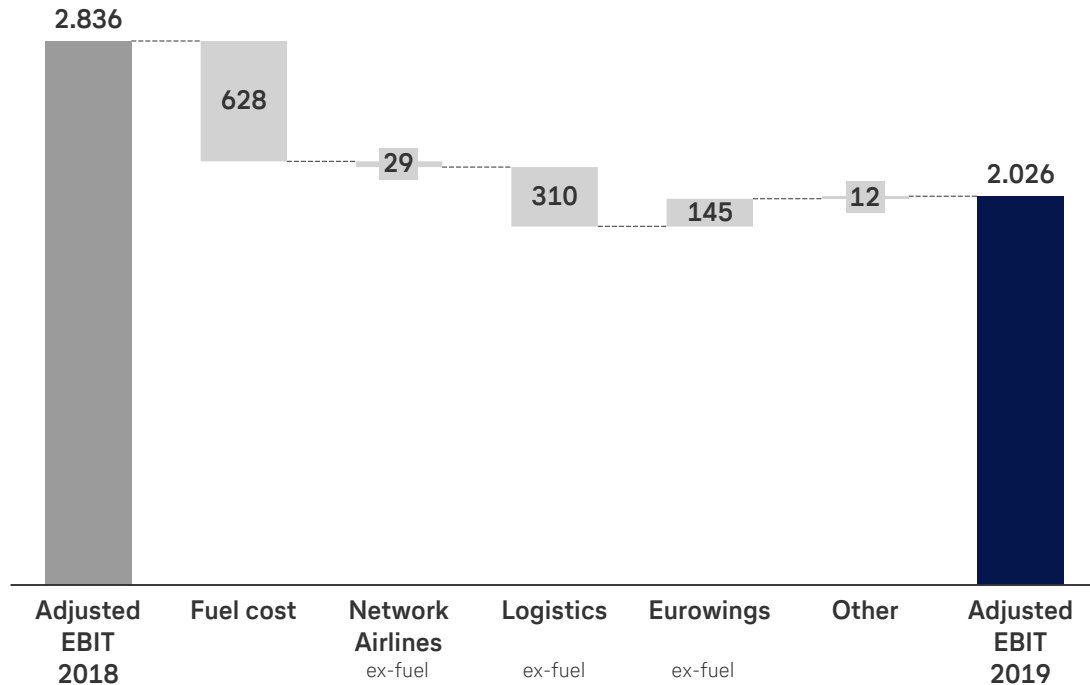
FY 2019

Analyst and Investor Conference Call

**Ulrik Svensson**, CFO and Member of the Executive Board

Frankfurt  
19 March 2020

# Improvement at Eurowings offset by higher fuel costs and decline in Logistics



## Comments

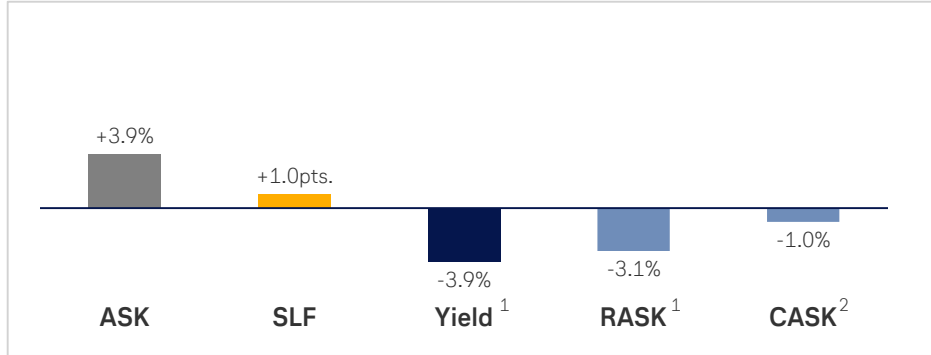
- Economic downturn and overcapacities in the Group's home markets make it difficult to pass on higher fuel costs to customers
- Logistics business suffers from shrinkage of global air cargo market
- Eurowings turnaround shows first signs of success

# Network Airlines: Unit cost reductions partly compensate for top line pressure

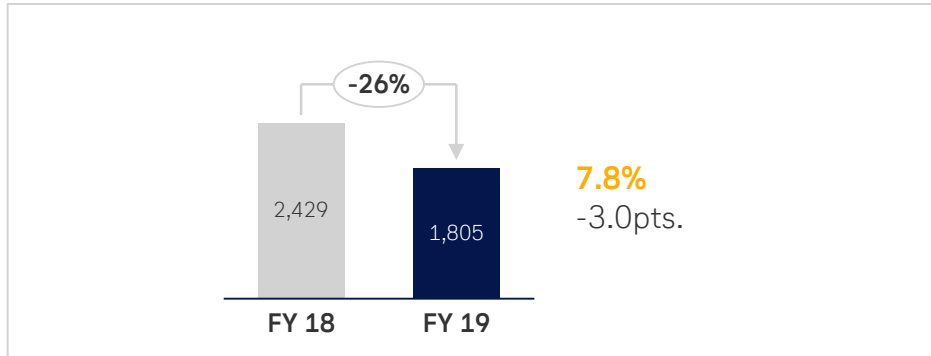


FY 2019

## Operational KPIs



## Adjusted EBIT / Margin



## Comments

- RASK decline mainly related to European and South American business
- Fourth consecutive year of CASK reductions mainly because of productivity improvements and lower irregularity costs
- Fuel costs increase EUR 595 million compared to the prior year

<sup>1</sup> Excl. currency <sup>2</sup> Excl. currency, excl. fuel

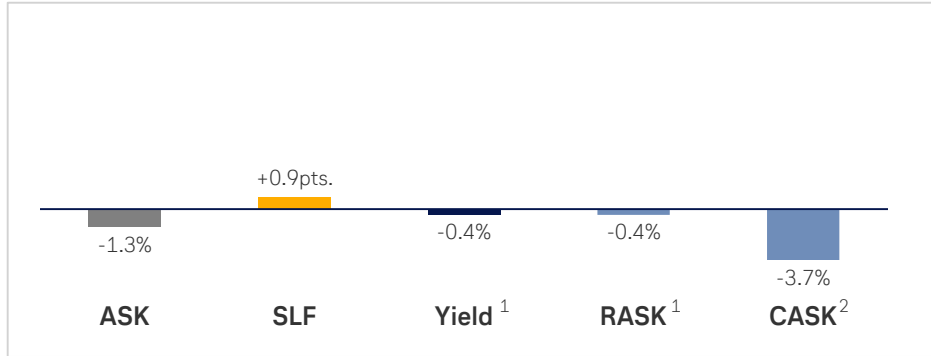


# Eurowings: Financial turnaround progresses as planned

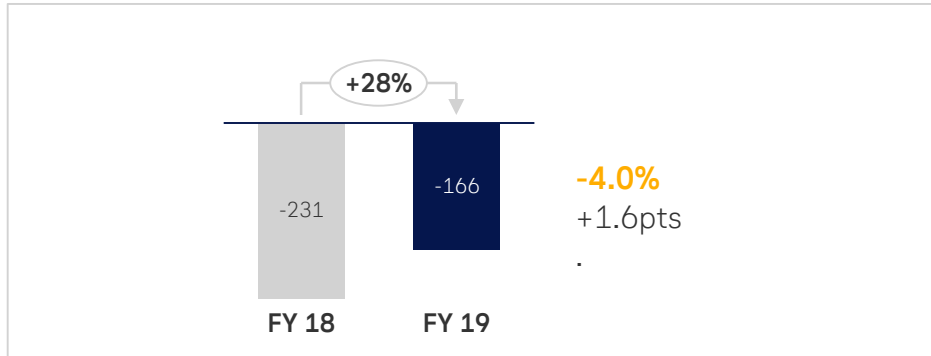


FY 2019

## Operational KPIs



## Adjusted EBIT / Margin



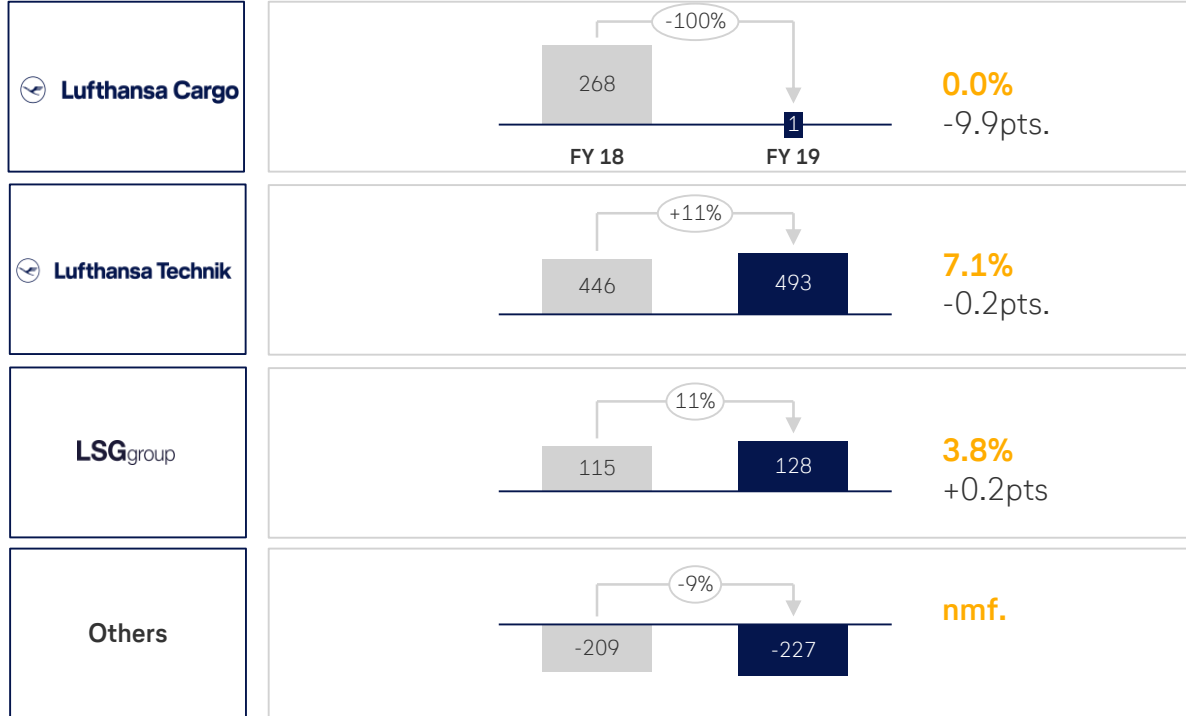
## Comments

- Network rationalization results in sequential unit revenue improvements over the course of the year
- CASK reductions driven by productivity improvements, lower irregularity costs and overhead cost reductions
- Adjusted EBIT includes EUR 44 million of losses attributable to Eurowings long-haul and Brussels Airlines, which will be reported in Network Airlines in 2020

<sup>1</sup> Excl. currency <sup>2</sup> Excl. currency, excl. fuel

# MRO and Catering businesses increase profits

## Adjusted EBIT / Margin

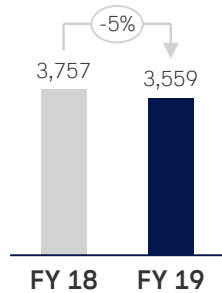


## Comments

- Underlying trends in Logistics business remain weak also in seasonally large fourth quarter
- Profit increases in MRO business driven by engine and aircraft systems divisions
- Increases in North America drive full-year profit growth in Catering business
- Better AirPlus result supports Adjusted EBIT improvement in Other Businesses in Q4, limiting the decline in the full year

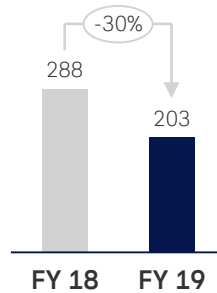
# Net debt increase largely driven by accounting effects

## Gross Investments<sup>1</sup>



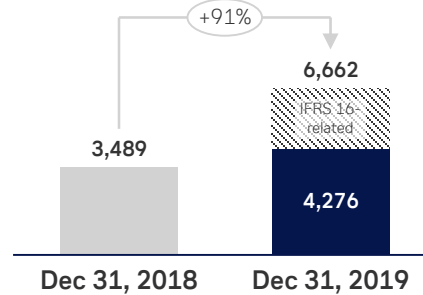
- Decrease due to less aircraft deliveries

## Adjusted Free Cash Flow



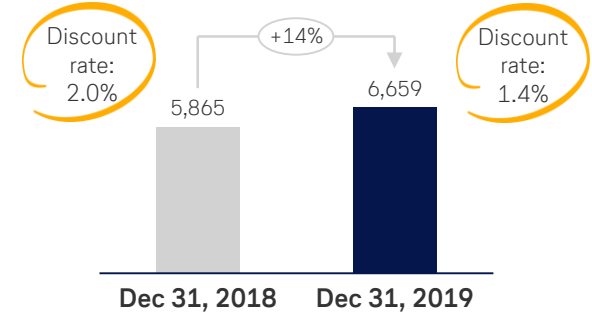
- Free cash flow declines mainly because of profit decrease and higher tax payments

## Net Debt



- Net debt largely driven by first-time application of IFRS 16 (effect: EUR 2.3 billion)

## Pension Provisions



- Increase driven by interest rate decline, partly offset by strong performance of plan assets
- Adjusted Net Debt / Adjusted EBITDA increases by 1.0 to 2.8

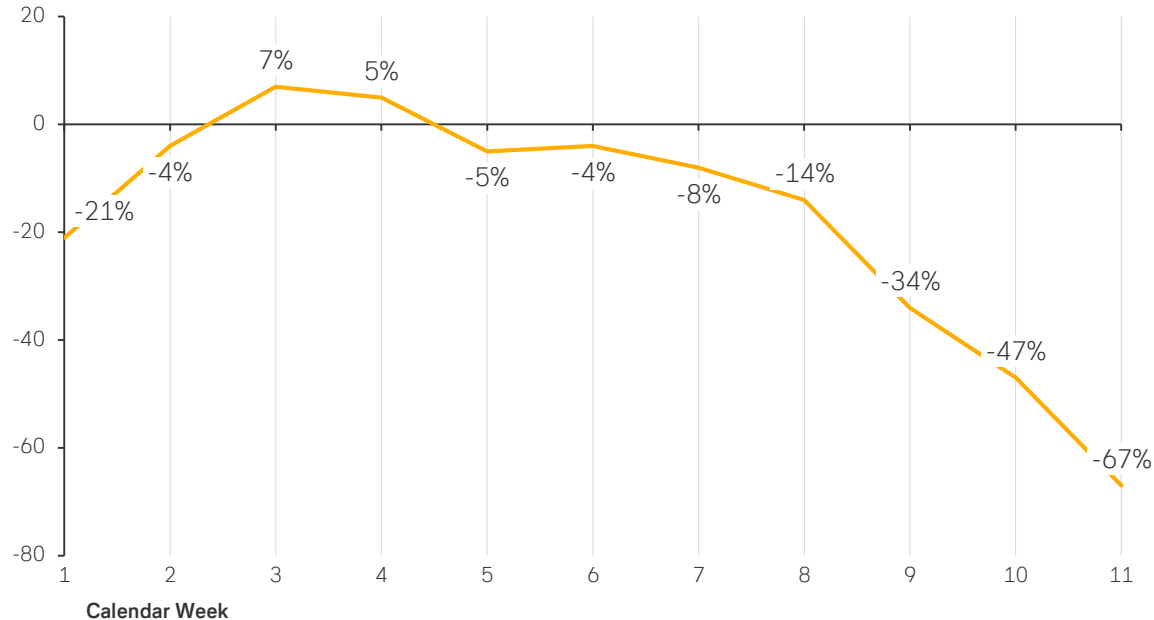
<sup>1</sup> Excluding cash-outs from equity investments

<sup>2</sup> Amortization of operating lease obligations shown in financing cash flow

# The spread of the Corona virus is having a significant impact on demand

## Number of new bookings

(vs. previous year, in %)



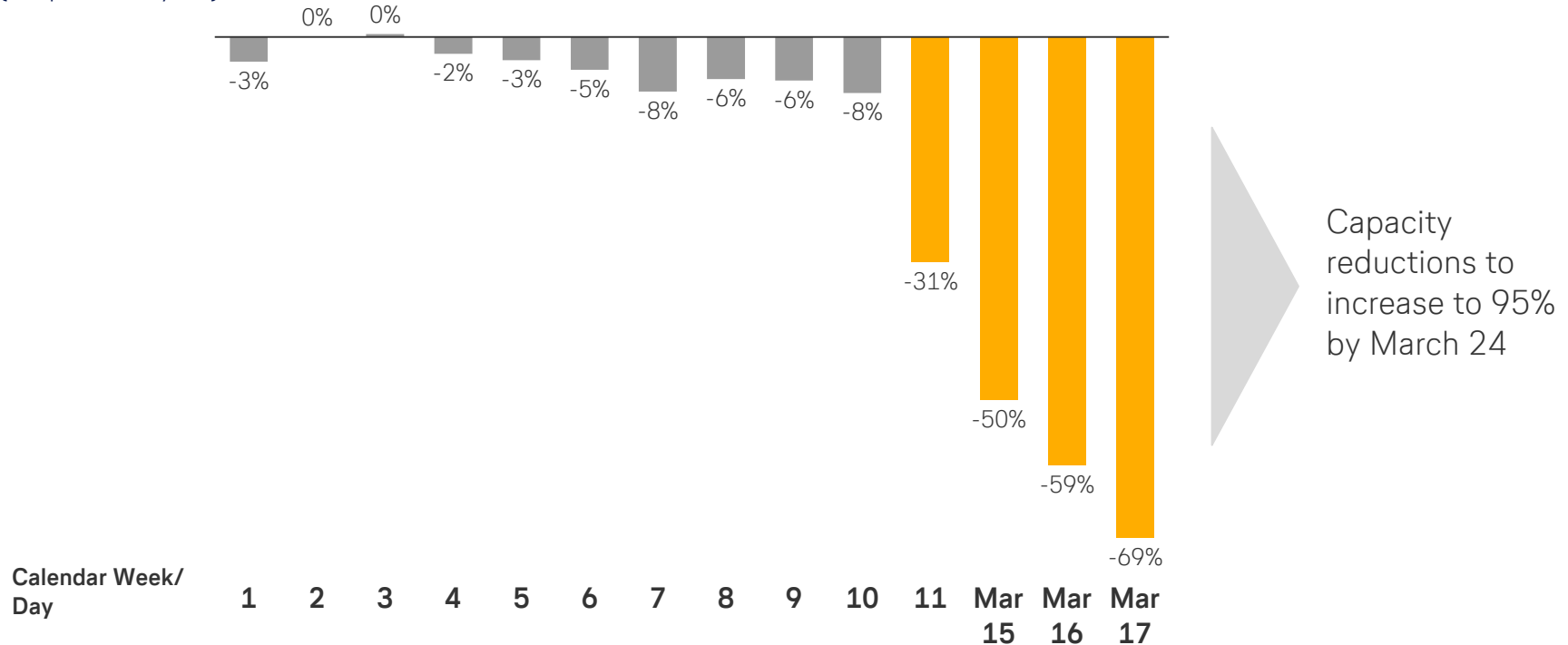
## Comments

- Pressure in Asia extended from China and HK into rest of the region since mid-January
- Breakout in Italy and increasing travel restrictions in the US and many European countries have led to further deterioration since end of February
- Expansion of rebooking options addresses rising number of cancellations

# Group has been early in cutting capacity in response to lower demand

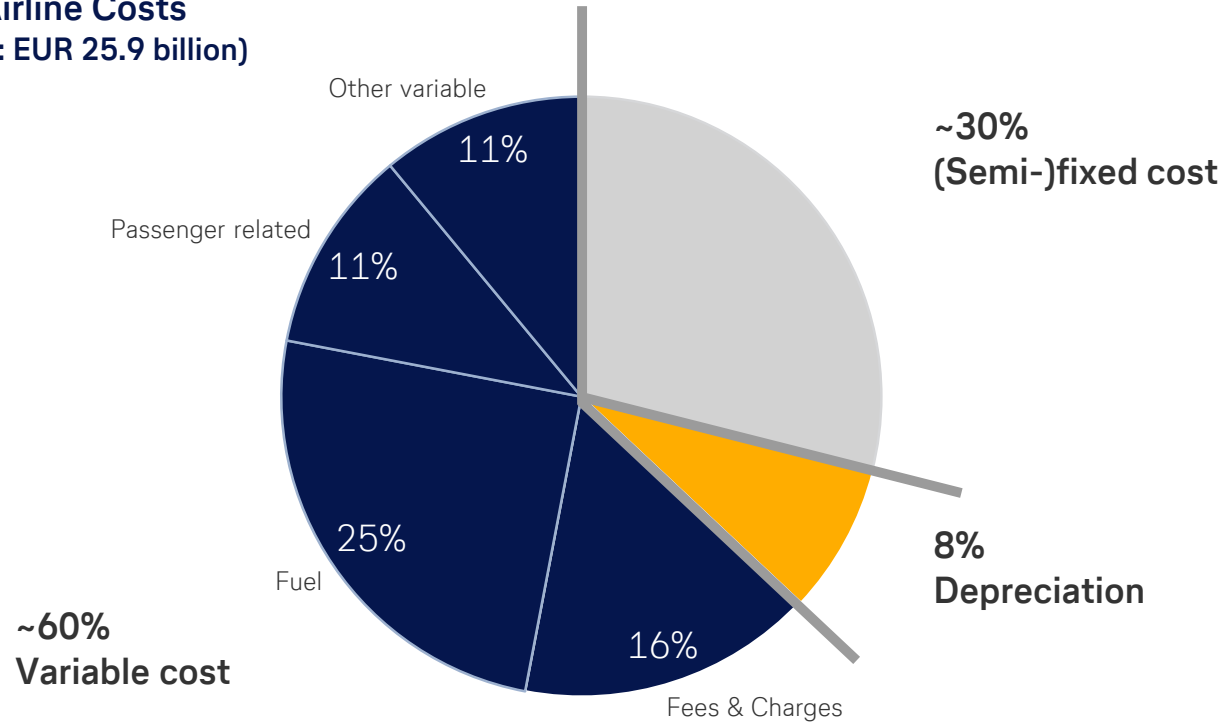
## ASK

(vs. previous year)



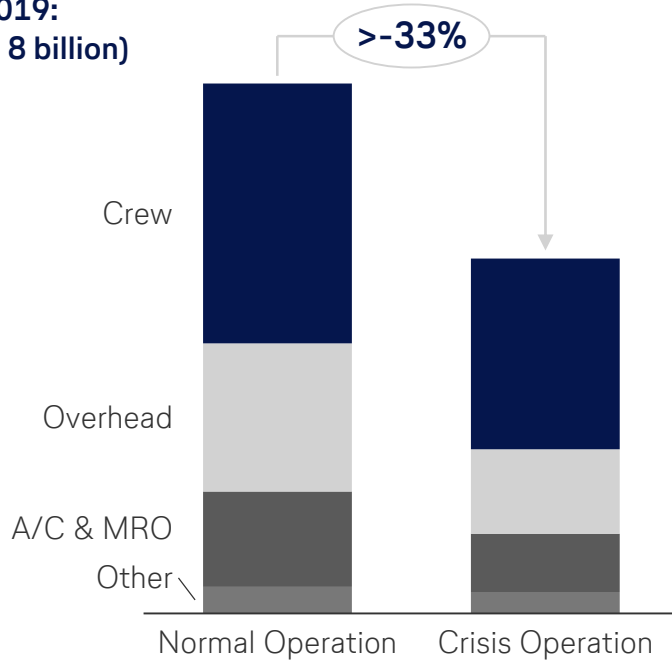
# Capacity reductions immediately eliminate 60 percent of airline costs

**Group Airline Costs**  
(FY 2019: EUR 25.9 billion)



# Target to reduce fixed costs by at least one third

## Group Airline (Semi-)Fixed Costs (FY 2019: ~EUR 8 billion)



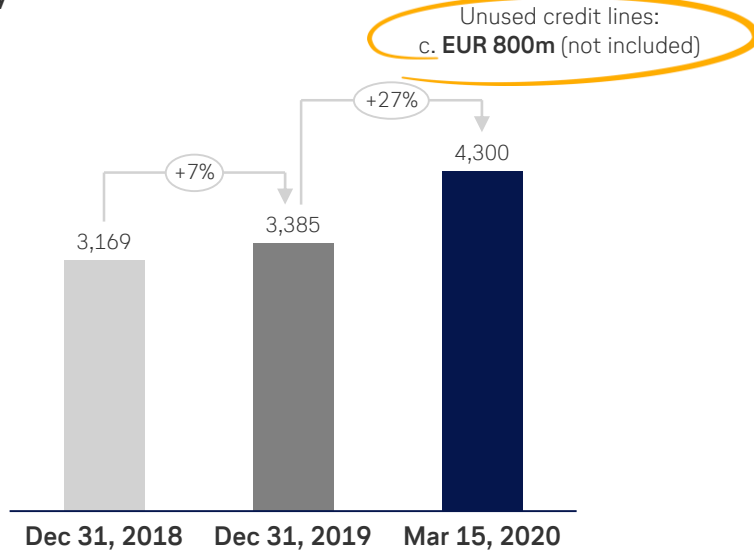
### Measures

- Kurzarbeit / short-time work in large parts of the Group
- Reduction of over-time hours
- Enforcement of unpaid leaves
- Hiring freeze
- Reduction of crew complement
- Cancellation of all non-safety relevant trainings
- Marketing stop
- Complete stop of all non-safety relevant projects
- Shift of non-safety relevant MRO events
- Cancellation of wet leases
- Drastic reduction of investments (capex)

# Liquidity will be further strengthened by new financings

## Liquidity further strengthened

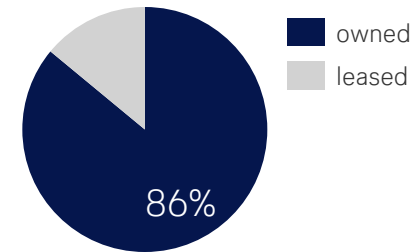
### Liquidity



## In the process of securing additional funds

### High level of ownership facilitates access to additional funds

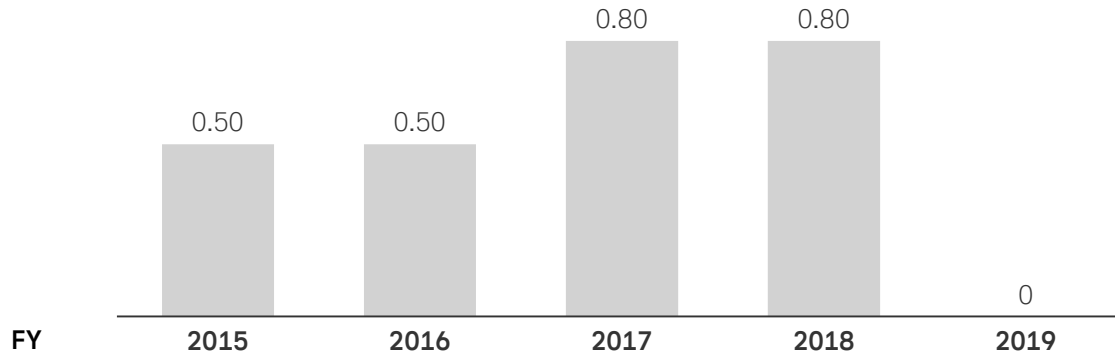
- **86%** of fleet owned vs. 14% leased
- **87%** of owned fleet unencumbered (not used as security for financing transactions)
- Represents book value of ~EUR 10 billion





# Suspension of dividend payment in light of Corona crisis

## Dividend per share in EUR

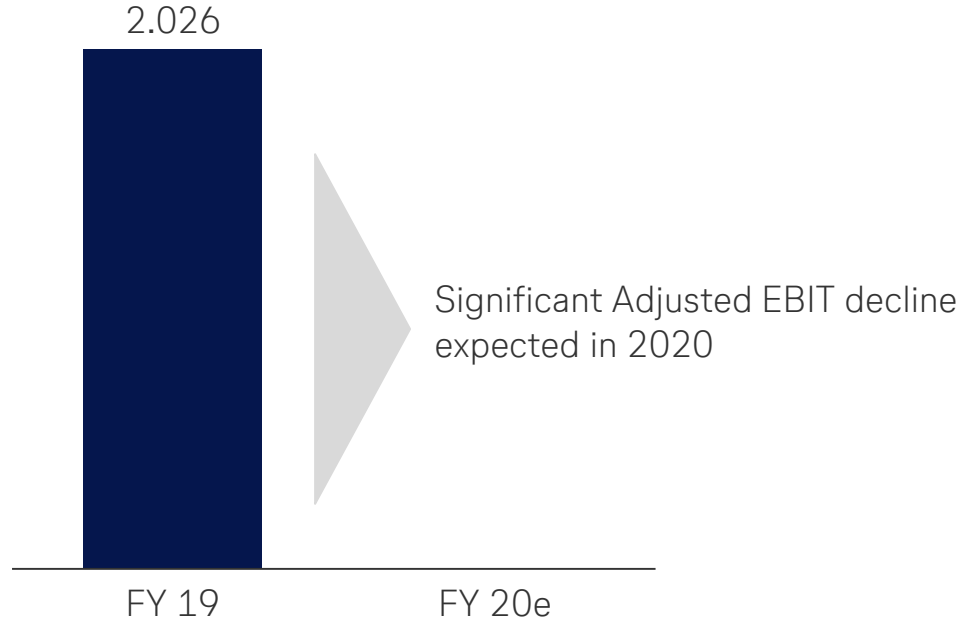


## Comments

- Spread of the Corona virus has pushed the global airline industry into an extraordinary crisis
- Suspension of dividend payment reflects focus on liquidity preservation in light of highly uncertain business outlook
- Lufthansa Group confirms intention to pay out between 20% to 40% of net income going forward

# Spread of Corona virus makes precise financial outlook impossible

**Group Adjusted EBIT** in EUR million



# Appendix

- supplementary information-

# Group P&L

Lufthansa Group (in EUR m)	Q4 '19	vs. Q4 '18	FY '19	vs. FY '18
Revenues	8,900	+0%	36,424	+2% <sup>①</sup>
Total operating income	9,726	+1%	38,998	+2%
Operating expenses	9,499	+4%	37,309	+6%
Of which fees & charges	1,092	+1%	4,523	+1%
Of which fuel	1,620	+0%	6,715	+10%
Of which staff	2,386	+5%	9,121	+4%
Of which depreciation	709	+23%	2,776	+26%
Result from equity investments	-7	-117%	168	-3%
<b>EBIT</b>	<b>220</b>	<b>-57%</b>	<b>1,857</b>	<b>-38%</b>
Adjustments	91	nmf.	169	nmf. <sup>②</sup>
<b>Adjusted EBIT</b>	<b>311</b>	<b>-18%</b>	<b>2,026</b>	<b>-29%</b>
<b>Adjusted EBIT Margin</b>	<b>3.5%</b>	<b>-0.8pts.</b>	<b>5.6%</b>	<b>-2.4pts.</b>
Net interest income	-51	-112%	-315	-119% <sup>④</sup>
Other financial items	58	nmf.	318	nmf. <sup>③</sup>
<b>EBT</b>	<b>227</b>	<b>-46%</b>	<b>1,860</b>	<b>-33%</b>
Income taxes	43	+39%	615	+5% <sup>④</sup>
Profit / loss attributable to minority interests	-9	+13%	-32	-3%
<b>Net income</b>	<b>175</b>	<b>-49%</b>	<b>1,213</b>	<b>-44%</b>

① Compensation payments in relation to EU Reg. 261/2004 booked against gross revenues now

② Impairments primarily related to aircraft, which will be retired in 2020, and Thomas Cook insolvency

③ Reclassification of hedges because of the change of fixed aircraft orders into options (EUR 402m)

④ Tax and interest payments related to tax matter in Germany (interest expenses: EUR 146m, tax expenses: EUR 194m )

# Adoption of IFRS 16

Context

- New accounting standard **IFRS 16 is applicable from 2019 onwards**
- **Lease liabilities must be recognized** in the financial accounts at the present value of the contractually agreed lease payments for leases with a term of more than twelve months

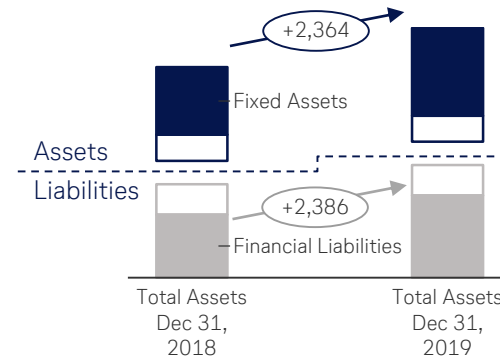
Effect on Lufthansa Group

## Effect on Profit & Loss:

<b>EBITDA</b>	<b>+432</b>
./. Depreciation	-401
<b>EBIT</b>	<b>+31</b>
./. Interests costs and FX valuation	-59
<b>EBT</b>	<b>-28</b>

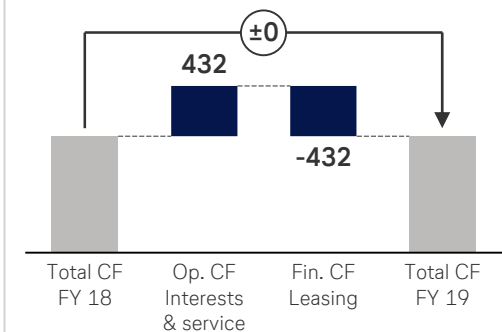
Adjusted EBIT Margin: + 0.1pts

## Effect on Balance Sheet:



Equity Ratio: -1.5pts // Leverage: +0.3x

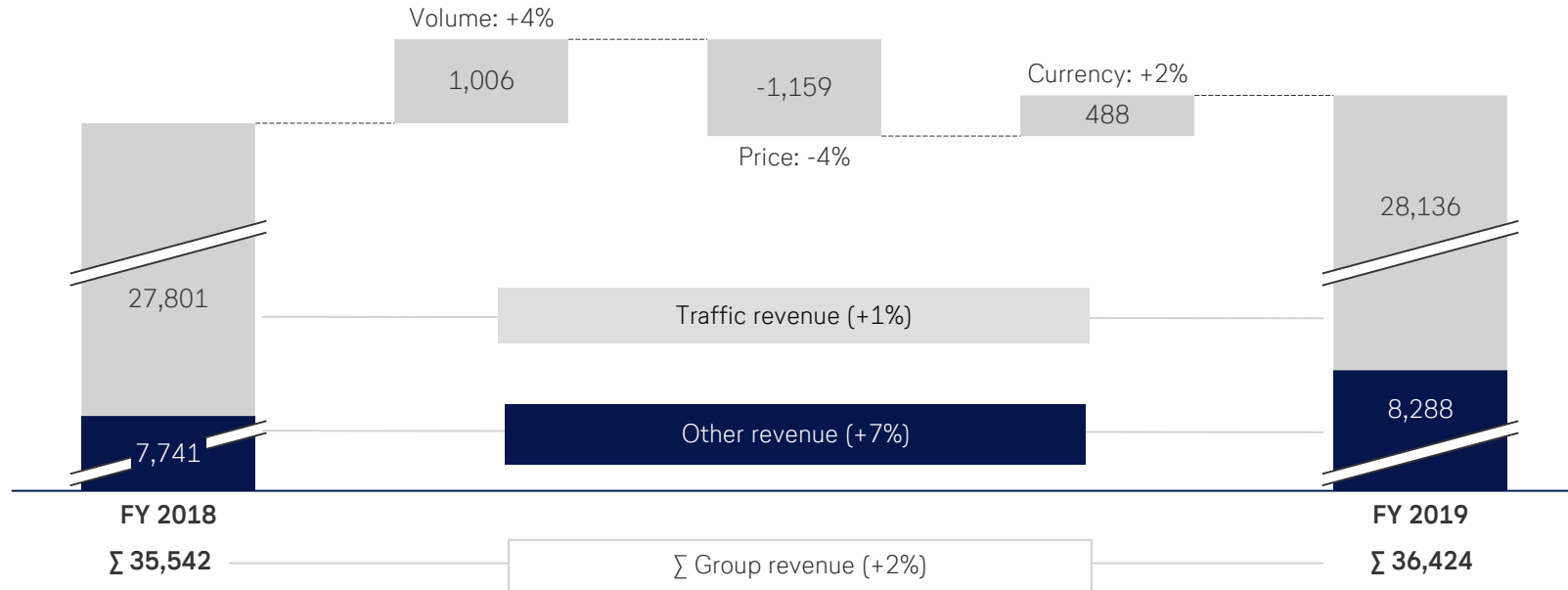
## Effect on Cash Flow:



Impact on Group Adjusted EBIT amounted to +31m EUR in full year 2019

# Group revenue bridge

in m EUR



# Operating KPIs of Network Airlines by region

Total	Q4 '19	FY '19
Number of flights	-1.7%	+2.3%
ASK	+2.1%	+3.9%
RPK	+4.4%	+5.2%
SLF	+1.7pts.	+1.0pts.

Yield	-3.9%	-2.0%
Yield ex currency	-5.4%	-3.9%
RASK	-2.2%	-1.0%
RASK ex currency	-3.8%	-3.1%
CASK excl. fuel	-0.0%	+0.5%
CASK ex currency ex fuel	-1.3%	-1.0%

Europe	Q4 '19	FY '19
ASK	+0.2%	+3.9%
RPK	+2.3%	+3.9%
SLF	+1.5pts.	+0.0pts.
Yield	-2.0%	-2.6%
Yield ex currency	-3.1%	-3.8%

Americas	Q4 '19	FY '19
ASK	+4.2%	+3.3%
RPK	+6.2%	+5.3%
SLF	+1.6pts.	+1.6pts.
Yield	-5.2%	-1.5%
Yield ex currency	-7.0%	-4.3%

North America	-6.2%	-1.3%
South America	-9.1%	-16.6%

Asia / Pacific	Q4 '19	FY '19
ASK	+1.2%	+3.4%
RPK	+3.7%	+4.6%
SLF	+2.1pts.	+1.0pts.
Yield	-5.7%	-0.5%
Yield ex currency	-7.5%	-2.5%

Middle East / Africa	Q4 '19	FY '19
ASK	+2.4%	+7.9%
RPK	+4.4%	+10.1%
SLF	+1.6pts.	+1.6pts.
Yield	+0.5%	-1.0%
Yield ex currency	-1.1%	-3.1%

# Operating KPIs of Eurowings by region

Total	Q4 '19	FY '19
Number of flights	-7.9%	-1.6%
ASK	-8.5%	-1.3%
RPK	-6.3%	-0.2%
SLF	+1.9pts.	+0.9pts.

Yield	+4.7%	+0.1%
Yield ex currency	+4.5%	-0.4%
RASK	+6.3%	+1.7%
RASK ex currency	+4.5%	-0.4%
CASK excl. fuel	-1.9%	-2.2%
CASK ex currency ex fuel	-2.9%	-3.7%

Short-haul	Q4 '19	FY '19
ASK	-7.6%	-0.6%
RPK	-4.0%	+0.7%
SLF	+3.0pts.	+1.1pts.
Yield	+1.0%	-3.1%
Yield ex currency	+0.8%	-3.4%

Long-haul	Q4 '19	FY '19
ASK	-10.0%	-2.7%
RPK	-10.0%	-1.7%
SLF	+0.0pts.	+0.8pts.
Yield	+12.3%	+9.1%
Yield ex currency	+11.9%	+8.6%



# 2019 regional yield<sup>1</sup> development by quarter

<i>Network Airlines</i>	Q1	Q2	Q3	Q4	H1	9M	FY
Europe	-6.5%	-3,8%	-2.5% <sup>2</sup>	-3.1%	-5,0%	-4.1% <sup>2</sup>	-3.8%
Americas	-6.1%	-2,2%	-2.9% <sup>2</sup>	-7.0%	-3,9%	-3.5% <sup>2</sup>	-4.3%
<i>Thereof North America</i>	-1.9%	+1,8%	+0.4% <sup>2</sup>	-6.2%	+0,2%	+0.3% <sup>2</sup>	-1.3%
<i>Thereof South America</i>	-18.7%	-20,4%	-18.0% <sup>2</sup>	-9.1%	-19,6%	-19.1% <sup>2</sup>	-16.6%
Asia Pacific	+1.9%	+1,0%	-4.3% <sup>2</sup>	-7.5%	+1,4%	-0.8% <sup>2</sup>	-2.5%
Middle East & Africa	-6.0%	-3,3%	-2.0% <sup>2</sup>	-1.1%	-4,6%	-3.8% <sup>2</sup>	-3.1%
<b>Total</b>	<b>-5.0%</b>	<b>-2.8%</b>	<b>-2.9%</b>	<b>-5.4%</b>	<b>-3.7%</b>	<b>-3.4%</b>	<b>-3.9%</b>
<i>Eurowings</i>							
Short-haul	-8.5%	-4.3%	-2.6%	+0.8%	-5.9%	-4.6%	-3.4%
Long-haul	+0.8%	+10.5%	+13.6%	+11.9%	+5.5%	+7.9%	+8.6%
<b>Total</b>	<b>-7.0%</b>	<b>-1.9%</b>	<b>+2.0%</b>	<b>+4.5%</b>	<b>-4.1%</b>	<b>-1.7%</b>	<b>-0.4%</b>

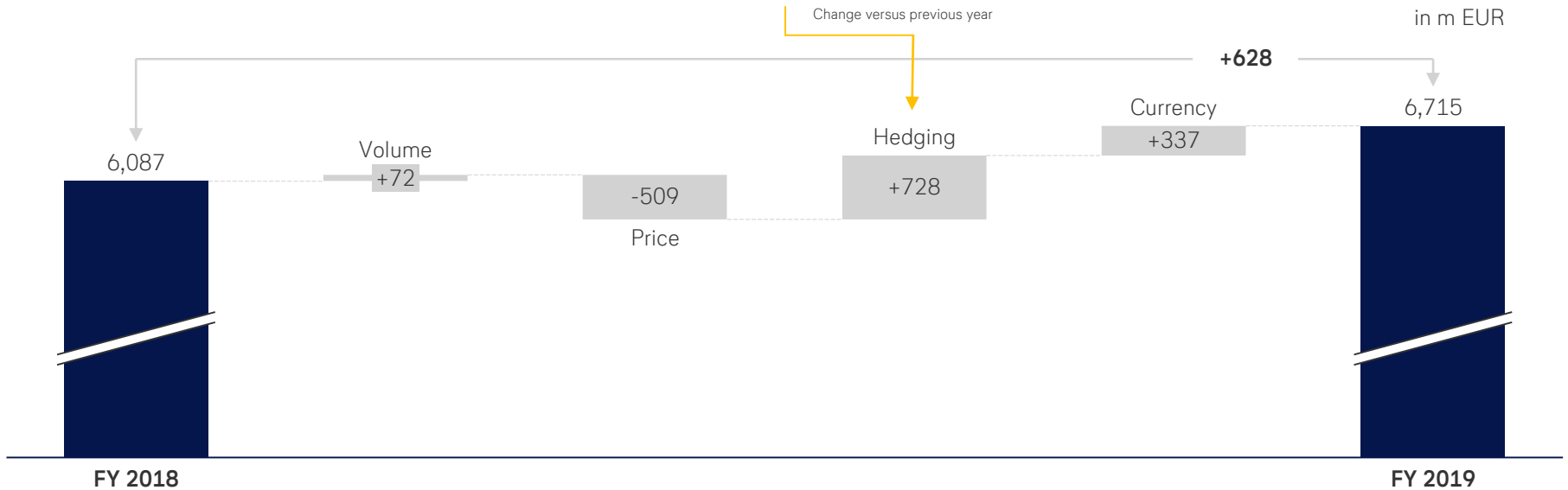
<sup>1</sup> Constant currency

<sup>2</sup> Corrected

# Fuel cost bridge

Hedging result by quarter (in m EUR)

	Q1	Q2	Q3	Q4	FY (YTD)
2018	107	229	245	108	689
2019	17	35	-46	-45	-39



# Cash flow statement

Lufthansa Group (in m EUR)	FY '19	vs. FY '18
<b>EBT</b> (earnings before income taxes)	<b>1,860</b>	<b>-924</b>
Depreciation & amortization (incl. non-current assets)	2,837	+636 <sup>1</sup>
Net proceeds from disposal of non-current assets	20	+54
Result of equity investments	-168	+6
Net interest	315	+171 <sup>2</sup>
Income tax payments/reimbursements	-1,009	-339 <sup>3</sup>
Significant non-cash-relevant expenses / income	-134	+142 <sup>4</sup>
Change in trade working capital	490	+80 <sup>5</sup>
Change in other assets / liabilities	-181	+95 <sup>6</sup>
<b>Operating cash flow</b>	<b>4,030</b>	<b>-79</b>
Capital expenditure (net)	-3,448	-411
<b>Free cash flow</b>	<b>582</b>	<b>+332</b>
<b>Adjusted Free cash flow</b>	<b>203</b>	<b>-85</b>
Cash and cash equivalents as of 31.12.19 <sup>1</sup> less assets held for sale	1,415	-19
Current securities	1,970	+235
Total Group liquidity	3,385	+216

<sup>1</sup> Excluding fixed-term deposits with terms from three to twelve months (2019: 0m EUR, 2018: 66m EUR); <sup>2</sup> Excl. cash-outs from equity investments

- 1 Largely due to IFRS 16
- 2 “Correction” of EBT for non-cash effect in interest result related to tax provision
- 3 Higher tax payments due to improved results in previous years
- 4 Valuation effects related to accounts receivables and hedging
- 5 Mainly prepayments at Lufthansa Technik
- 6 Various smaller effects

# Multi-Year financial overview

Lufthansa Group (in m EUR, as reported)	2015	2016	2017	2018	2019 <sup>1</sup>
<b>Operating KPIs</b>					
RASK ex currency	-3.0%	-5.9%	+1.9%	-0.5%	-2.5%
CASK ex currency, ex fuel <sup>2</sup>	+2.4%	-2.5%	-1.8%	-1.7%	-1.5%
<b>Profit &amp; Loss</b>					
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%
<b>Balance Sheet</b>					
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%
<b>Cash Flow statement</b>					
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 <sup>3</sup>	834	1,138	2,117	288	203

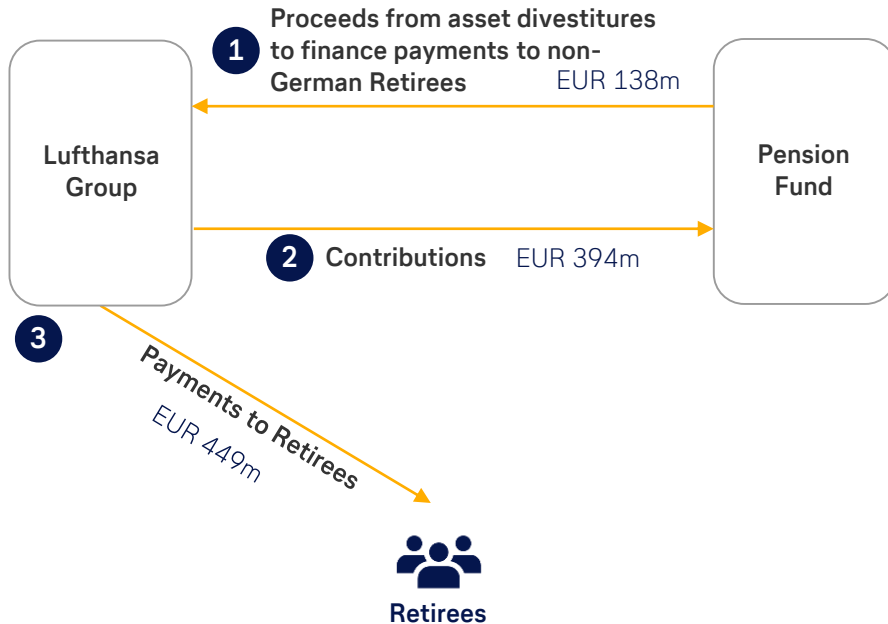
<sup>1</sup> 2019 reported figures including effects from IFRS 15 treatment of compensation payments, 2017 restated for better comparability

<sup>2</sup> Adjusted for pension effects in 2016 and 2017 as a result from the change from defined benefit to defined contribution

<sup>3</sup> Adjusted free cash flow from 2018 onwards

# Lufthansa pension accounting

## Schematic overview of cash flows (Example for FY 2019)



## Lufthansa Group Cash Flow Statement

Cash Flow from operating activities **3**

Net Cash from / used in investing activities

Net Cash from / used in cash management activities

**2** - **1**

Net Cash from / used in financing activities