



LUFTHANSA GROUP



# Commerzbank German Investment Seminar 2020

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# Agenda

## 01 Strategy update

02 Q3 2019 Results

03 Outlook

04 Appendix

# Unique investment case to create value for our shareholders

## **Best positioned to leverage brand, product and market strength**

- Brand and product strength drive sustainably high yields at Network Airlines
- Focus on profitable growth: capacity up c.2% p.a. at Network Airlines, c.1% at Eurowings

## **In control of major profitability drivers**

- Commercial strategy innovation at Network Airlines: 3% RASK contribution by 2022
- Efficiency gains & operations improvements: CASK down 1% to 2% p.a. at Network Airlines
- Eurowings turnaround: CASK down 15% by 2022, break-even 2021, >7% margin long-term

## **Clear focus on cash flow generation**

- Strict ROCE focus will drive improvements over the cycle
- Free cash flow to grow to >EUR 1bn medium-term

## **Committed to disciplined capital allocation**

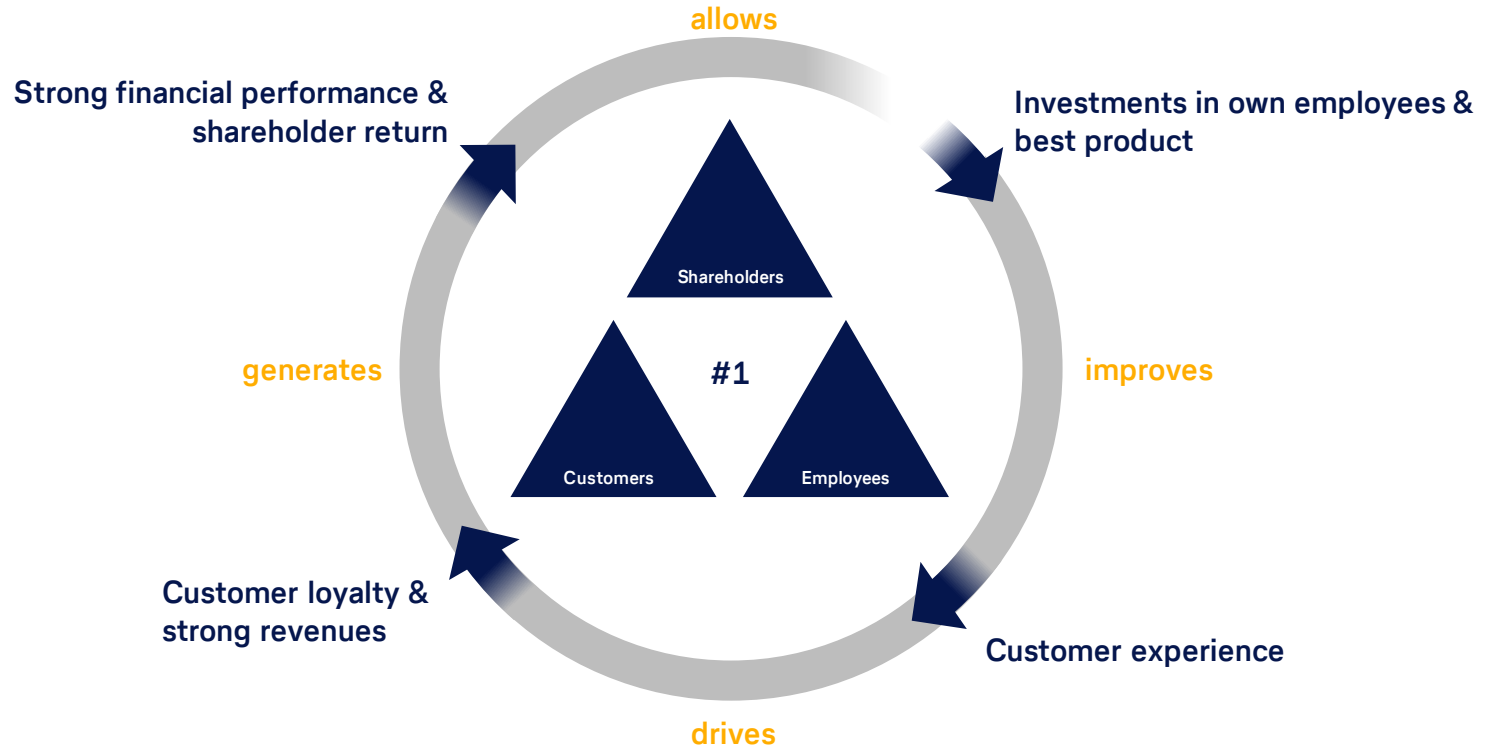
- Higher returns to shareholders: payout of 20% to 40% of net income
- Disciplined M&A strategy based on clear set of objectives and criteria

## Stakeholders:

Group strategy  
balances the interests  
of all stakeholders

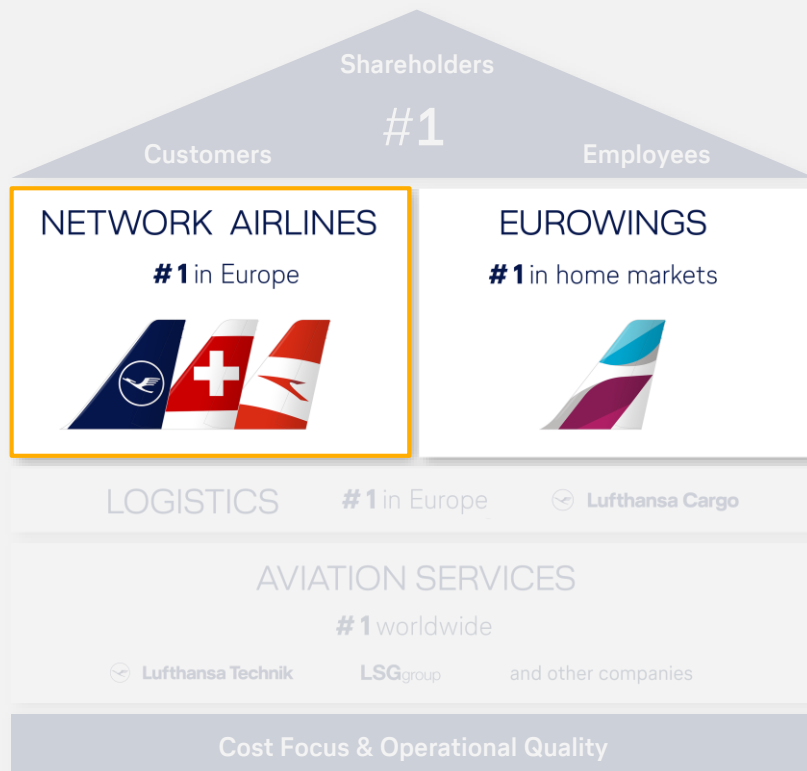


# Balanced approach creates value for all stakeholders



# Network Airlines and Eurowings:

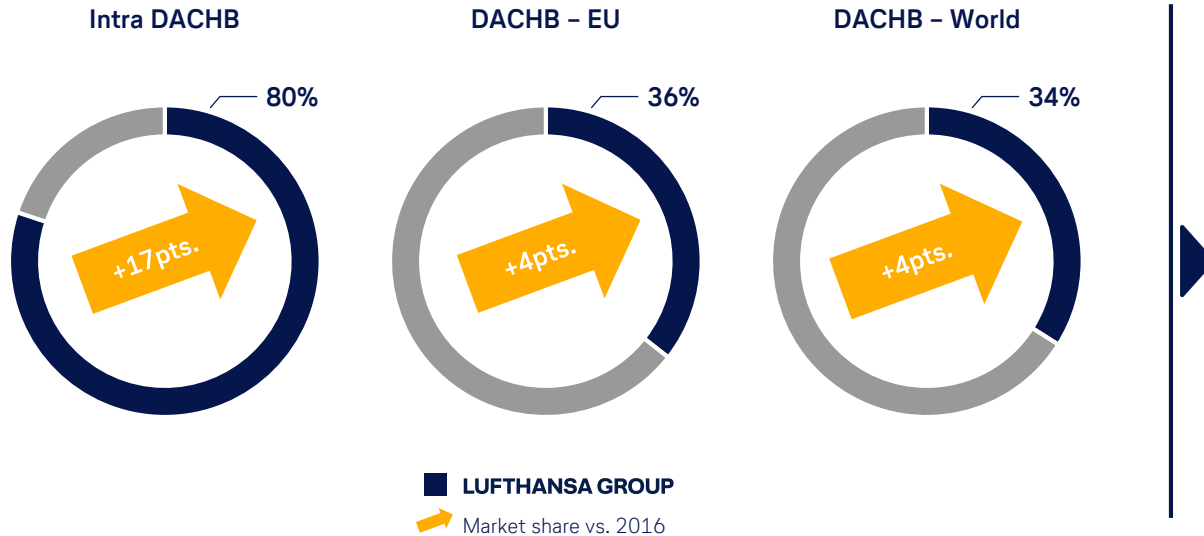
Two leading  
airline groups



# Lufthansa Group is clear market leader in its home markets

## 2018 market shares

[by number of passengers]



- 1 Unrivalled brand strength and yield premium
- 2 Maximum connectivity due to largest destination network and portfolio of attractive slots
- 3 Strong negotiation position with key suppliers and system partners



# Lufthansa Group holds attractive market positions in its hubs



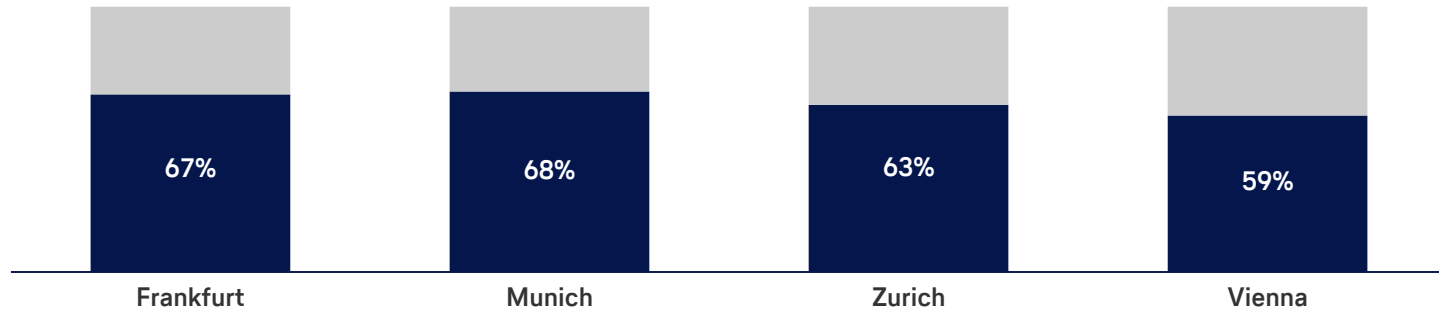
## Slot allocation at group hubs



Slot share other airlines



Slot share Lufthansa Group



Expected average growth of runway capacity until 2024: 0-1%

# Three strongly positioned brands



## Strong Brands

Network Airlines



- ✓ Aligned Business Model
- ✓ Common Governance
- ✓ Joint Steering

## Strong Positioning

Customer recognition



Best Airline in Europe

Best Business Class in Europe

**#1** most trusted brand (Germany)

**#5** strongest brand value growth (Airlines)

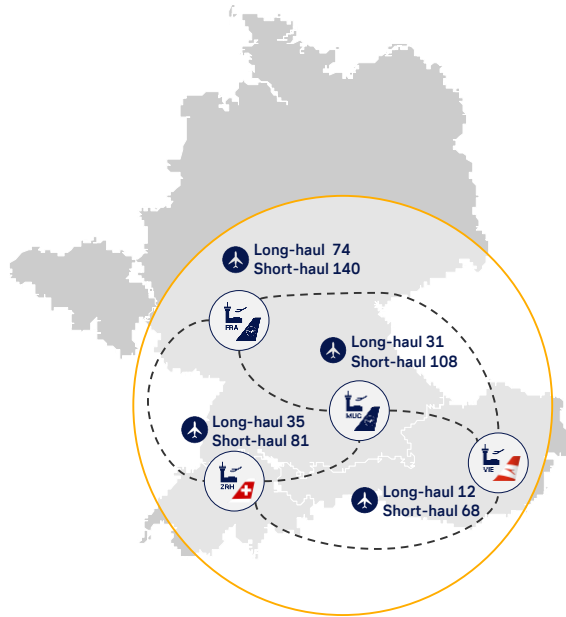
## Recent Awards



# Multi-Hub strategy generates benefits for customers and flexibility for production

Multi-Hub

## Network Airlines Multi-Hub System



**549**  
aircraft



**19,000**  
weekly flights



**273**  
destinations



**86**  
countries



**104m**  
Passengers in 2018



**53%**  
transfer share

## Commercial Benefits



### Customer

- Maximum connectivity
- Broad range of choices
- Strong identification with local brand



### Production

- Increased reliability
- Risk diversification
- Flexible capacity management



**Joint commercial steering**  
as key success factor

# Joint Ventures expand the Multi-Hub system to a global network

Multi-Hub

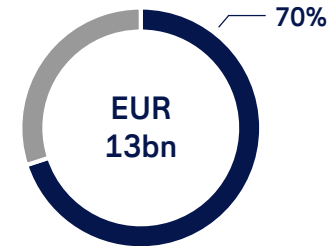
## Multi-Hub + JVs form Network of Networks



## Joint Ventures

- Joint capacity management
- Joint pricing
- Joint product strategy
- Mutual market access
- Revenue sharing

## JV share of long-haul revenues



# Product improvements and innovations in the coming years

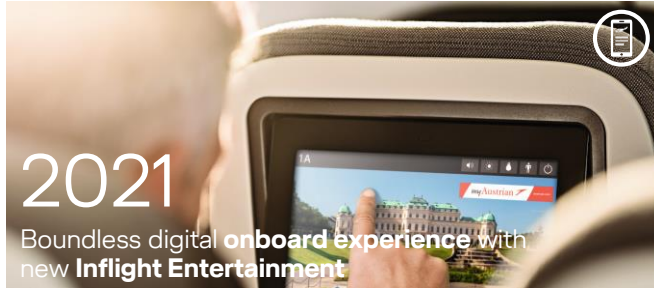
## 2020

**Individual** customer service and efficient **digital solutions** along all touch points



## 2021

Boundless digital **onboard experience** with new **Inflight Entertainment**



## 2020

**Contact- and paperless** from baggage claim to boarding by **biometrics**



## 2021

Launch of new **future long-haul experience** with **B777-9**



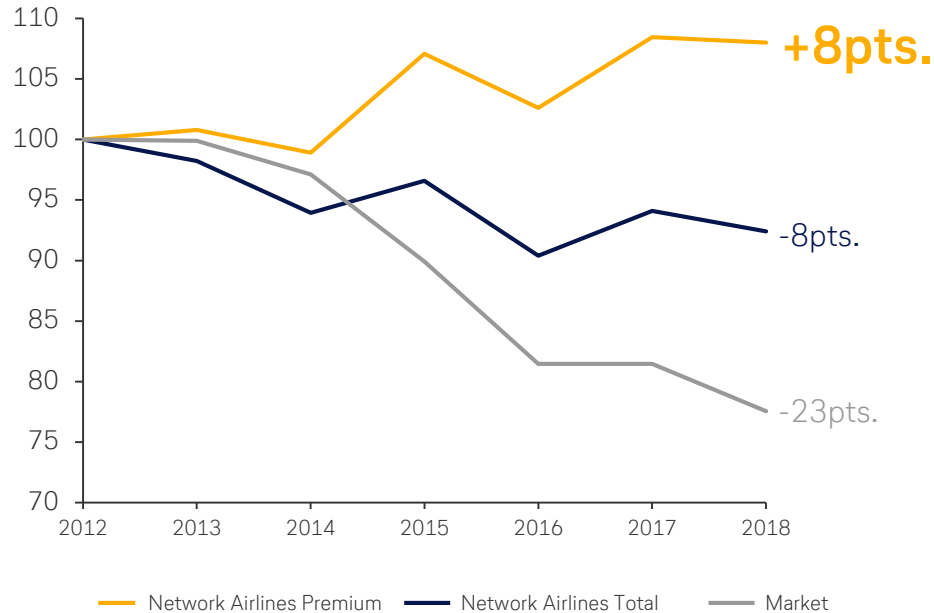
## 7,000 m<sup>2</sup>

further **lounge space** and **comfort** worldwide until **2023**

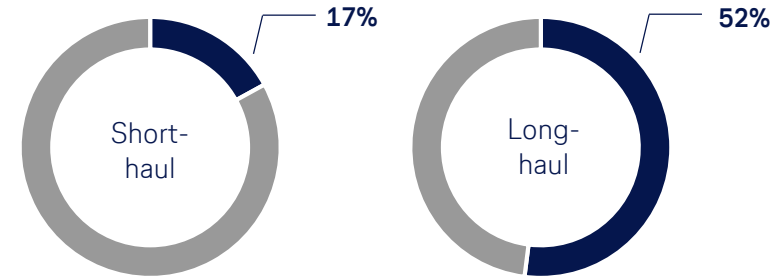


# Our airlines' premium positioning generates industry-leading yields

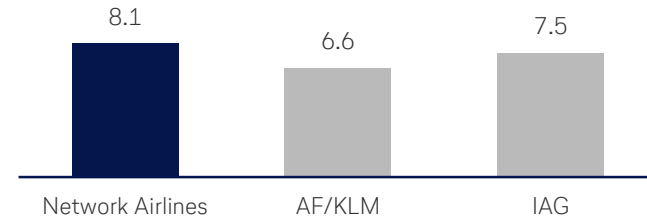
## Long term unit revenue development



## Revenue share of premium classes



## RASK [in EUR Cent]

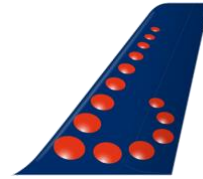


# Austrian und Brussels with key measures to improve profits



**Target: further 90m EUR cost reduction p. a. as of 2021**

- 1 Process efficiency and organization (EUR 60m)**
  - Strengthening digitalization and centralization
  - Reducing labor costs, adjusting manager-to-staff ratio
- 2 Optimizing productivity (EUR 30m)**
  - Increase of productivity on ground and maintenance
  - Network adjustments & optimized crew planning
- 3 Existing measures #DriveTo25, e.g.:**
  - Phase-out of all 18 DH4 and roll-over to A320 until 2021
  - Take-over of commercial steering for 4 Eurowings A320

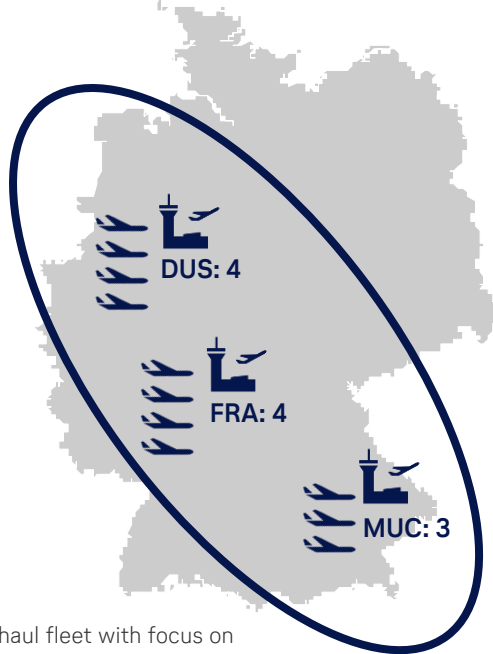


**Target: Operating margin of 8% by 2022**

- 1 Network and commercial embedding**
  - Refocused network
  - Commercial embedding with Network Airlines
- 2 Functional unit cost reduction**
  - Cost optimization in maintenance and operations
  - Contract renegotiating program
- 3 Overhead cost optimization**
  - Zero-based review of all material costs
  - Simplified and digitalized processes

# Further development of touristic long-haul business

**Operationally and commercially managed out of one hand**



Long-haul fleet with focus on touristic destinations



## **Pooling of touristic long-haul offer**

- First flights out of FRA and MUC successfully started
- Merging of current fragmented operative units into one AOC until 2022
- Target: high flexibility and competitiveness



## **Enhancing touristic competencies in IT and sales**

- Strengthening of sales processes based on best-practice model "Edelweiss"
- Active participation in a growing segment



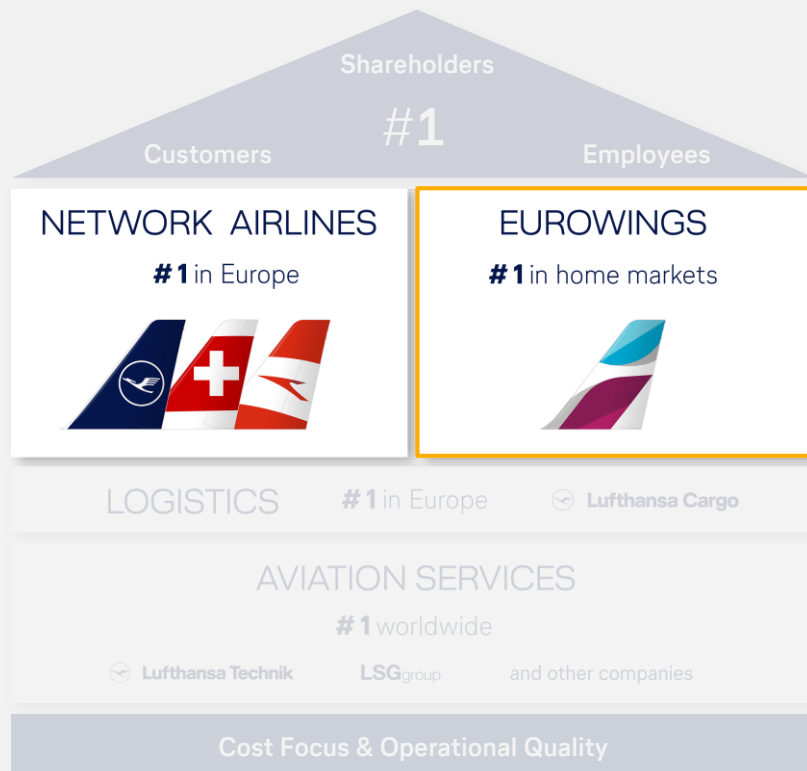
## **Establishing a new product line**

- Clear differentiated positioning within Lufthansa Group



# Network Airlines and Eurowings:

Two leading  
airline groups



# Eurowings at a glance:

## Leading point-to-point airline in home markets

### Key facts Eurowings short-haul 2019



**442**  
Routes



**13**  
Bases



**140**  
Destinations



**139**  
Aircraft



**>27 m**  
Customers



**>35**  
NPS

Note: Eurowings short-haul excluding Brussels Airlines

### Our ambition

Focus on **point-to-point short-haul**

Strengthen number one position in home markets and achieve a **sustainably positive EBIT margin**

Complement Lufthansa Network Airlines for **joint market approach** and **value creation**

# Clear number one in prime European point-to-point markets

## Market Share 2019



Eurowings operative fleet



EW



LHG



U2



FR

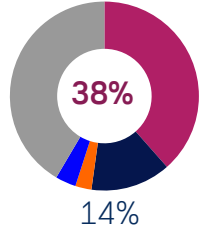


Other

DUS



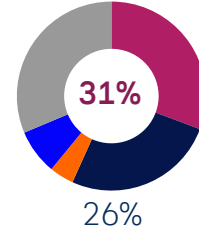
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HAM



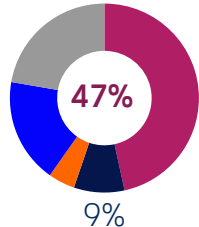
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CGN



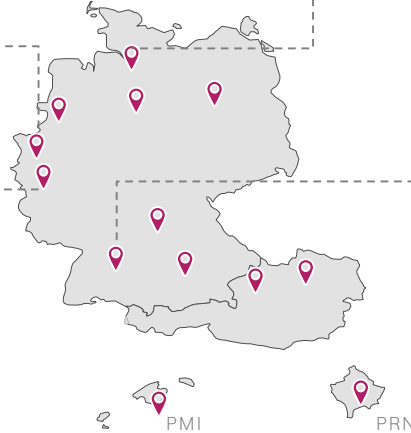
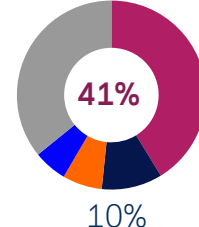
19



STR



20



**Market leader**  
in core home bases

► **High-value catchments**, e.g.  
purchasing power,  
corporate accounts

Note: Capacity data based on full year 2019,  
inbound & outbound seats intra EU

# Focus on simplicity: How we manage the turnaround

## Our focus 2019-2022

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### Business model adjustment and dimensioning

- »» Exit long-haul business and focus on short-haul only
- »» Re-focus short-haul network

### Structural cost improvement

- »» Reduce to one AOC in Germany
- »» Increase productivity
- »» Modernize and harmonize fleet
- »» Decrease overhead costs

### Digital and ancillary push

#### Eurowings Digital

- »» Enhance ancillary portfolio
- »» Improve digital sales channels

# Eurowings Turnaround shows first signs of success



## Status



## Targets



## Next Steps

### Realigning long-haul



- Commercial responsibility for 7 aircraft transferred to Network Airlines
- Four aircraft in Düsseldorf to follow

### Adjusting network



- Focus on core markets
- Implementing new base concept

### Increasing productivity



- Fleet: +6% vs. previous year
- Crew: +6% vs. previous year

**1) Break-Even in 2021**

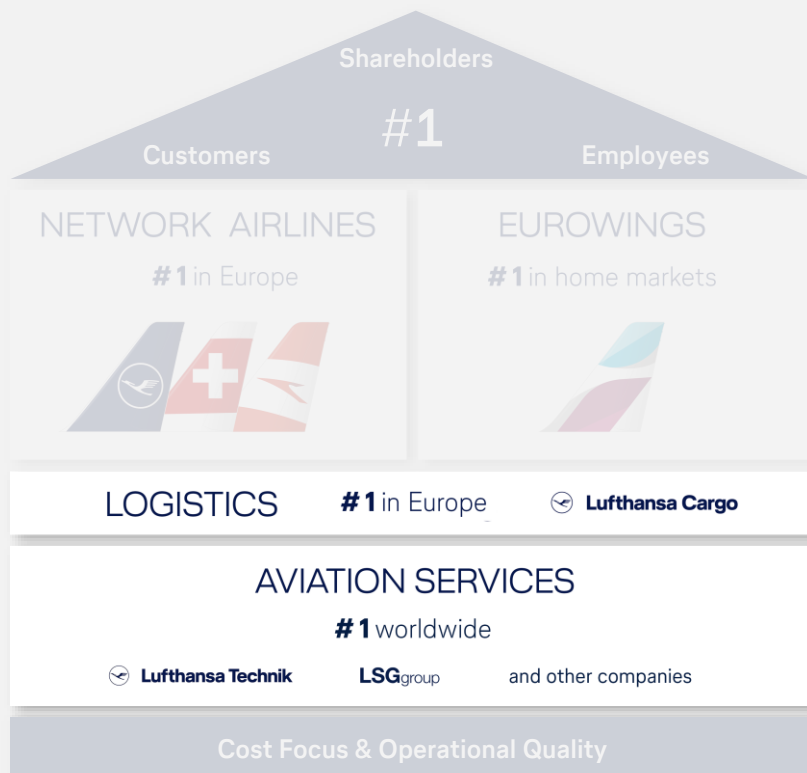
**2) CASK -15% until 2022**

**3) Long-term  
Adj. EBIT margin > 7%**





- Further capacity adjustments in 2020
- Reduction of operational complexity
- Reduction of overhead cost
- Expansion of ancillary revenues and digital services

# Logistics & Aviation Services:

Every business must contribute to sustainable and profitable growth



# Non-passenger businesses must offer high level of synergies

	 Lufthansa Cargo	 Lufthansa Technik	LSGgroup
1 Leading <b>market position</b>	✓	✓	✓
2 Structurally <b>growing market</b>	✓	✓	✓
3 High level of <b>synergies</b> with core business	✓	✓	✗
<hr/>			
 2018 Revenues (in bn EUR)	2.7	5.9	3.2
 2018 Adj. EBIT margin	9.9%	7.2%	3.6%

# Modernization and further development of Lufthansa Cargo und LSG

## **Lufthansa Cargo**



### **Fleet**

- Accelerated Roll-over: Phase-out of all MD11 until end of 2020; homogenous, smaller and more modern fleet of 9 Boeing 777F



### **Infrastructure**

- Modernization of the ground infrastructure (Lufthansa Cargo Center) in FRA



### **Digitalization**

- Increased automation of sales and production



## **Lufthansa Technik**



### **Further build-up of market leadership**

- Continued positive development
- 10% increase in results (9 months)

## **LSG**group



### **First phase of sale process: LSG Europe**

- Purchase agreement concluded with gategroup
- Divestiture of RoW business planned for 2020



# Cost Focus & Operational Quality:

The foundation of value creation



# Lufthansa Group is reducing unit costs for the fourth year in a row



## Labor Agreements

- Productivity and cost improvements in cockpit and cabin



## Re-Organization

- Implementation of matrix organization
- Reduction of management levels



## Fleet modernization

- Fleet roll-over

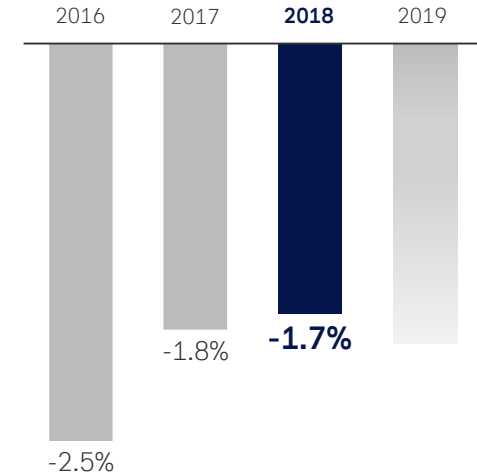


## Infrastructure

- New agreements with major system partners
- Closer cooperation

## CASK Reductions

[Group airlines CASK excl. fuel, at constant currency; yoy]



# Full pipeline of measures to further improve unit costs



## Eurowings Turnaround

- Reduction of operational complexity
- Improvement of aircraft and crew productivity



## Fleet and Standardization

- Harmonization of long-haul fleet
- Group-wide standardization of A320 family aircraft



## Staff Productivity Gains

- More efficient crew staffing and rotation planning



## Optimization of MRO Costs

- Shift of Line Maintenance from Lufthansa Technik to Lufthansa Airlines
- Increasing digitalization



## Ops Standardization

- Group-wide harmonization of operations across airlines



## Procurement

- Professionalization of procurement activities



**Network Airlines target to reduce unit costs by 1-2% p.a.  
Eurowings aims at a total reduction of 15% until 2022**

# Operational performance has improved considerably in 2019



**Departure  
Punctuality**

**2019 YTD Sep**

**74.8%**

vs. PY

+4.8pts.

**Schedule  
Regularity**

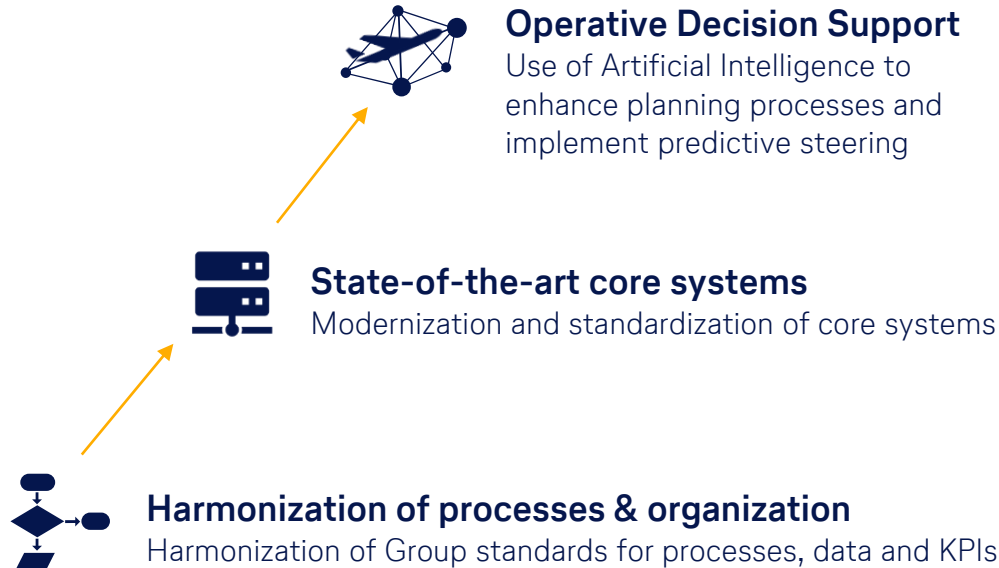
**98.5%**

+0.7pts.

## Comments

- Investments in operational stability are paying off, supporting customer satisfaction
- Close cooperation with system partners
- Air Traffic Control capacity shortages remain a drag on operational performance

# We will reach a new level of operational excellence by digitizing and harmonizing operations steering & planning processes



New levels of  
**productivity,**  
higher **customer**  
**satisfaction** and  
**improved steering**  
**decisions**

# Lufthansa Group with comprehensive sustainability initiatives



## Fleet

- Continuous investments in modern fleet
- 25% CO<sub>2</sub> reduction per new aircraft generation



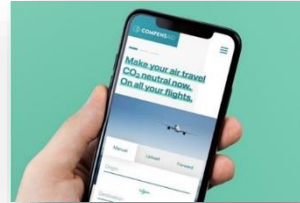
## CO<sub>2</sub> Reduction

- Eco-power on ground in 2020
- CO<sub>2</sub>-neutral ground traffic until 2030 in DACH



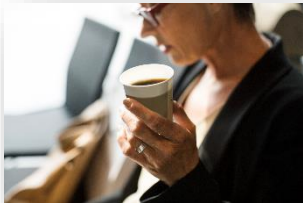
## Alternative Fuel

- Cooperation with industry and academic research
- Usage of Sustainable Aviation Fuel



## CO<sub>2</sub> Compensation

- „Corporate Value Fare“: carbon neutral corporate travel in Europe
- „Compensaid“ as a tool for CO<sub>2</sub> compensation incl. SAF



## Reduction of Plastic

- Reduction/replacement 50% of disposable plastic until 2021



## Employee Initiatives

- Fly Greener, #DoingMyBit
- Corporate Volunteering

# Agenda

01 Strategy update

**02 Q3 2019 Results**

03 Outlook

04 Appendix

# Lufthansa Group achieves an Adjusted EBIT of EUR 1.3 billion in Q3

Q3 result slightly  
below previous year

**EUR 1.3bn**

Adj. EBIT (-8%)



Q3 revenues increased  
to more than EUR 10bn

**EUR 10.2bn**

(+2%)



Passenger growth  
**+3%**

2019 guidance  
confirmed

**5.5%-6.5%**

Adj. EBIT margin

Unit costs  
reduced

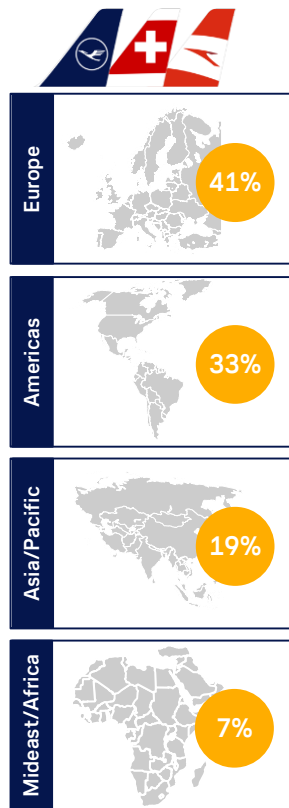
**-2.1%**

Q3 CASK Network Airlines



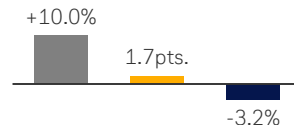
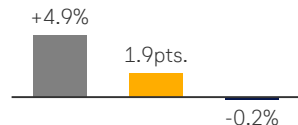
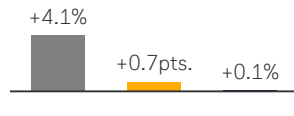
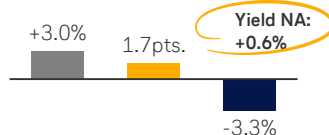
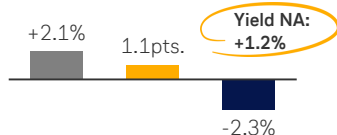
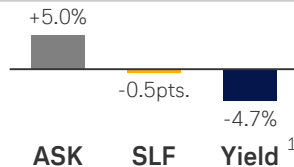
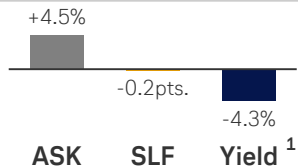


# Network Airlines: Transatlantic performance continues to be strong



Q3

9M



## Comments

- Yields in Europe remain under pressure from price-sensitive demand
- North America performs strongly, Brazil continues to burden South American business
- Performance in Asia weakens in third quarter predominantly because of lower demand on China and Hong Kong routes
- Solid performance in the Middle-East and Africa

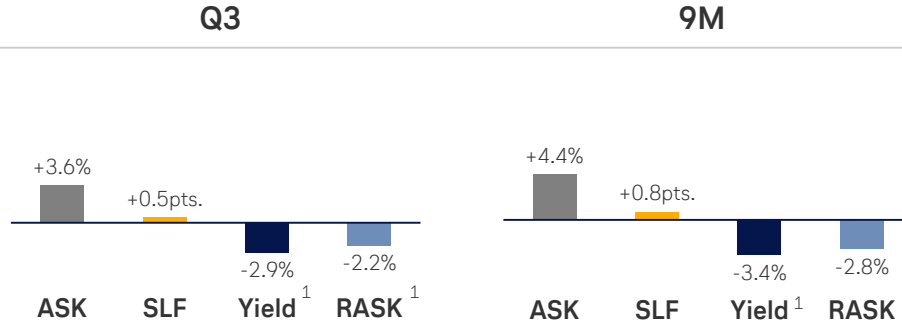
<sup>1</sup> Excl. currency

● % of Traffic Revenues as of 9M 19

# Network Airlines: Step up of unit cost reductions in the third quarter



## Revenue KPIs



## Cost KPIs



## Comments

- Strength in long haul partly offsets unit revenue weakness in short haul
- Easing MRO cost pressures, lower irregularity costs and productivity improvements support CASK reduction in the third quarter

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

# Network Airlines: Q3 profits down only moderately despite higher fuel costs



## Fuel cost

Q3

+174 / +13%

1,315

Q3 18

1,489

Q3 19

9M

+552 / +16%

3,477

9M 18

4,029

9M 19

## Adjusted EBIT / Margin

-6%

1,086

Q3 18

1,024

Q3 19

15.5%  
-1.4pts.

-23%

2,075

9M 18

1,589

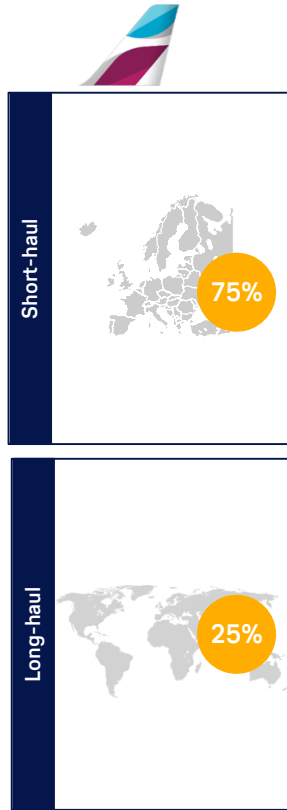
9M 19

9.0%  
-3.1pts.

## Comments

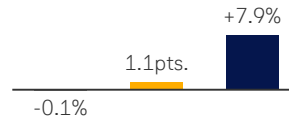
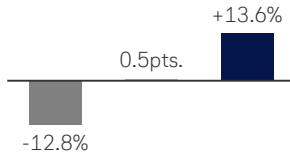
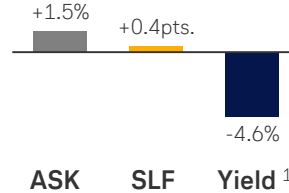
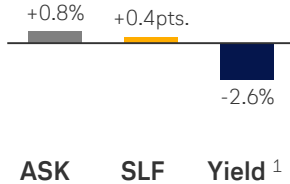
- Fuel cost increase higher than anticipated because of the recent appreciation of the US Dollar
- Strong cost performance largely offsets pressure from higher fuel costs and overall difficult market environment in Q3

# Eurowings: Slight yield declines in short-haul - long-haul up strongly



Q3

9M



## Comments

- Sequential yield improvement in short-haul (Q1: -8.5%, Q2: -4.3%) despite ongoing challenges in domestic business
- Long-haul performance benefits from capacity cuts, operational improvements and shift of two aircraft to the Network Airlines organization

<sup>1</sup> Excl. currency

● % of Traffic Revenues as of 9M 19

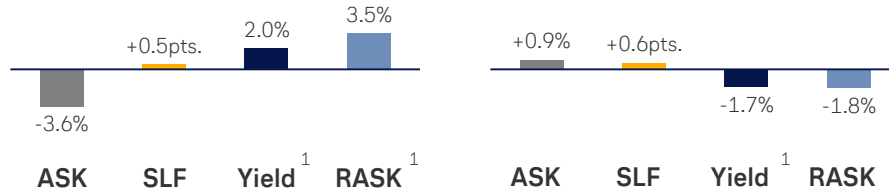
# Eurowings: RASK and CASK performance distorted by structural changes



## Revenue KPIs

Q3

9M



## Cost KPIs

-0.1%

CASK<sup>2</sup>



CASK<sup>2</sup>

## Comments

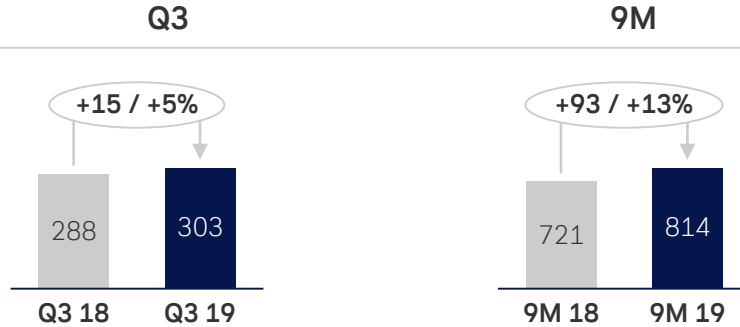
- Segment RASK increases in the third quarter because of operational improvements in long-haul, positive mix effect from long-haul capacity declines and ancillary revenue growth
- Short-haul RASK down at a low single-digit rate in Q3
- Short-haul CASK down at a mid-single-digit rate in Q3

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

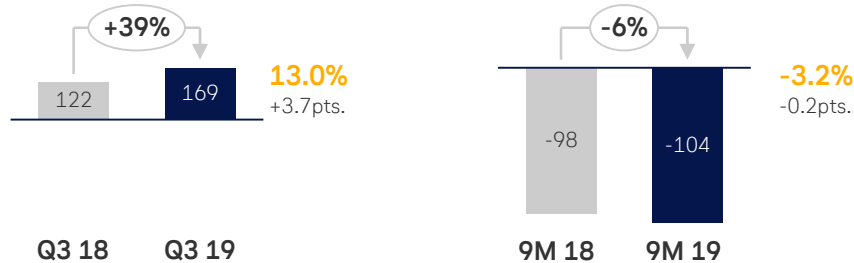
# Eurowings: Profit growth reflects first signs of Eurowings turnaround



## Fuel cost



## Adjusted EBIT / Margin

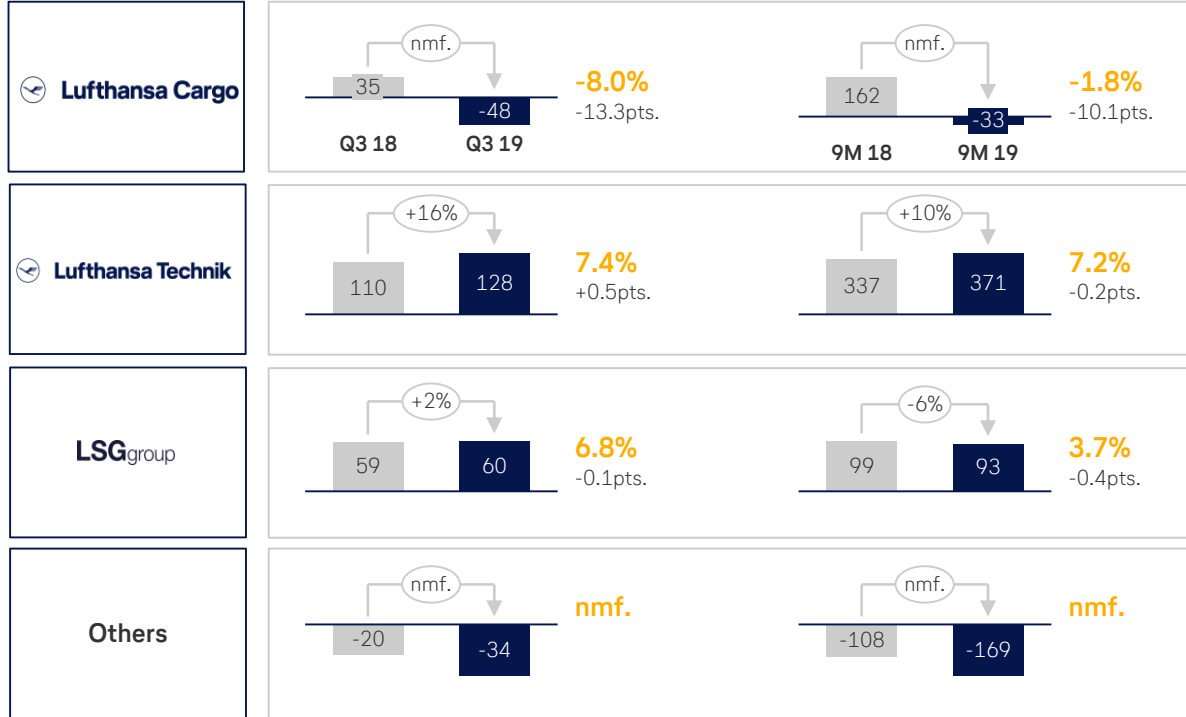


## Comments

- Fuel cost increase dampened by capacity declines
- Strong profit increase in Q3 limits year-to-date decline

# MRO and Catering businesses increase profits in the third quarter

## Adjusted EBIT / Margin



## Comments

- Logistics business continues to suffer from decline of air cargo market
- Profit increases in MRO business driven by engine and aircraft systems divisions
- Year-to-date profit of Catering business almost in line with prior year despite ongoing restructuring in European market
- Higher IT investments reduce operating result of Other Businesses

# Net profit performance distorted by several one-off items

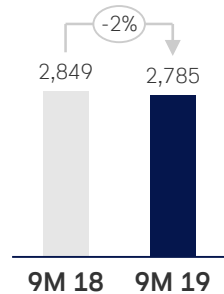
Lufthansa Group (in EUR m)	9M '19	vs. 9M '18	
Total operating income	29,448	+3%	
Operating expenses	27,986	+7%	
Of which fees & charges	3,431	+2%	
Of which fuel	5,095	+14%	
Of which staff	6,735	+3%	
Of which depreciation	2,067	+27%	
Result from equity investments	175	+32%	
<b>EBIT</b>	<b>1,637</b>	<b>-33%</b>	
Adjustments	78	+7,700%	①
<b>Adjusted EBIT</b>	<b>1,715</b>	<b>-30%</b>	
<b>Adjusted EBIT Margin</b>	<b>6.2%</b>	<b>-2.9pts.</b>	
Net interest income	-264	-120%	③
Other financial items	260	+940%	②
<b>EBT</b>	<b>1,633</b>	<b>-31%</b>	
Income taxes	572	+11%	③
Profit / loss attributable to minority interests	-23	-8%	
<b>Net income</b>	<b>1,038</b>	<b>-43%</b>	

- ① Impairments related to Thomas Cook insolvency
- ② Reclassification of hedges because of the change of fixed aircraft orders into options (EUR 413m)
- ③ Provision for tax risk (c. EUR 350m)



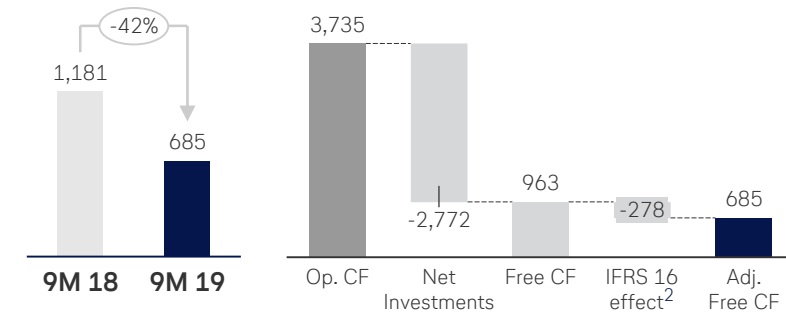
# Net debt increase largely driven by accounting effects

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



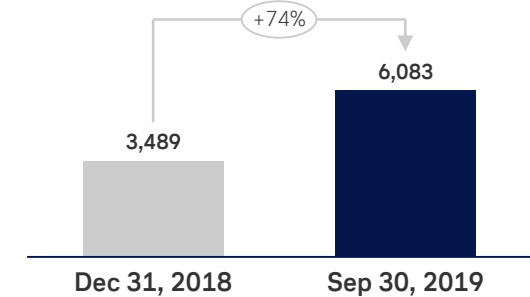
- Decrease due to less aircraft purchases

## Adjusted Free Cash Flow



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

## Net Debt



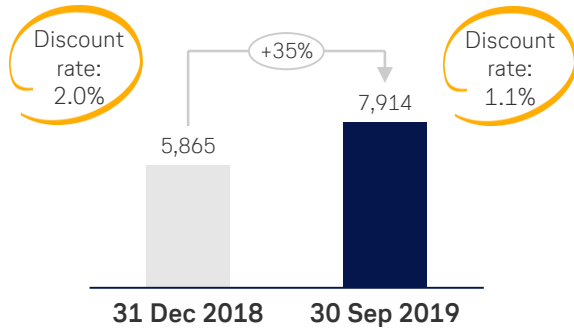
- Increase largely because of first-time application of IFRS 16
- Adjusted Net Debt / Adjusted EBITDA increases by 1.2 to 3.0

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

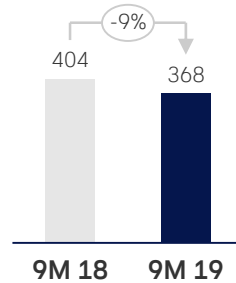
<sup>2</sup> Amortization of operating lease obligations shown in financing cash flow

# Increase of pension provisions has no impact on profits and cash flow

## Balance Sheet: Pension Provisions



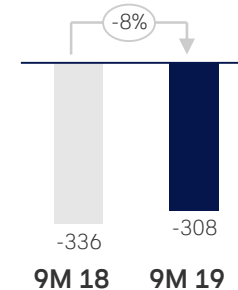
## Profit & Loss: Service Costs



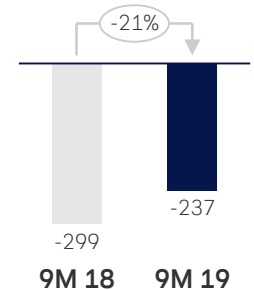
- Increase driven by interest rate decline, partly offset by strong performance of plan assets
- Every 50bp interest rate decline increases the gross pension obligation by c. EUR 2 billion

## Cash Flow:

Pension payments  
(operating cash flow)



Contribution to plan assets  
(change in funds / securities)



- Pension-related cash outflows below prior year level
- Pension deficit does not create any additional funding requirements

# Agenda

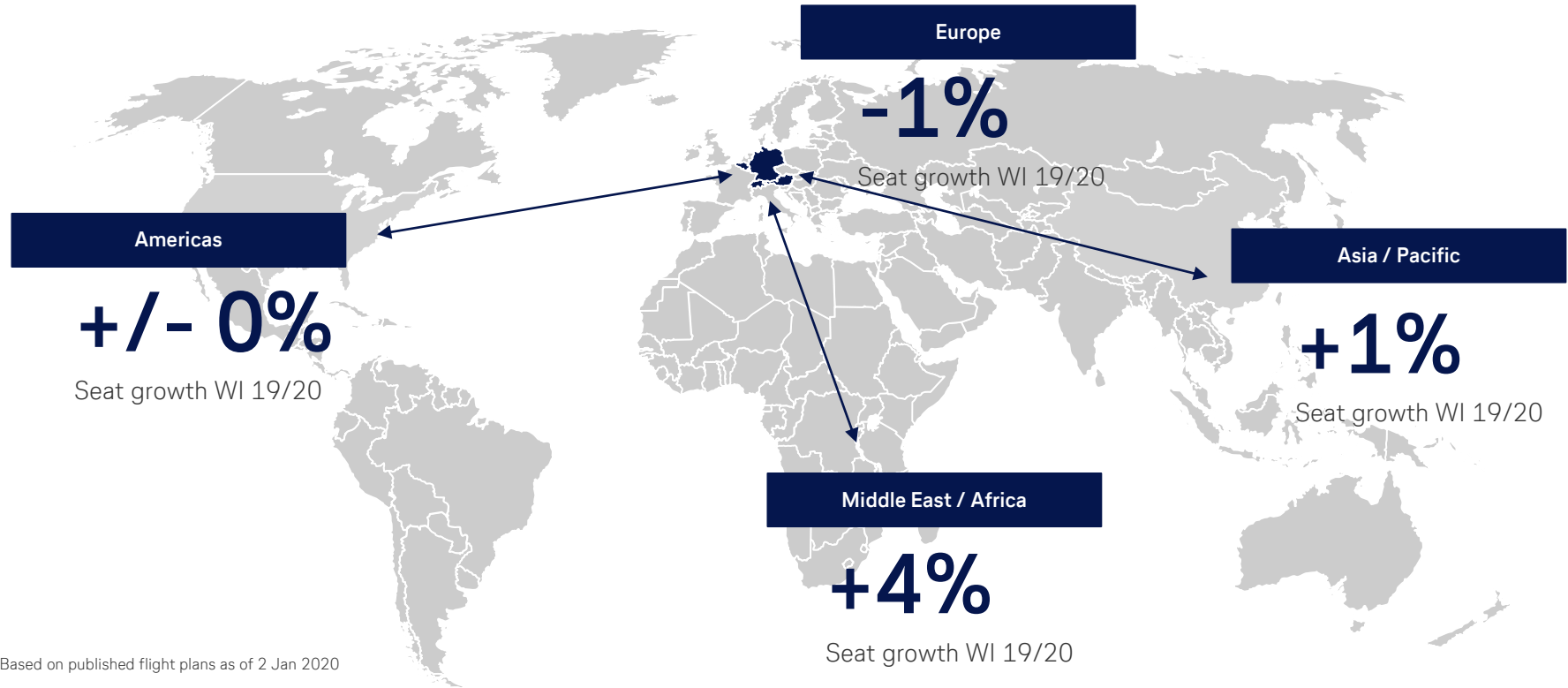
01 Strategy update

02 Q3 2019 Results

**03 Outlook**

04 Appendix

# Capacity growth moderates



Based on published flight plans as of 2 Jan 2020

Definition of relevant Market:

Short Haul: DACHB to all of Europe

Long-Haul: European countries west of eastern border of the European Union + Turkey to respective regions

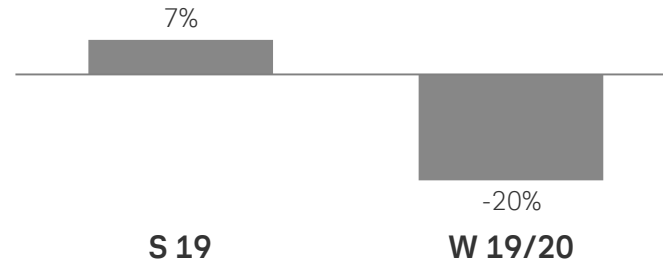
# LCCs start to reduce their capacities in all Group hubs except Vienna

Offered LCC capacity (ASK) in Lufthansa Group hubs vs. prior year

FRA



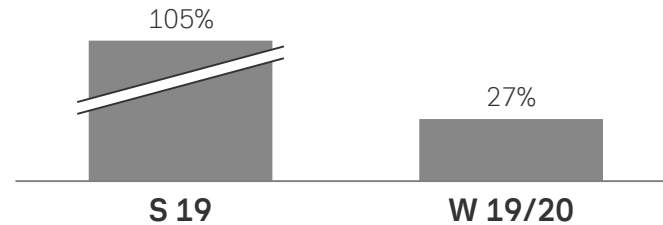
MUC



ZRH



VIE



# Group Adjusted EBIT margin to reach 5.5% to 6.5% in 2019

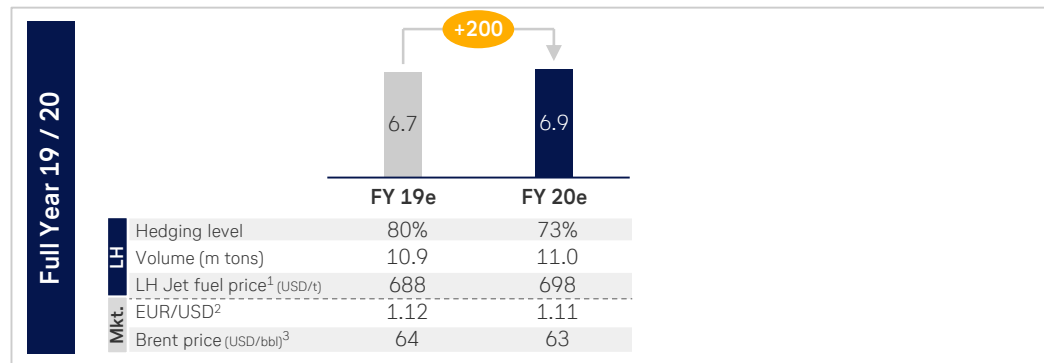
Passenger Airlines		
	Network Airlines	Eurowings
Capacity (ASK)	c. +4%	c. -1%
Unit Revenue (RASK, at constant currency)	Down low single-digit	Down low single-digit
Unit Cost (CASK, at c. currency, excl. fuel)	0% to -1%	-4% to -5%
Fuel (year-on-year change)	+EUR 600m	+EUR 100m
Adjusted EBIT Margin	7.0% to 9.0%	-4.0% to -6.0%

Non-PAX				
	Logistics	MRO	Catering	Others
Revenue	down mid single-digit	up low double-digit	up low single-digit	
Adjusted EBIT margin	0% to 2%	7% to 8%	2% to 4%	
Adjusted EBIT (year-on-year change)				-EUR 50m

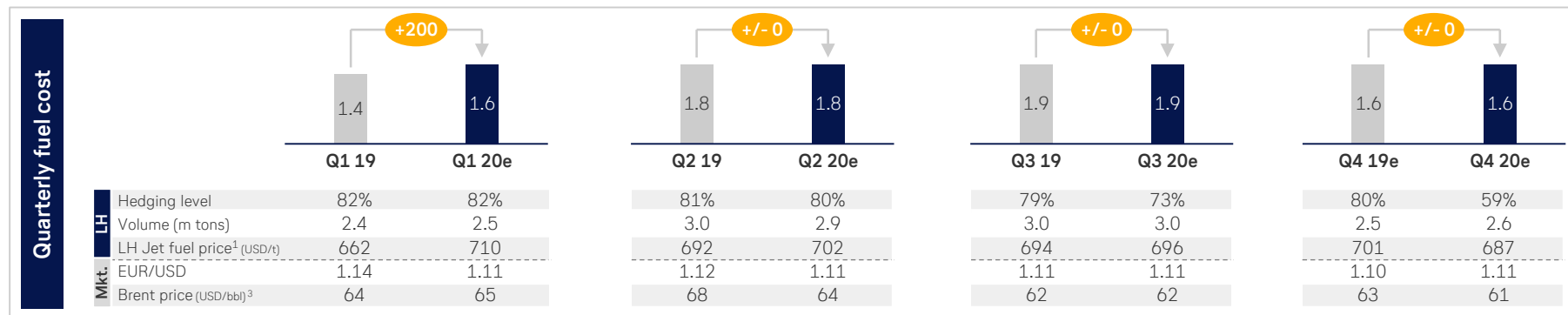
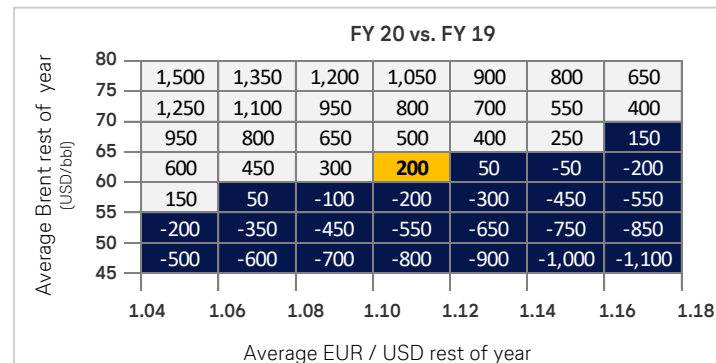
Lufthansa Group	
Revenue	up low single-digit
Adj. EBIT margin	5.5% to 6.5%

# Fuel cost outlook 2020

## Fuel cost



## Sensitivity to Brent and currency



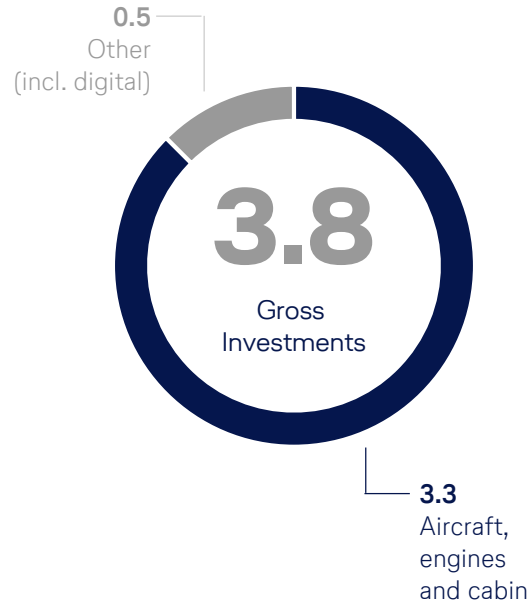
As of 31 December 2019

1 Blend of hedged and unhedged price for total annual volume, including into-plane charge, based on current crack spread; 2 average of actual/forward rates; 3 average of actual/forward Brent price

# Targeted investments will drive structural improvement of Group profitability

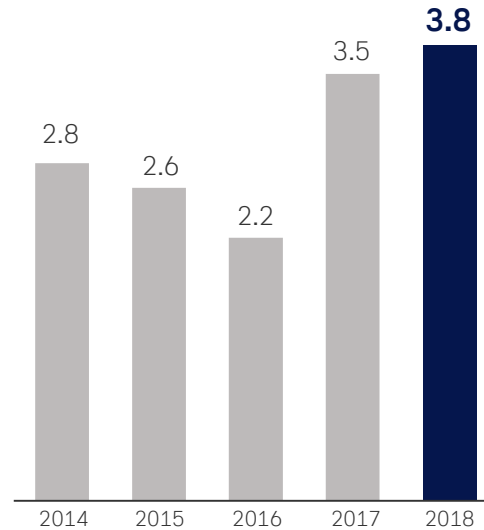
## Investments by area 2018

[in bn EUR]



## Investments 2014 – 2018

[in bn EUR]



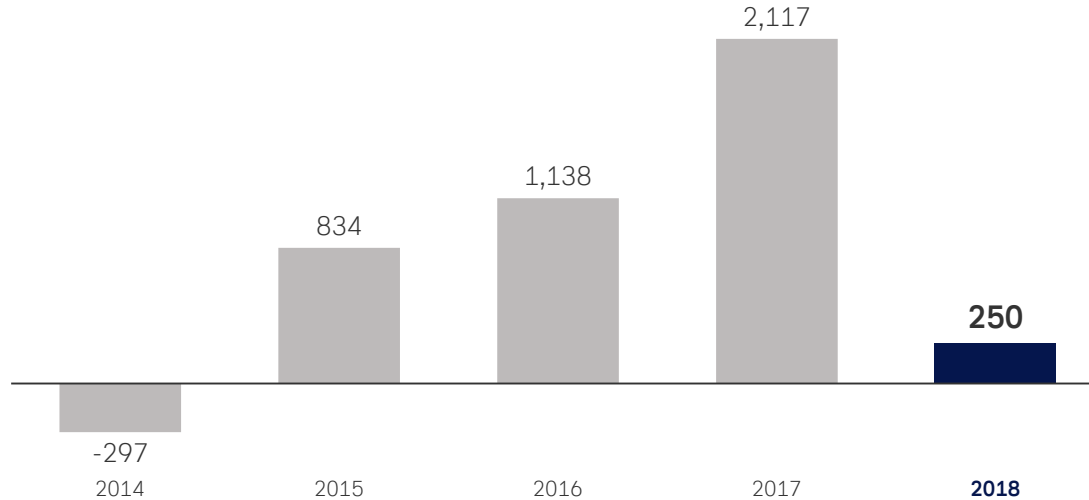
- Step up of investments partly due to accounting change
- Investments expected to amount to c. 3.6bn EUR in 2019, lower in 2020
- Increase in 2021 due to fleet modernization



# Group targets to increase free cash flow

## Free Cash Flow

[in m EUR]



- Group generated average FCF of more than 800m EUR in the past five years
- ROCE-accretive investments will improve Group profitability and cash flow going forward

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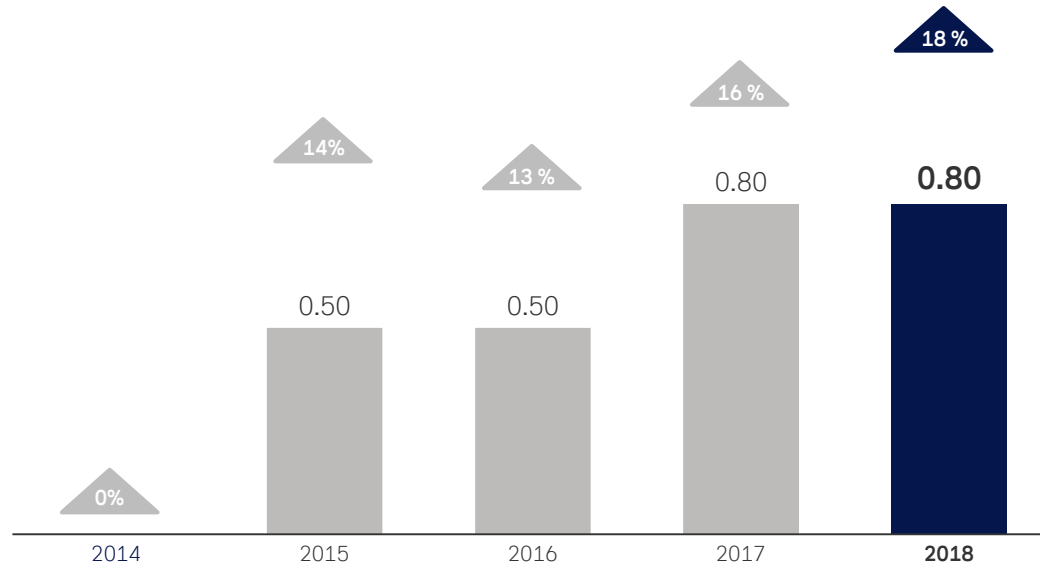
**Group confident to achieve > 1bn EUR of free cash flow in the medium-term**

# We are committed to generate attractive shareholder returns

## Dividend per share / dividend payout

[in EUR]

▲ Dividend payout as a percentage of net income



- New dividend policy lifts payout to between 20% and 40% of net income\*
- Replaces previous policy of payout of 10% to 25% of consolidated EBIT
- New policy aims at dividend continuity

\* Adjusted for one-time gains and losses

# Agenda

01 Strategy update

02 Q3 2019 Results

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**04 Appendix**

# Group P&L

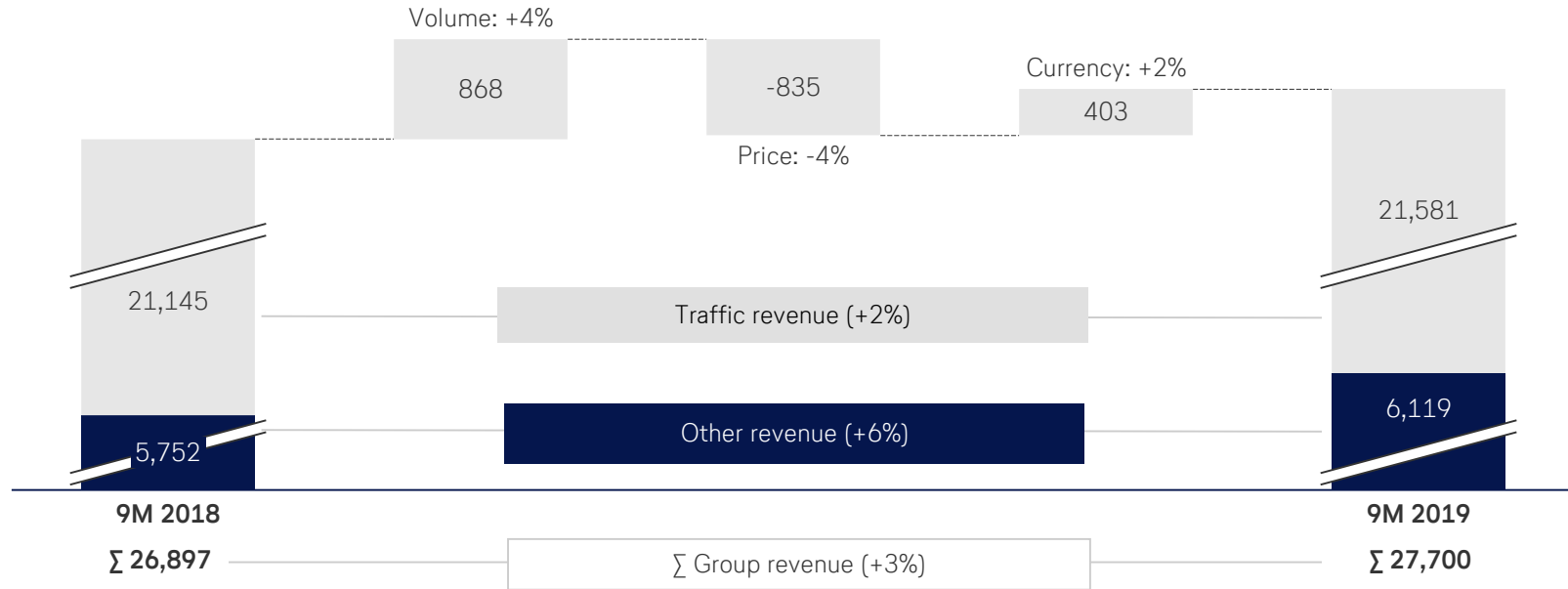
Lufthansa Group (in m EUR)	Q3 '19	vs. Q3 '18
Total revenue	10,177	+2%
Other operating income	634	+19%
Total operating income	10,811	+3%
Operating expenses	9,678	+5%
Non-fuel operating expenses	7,808	+4%
Cost of materials and services	5,337	+5%
Fuel expenses	1,870	+10%
Fees and charges	1,212	+0%
Staff costs	2,215	+1%
Depreciation	738	+32%
Other operating expenses	1,388	+3%
Result from equity investments	87	-3%
<b>EBIT</b>	<b>1,220</b>	<b>-13%</b>
Adjustments	77	nmf.
<b>Adjusted EBIT</b>	<b>1,297</b>	<b>-8%</b>
<b>Adjusted EBIT Margin</b>	<b>12.7%</b>	<b>-1.4pts.</b>

9M '19	vs. 9M '18
27,700	+3%
1,748	+8%
29,448	+3%
27,986	+7%
22,891	+5%
15,075	+9%
5,095	+14%
3,431	+2%
6,735	+3%
2,067	+27%
4,109	-2%
175	+32%
<b>1,637</b>	<b>-33%</b>
78	nmf.
<b>1,715</b>	<b>-31%</b>
<b>6.2%</b>	<b>-2.9pts.</b>

nmf. = not meaningful

# Group revenue bridge

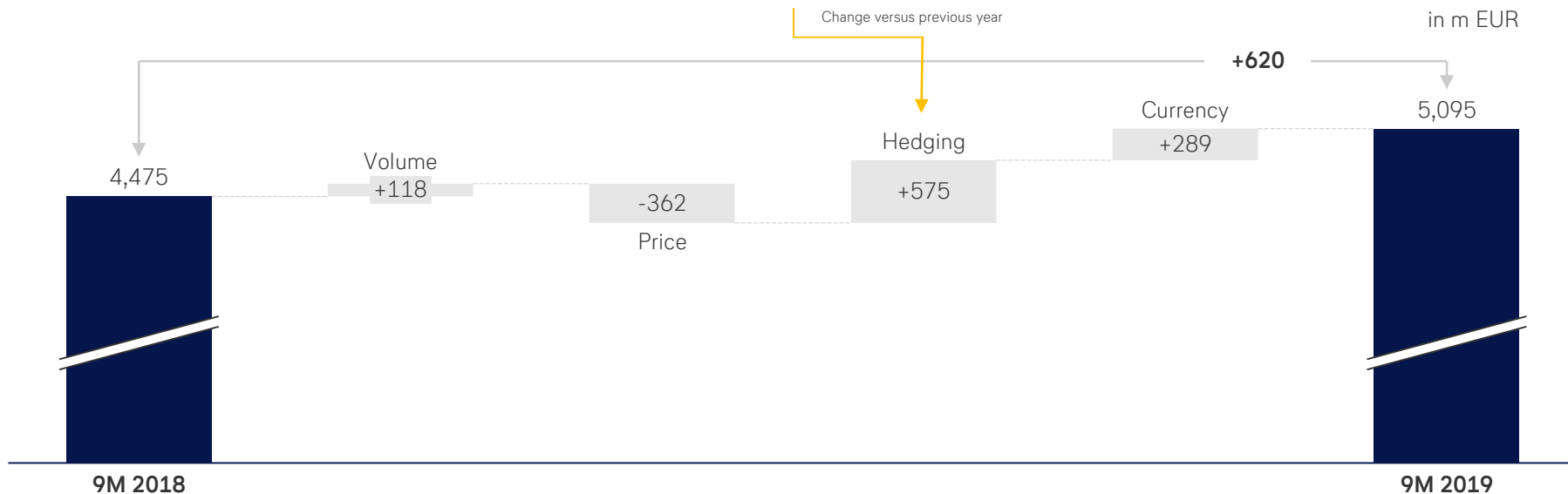
in m EUR



# Fuel cost bridge

Hedging result by quarter (in m EUR)

	Q1	Q2	Q3	Q4	FY (YTD)
2018	107	229	245		581
2019	17	35	-46		6



# Operating KPIs of Network Airlines by region

Total	Q3 '19	9M '19
Number of flights	+2.3%	+3.1%
ASK	+3.6%	+4.4%
RPK	+4.2%	+5.4%
SLF	+0.5pts.	+0.8pts.

Yield	-0.7%	-1.3%
Yield ex currency	-2.9%	-3.4%
RASK	-0.1%	-0.6%
RASK ex currency	-2.2%	-2.8%
CASK excl. fuel	-0.9%	+0.7%
CASK ex currency ex fuel	-2.1%	-0.8%

Europe	Q3 '19	9M '19
ASK	+4.5%	+5.0%
RPK	+4.4%	+4.3%
SLF	-0.2pts.	-0.5pts.
Yield	-2.9%	-3.5%
Yield ex currency	-4.3%	-4.7%

Americas	Q3 '19	9M '19
ASK	+2.1%	+3.0%
RPK	+3.4%	+5.0%
SLF	+1.1pts.	+1.7pts.
Yield	+0.9%	-0.1%
Yield ex currency	-2.3%	-3.3%

North America	+1.2%	+0.6%
South America	-18.3%	-19.2%

Asia / Pacific	Q3 '19	9M '19
ASK	+4.4%	+4.1%
RPK	+4.3%	+4.9%
SLF	-0.1pts.	+0.7pts.
Yield	+0.4%	+2.2%
Yield ex currency	-2.0%	+0.1%

Middle East / Africa	Q3 '19	9M '19
ASK	+4.9%	+10.0%
RPK	+7.3%	+12.3%
SLF	+1.9pts.	+1.7pts.
Yield	+1.9%	-0.8%
Yield ex currency	-0.2%	-3.2%

# Operating KPIs of Eurowings by region

Total	Q3 '19	9M '19
Number of flights	+0.1%	+0.4%
ASK	-3.6%	+0.9%
RPK	-3.1%	+1.7%
SLF	+0.5pts.	+0.6pts.

Yield	+2.4%	-1.3%
Yield ex currency	+2.0%	-1.7%
RASK	+5.6%	+0.3%
RASK ex currency	+3.5%	-1.8%
CASK excl. fuel	+1.0%	-2.3%
CASK ex currency ex fuel	-0.1%	-3.8%

Short-haul	Q3 '19	9M '19
ASK	+0.8%	+1.5%
RPK	+1.3%	+2.0%
SLF	+0.4pts.	+0.4pts.
Yield	-2.2%	-4.1%
Yield ex currency	-2.6%	-4.6%

Long-haul	Q3 '19	9M '19
ASK	-12.8%	-0.1%
RPK	-12.3%	+1.2%
SLF	+0.5pts.	+1.1pts.
Yield	+14.0%	+8.4%
Yield ex currency	+13.6%	+7.9%



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

## Network Airlines

	Q1	Q2	Q3	Q4	H1	9M	FY
Europe	-6.5%	-3,8% <sup>2</sup>	-4.3%		-5,0% <sup>2</sup>	-4.7%	
Americas	-6.1%	-2,2% <sup>2</sup>	-2.3%		-3,9% <sup>2</sup>	-3.3%	
<i>Thereof North America</i>	-1.9%	+1,8% <sup>2</sup>	+1.2%		+0,2% <sup>2</sup>	+0.6%	
<i>Thereof South America</i>	-18.7%	-20,4% <sup>2</sup>	-18.3%		-19,6% <sup>2</sup>	-19.2%	
Asia Pacific	+1.9%	+1,0%	-2.0%		+1,4%	+0.1%	
Middle East & Africa	-6.0%	-3,3% <sup>2</sup>	-0.2%		-4,6% <sup>2</sup>	-3.2%	
<b>Total</b>	<b>-5.0%</b>	<b>-2.8%</b>	<b>-2.9%</b>		<b>-3.7%</b>	<b>-3.4%</b>	

## Eurowings

Short-haul	-8.5% <sup>2</sup>	-4.3% <sup>2</sup>	-2.6%		-5.9%	-4.6%	
Long-haul	+0.8% <sup>2</sup>	+10.5% <sup>2</sup>	+13.6%		+5.5% <sup>2</sup>	+7.9%	
<b>Total</b>	<b>-7.0%</b>	<b>-1.9%</b>	<b>+2.0%</b>		<b>-4.1%</b>	<b>-1.7%</b>	

<sup>1</sup> Constant currency

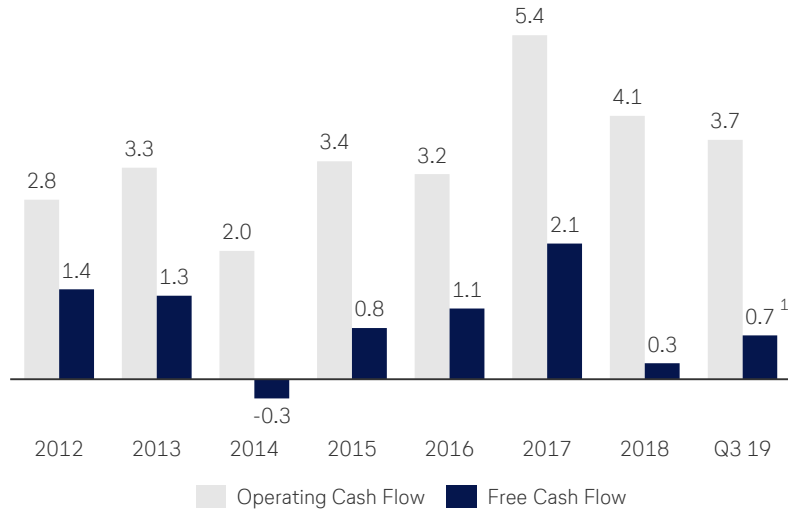
<sup>2</sup> Corrected

# Lufthansa Group has access to attractive financing options

## Sustainable free cash flow & high liquidity

### Free cash flow generation

in bn EUR



<sup>1</sup> Adj. Free Cash Flow: Incl. amortization of operating lease obligations shown in financing cash flow (IFRS 16)

<sup>2</sup> Japanese Operating Leases with Call Option

## Financial strength

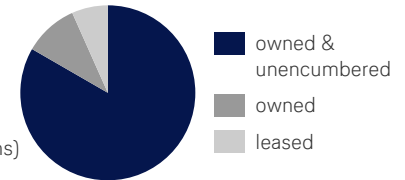
### Full Investment Grade Rating

- Standard & Poor's (BBB, stable outlook) – Apr. 19
- Moody's (Baa3, stable outlook) – Aug. 19
- Scope (BBB, stable outlook) – Jun. 19



### Unburdened fleet

- 94% of fleet owned vs. 6% leased
- ~75% of fleet financially unencumbered (not used as security for financing transactions)



### Attractive Long-Term Debt Financing

- 18 JOLCOs<sup>2</sup> for aircraft financing (EUR 1.0bn)
- EUR 800m 3 and 5y unsecured "Schuldscheindarlehen" (Apr 2019)
- EUR 500m 5y unsecured bond with 0.25% coupon (Sep 2019)

# Pension system change to reduce pension deficit and volatility

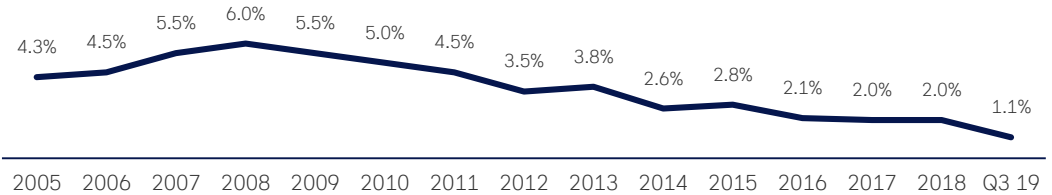
## Pension obligations

### Pension systematic

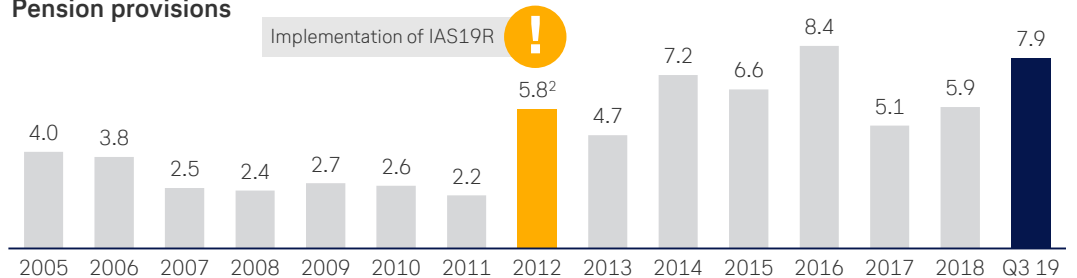
- **Flexible funding model**  
no mandatory funding
- Change of **accounting standard** (IAS19R) and **decreasing discount rate** has lead to strongly increasing liabilities since 2012
- Current **sensitivity** (based on FY18 assumptions): increase in discount rate of 50bps decreases obligation by c. 2 bn EUR
- **Change of pension system** from defined benefit to defined contribution model for German ground staff (new entrants) and cabin crews achieved
- **Agreement with pilots' union:** reduction of transitional payment period and pension change from DB to DC significantly reduced pension deficit

### Development of discount rate and pension deficit

Discount rate<sup>1</sup>



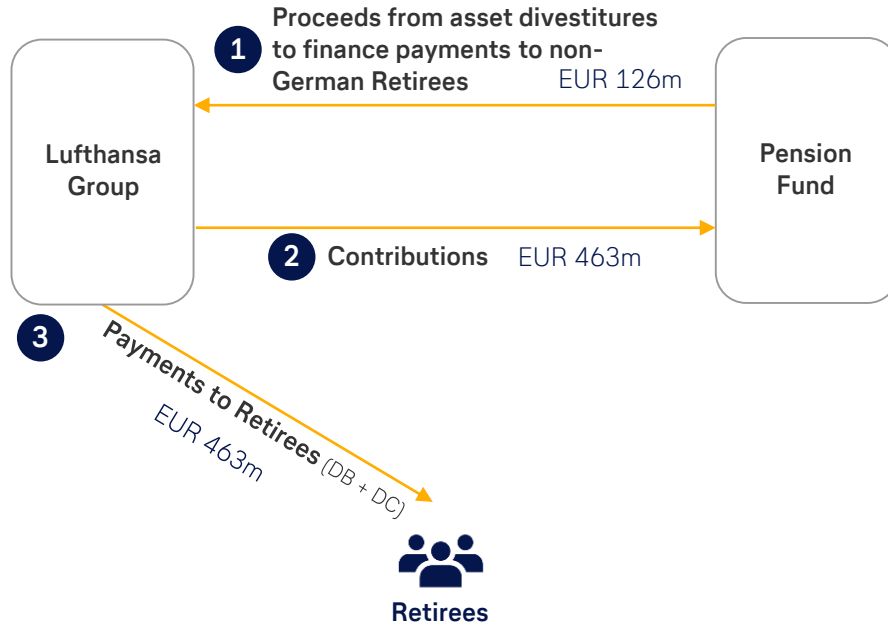
Pension provisions



1. For German and Austrian pensions; based on AA-rated European corporate bonds; 2. restated figures

# Lufthansa pension accounting

## Schematic overview of cash flows (Example for FY 2018)



## 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

# Cash flow statement

Lufthansa Group (in m EUR)	9M '19	vs. 9M '18
<b>EBT</b> (earnings before income taxes)	<b>1,633</b>	<b>-729</b>
Depreciation & amortization (incl. non-current assets)	2,113	+469 <sup>1</sup>
Net proceeds from disposal of non-current assets	16	+17
Result of equity investments	-175	-42
Net interest	264	+144 <sup>2</sup>
Income tax payments/reimbursements	-722	-220 <sup>3</sup>
Significant non-cash-relevant expenses / income	-334	-177 <sup>4</sup>
Change in trade working capital	1,075	+128 <sup>5</sup>
Change in other assets / liabilities	-135	+21 <sup>6</sup>
<b>Operating cash flow</b>	<b>3,735</b>	<b>-389</b>
Capital expenditure (net)	-2,772	-200
<b>Free cash flow</b>	<b>963</b>	<b>-189</b>
<b>Adjusted Free cash flow</b>	<b>685</b>	<b>-496</b>
Cash and cash equivalents as of 30.09.19 <sup>1</sup> less assets held for sale	927	-334
Current securities	2,648	-33
Total Group liquidity	3,575	-367

<sup>1</sup> Excluding fixed-term deposits with terms from three to twelve months (2019: 0m EUR, 2018: 139m 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 Largely “correction” of EBT for non-cash effect in financial result related to reclassification of hedges for aircraft purchases

5 Mainly prepayments at Lufthansa Technik

6 Various smaller effects

# Multi-Year financial overview

Lufthansa Group (in m EUR, as reported)	2014	2015	2016	2017	2018
<b>Operating KPIs</b>					
RASK ex currency	-2.5%	-3.0%	-5.9%	+1.9%	-0.5%
CASK ex currency, ex fuel	-2.6%	+2.4%	-6.1%	-0.4%	-1.7%
<b>Profit &amp; Loss</b>					
Revenues	30,011	32,056	31,660	35,579	35,844
Fuel Cost	6,751	5,784	4,885	5,232	6,087
Adjusted EBIT	1,171	1,817	1,752	2,969	2,836
Adjusted EBIT Margin	3.9%	5.7%	5.5%	8.3%	7.9%
<b>Balance Sheet</b>					
Total Assets	30,474	32,462	34,697	35,778	38,213
Net Financial Debt and Pension Liabilities	10,649	9,973	11,065	8,000	9,354
ROCE	4.6%	7.7%	9.0%	13.2%	11.1%
<b>Cash Flow statement</b>					
Operating Cash Flow	1,977	3,393	3,246	5,368	4,109
Capital expenditure (net)	2,274	2,559	2,108	3,251	3,859
Free Cash Flow	-297	834	1,138	2,117	250

2018 reported figures including effects from the capitalization of engine overhaul, 2017 restated for better comparability

# 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

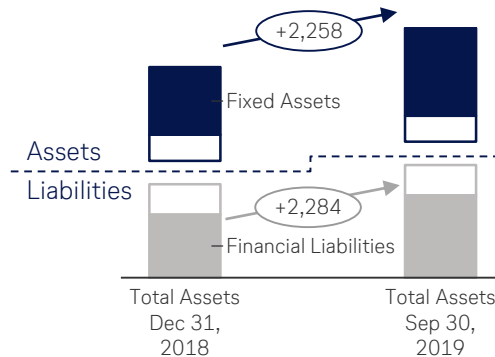
## Effect on Lufthansa Group

### Effect on Profit & Loss:

<b>EBITDA</b>	<b>+315</b>
./. Depreciation	-294
<b>EBIT</b>	<b>+21</b>
./. Interests costs and FX valuation	-55
<b>EBT</b>	<b>-34</b>

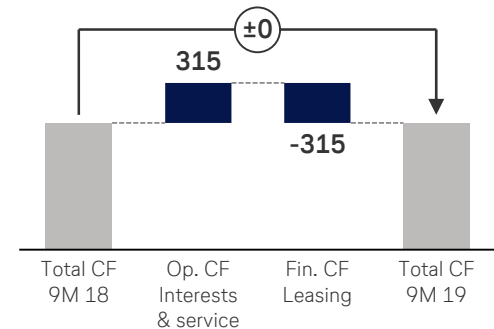
Adjusted EBIT Margin: + 0.1pts

### Effect on Balance Sheet:



Equity Ratio: -1.2pts // Leverage: +0.4x

### Effect on Cash Flow:



Impact on Group Adjusted EBIT expected to amount to ca. +25m EUR in full year 2019

## Exemplary calculation of operational airline KPIs

Quarterly Data.xls <sup>1</sup>

	FY 2018 (restated)										LUFTHANSA GROUP																				
Profile and Loss	NETWORK AIRLINES					LOGISTICS					CATYING					OTHER					CONSOLIDATION					LUFTHANSA GROUP					
	2018	2017	Change	2018	2017	Change	2018	2017	Change	2018	2017	Change	2018	2017	Change	2018	2017	Change	2018	2017	Change	2018	2017	Change	2018	2017	Change	2018	2017	Change	
Revenue	23,600	24,230	-630	6,730	6,720	10	2,320	2,320	0	3,370	3,370	0	1,880	1,880	0	1,030	1,030	0	1,030	1,030	0	21,000	21,000	0	21,000	21,000	0	21,000	21,000	0	
Cost of Sales	17,770	18,110	-340	4,910	4,910	0	1,670	1,670	0	2,320	2,320	0	1,270	1,270	0	670	670	0	670	670	0	15,190	15,190	0	15,190	15,190	0	15,190	15,190	0	
Profit Before Tax	5,830	6,120	-290	1,820	1,810	10	650	650	0	1,050	1,050	0	610	610	0	360	360	0	360	360	0	5,810	5,810	0	5,810	5,810	0	5,810	5,810	0	
Tax Expense	22,110	21,520	-590	6,030	6,030	0	2,170	2,170	0	3,070	3,070	0	1,670	1,670	0	960	960	0	960	960	0	19,080	19,080	0	19,080	19,080	0	19,080	19,080	0	
Other Operating Income	600	500	+100	100	200	-100	50	100	-50	200	200	0	70	100	-30	1,800	2,200	-400	1,800	2,200	-400	2,200	2,200	0	2,200	2,200	0	2,200	2,200	0	
Goodwill Impairment	50	50	0	50	50	0	200	200	0	20	20	0	200	200	0	10	10	0	10	10	0	50	50	0	50	50	0	50	50	0	
General ZC gains	300	300	0	100	70	+30	10	10	0	20	10	+10	10	10	0	10	10	0	10	10	0	200	200	0	200	200	0	200	200	0	
Total Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Interest Costs	-11,500	-12,010	+510	-3,150	-3,040	-110	-1,720	-1,570	-150	-3,000	-3,000	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,290	-10,290	0	-10,290	-10,290	0	-10,290	-10,290	0	
Fees & Charges	-0.240	-1.130	+0.890	-400	-1,500	+1,100	-200	-1,000	+800	-200	-1,000	+800	-200	-1,000	+800	-200	-1,000	+800	-200	-1,000	+800	-200	-1,000	+800	-200	-1,000	+800	-200	-1,000	+800	-200
Operating Income After Tax	11,870	10,970	+900	3,380	3,590	-210	1,050	1,070	-20	1,340	1,340	0	680	680	0	1,670	1,670	0	1,670	1,670	0	9,200	9,200	0	9,200	9,200	0	9,200	9,200	0	
Share of Associates	-0.240	-0.100	-0.140	-400	-50	-350	-400	-50	-350	-400	-50	-400	-50	-350	-400	-50	-400	-50	-350	-400	-50	-1,000	-1,000	0	-1,000	-1,000	0	-1,000	-1,000	0	
Other Operating Expenses	-1,400	-1,200	-200	-400	-500	+100	-200	-300	+100	-1																					
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110	-500	6,530	6,530	0	2,770	2,570	+200	3,340	3,340	0	1,840	1,770	+70	2,870	2,870	0	2,870	2,870	0	20,740	20,740	0	20,740	20,740	0	20,740	20,740	0	
Operating Expenses	-12,040	-12,210	+170	-4,150	-4,200	+50	-1,580	-1,580	0	-2,760	-2,760	0	-1,260	-1,260	0	-200	-220	+20	-200	-220	+20	-10,490	-10,490	0	-10,490	-10,490	0	-10,490	-10,490	0	
Operating Income	23,610	24,110																													

## Network Airlines, FY 2018

## Yield

(1) Traffic revenues	20,877
(2) RPK <sup>2</sup>	231,952
<b>Yield: (1) / (2) * 100</b>	<b>9.0</b>

# RISK

(1) Total revenues	22,719
(2) Other Op. Income	699
(3) Reversal of provisions	94
(4) FX losses	-316
= (5) Basis for RASK <b>(1)+(2)-(3)+(4)</b>	23,008
(6) ASK <sup>3</sup>	284,741
<b>RASK: (5) / (6) * 100</b>	<b>8.1</b>

## CASK

(1) Operating expenses	-21,024
(2) Reversal of provisions	94
(3) FX losses	-316
= (4) Basis for CASK <b>(1) + (2) - (3)</b>	-20,614
(5) ASK <sup>3</sup>	284,741
<b>CASK: <math>-(4) / (5) * 100</math></b>	<b>7.2</b>

## Traffic Figures <sup>1</sup>

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