CAPITAL MARKETS DAY 2019

Key Takeaways

Group:

- Management committed to driving sustainably higher returns to shareholders
- Group holds attractive market positions in its hubs
- Market-wide infrastructure constraints will improve demand/supply ratio going forward
- Disciplined M&A strategy based on clear set of objectives and criteria
- All non-passenger businesses except Catering offer high level of synergies with Group airlines
- Balanced capital deployment creates value for all stakeholders

Network Airlines:

- Brand strength and industry-leading customer experience remain foundation for economic success
- Focus on profitable growth: future capacity growth of c.2% p.a. at Network Airlines
- Extensive product innovations will secure and expand the yield advantage of the Network Airlines over the market
- Distribution strategy further refined, share of direct distribution will grow further
- Innovations in commercial strategy to make structural growth contribution of 3% to unit revenues by 2022
- Efficiency gains & operations improvements: CASK down 1% to 2% p.a. at Network Airlines

Eurowings:

- Comprehensive package of measures will accelerate Eurowings turnaround
- Clear focus on short-haul point-to-point traffic
- Network airlines assume commercial responsibility and control of long-haul business
- Brussels Airlines will be no longer part of Eurowings, closer alignment to the Network Airlines planned (further details in Q3/2019)

- Reduction to one AOC in Germany reduces complexity and increases productivity
- Unification of the fleet on A320 Family aircraft
- Target to increase crew and fleet productivity significantly
- 15% reduction in unit costs (CASK) targeted by 2022
- Focus on ancillary portfolio and digital sales channels will drive additional revenue streams
- Break even targeted in 2021
- Long-term ambition to generate an Adjusted EBIT margin of at least 7%

Operations:

- Fleet strategy aims at maximizing flexibility and reducing complexity
- Investments in new technology ensure compliance with industry target of carbon neutral growth beyond 2021
- First results of operational excellence measures demonstrate significant progress compared to the prior year
- Use of Artificial Intelligence will enhance planning processes and implement predictive steering
- Target to reduce operations costs by 1% to 2% p.a. going forward

Financials:

- Higher returns to shareholders: payout of 20% to 40% of net income (previously: 10% to 25% of EBIT)
- 2019 will be the fourth year in a row where Lufthansa Group is reducing unit costs
- Fleet capex to amount to EUR 3.5 billion on average between 2019 and 2023
- Total Investments expected to amount to c. 3.6bn EUR in 2019, similar level in 2020, higher in 2021
- Free cash flow to grow to >EUR 1bn medium-term
- Strict ROCE focus will drive improvements over the cycle