



# Lufthansa Group @HSBC ESG Conference

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# Agenda

## 01 Strategy update

02 Focus on ESG

03 Q3 2019 Results

04 Outlook

05 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

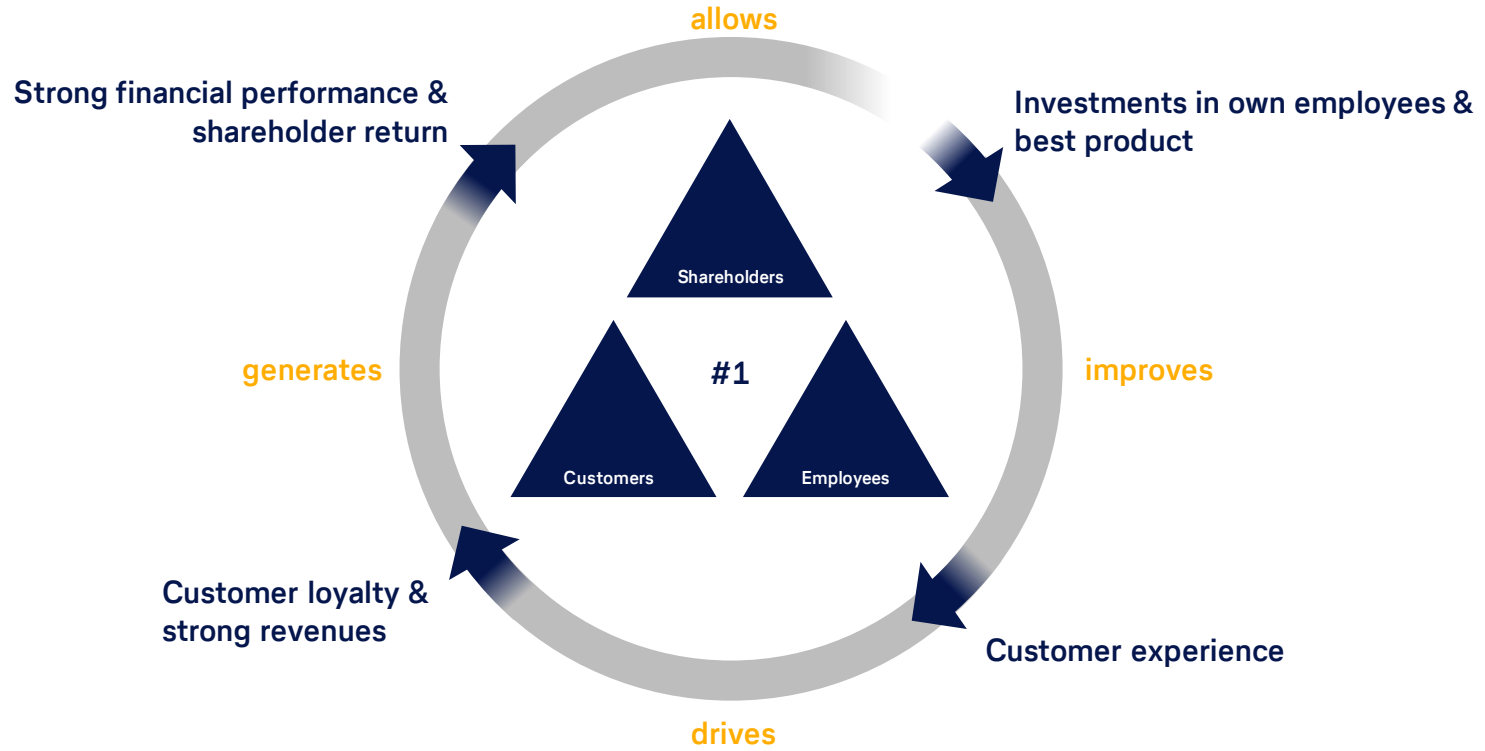
## **Clear focus on cash flow generation**

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

## **Committed to disciplined capital allocation**

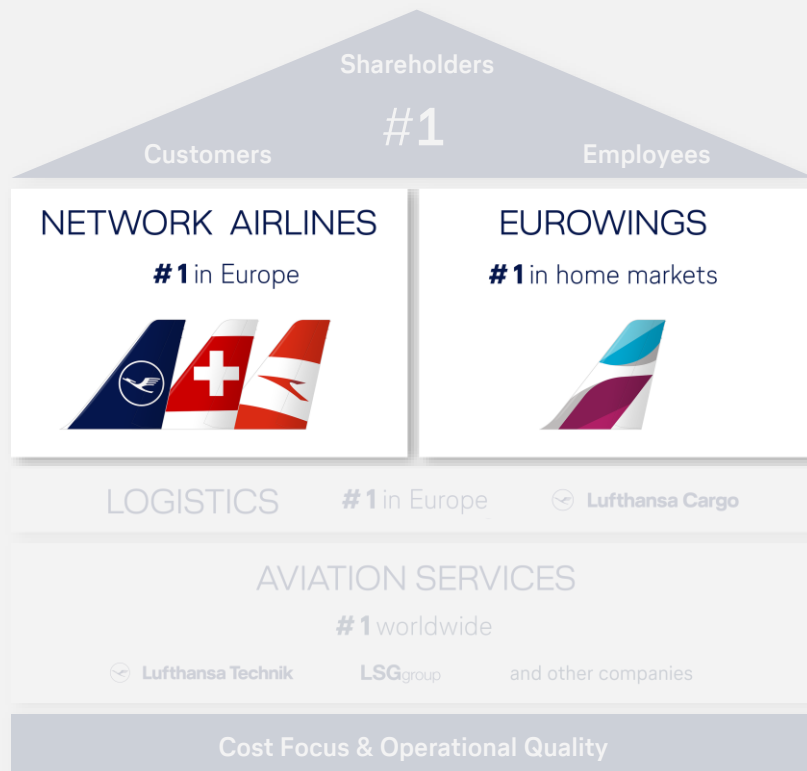
- Higher returns to shareholders: payout of 20% to 40% of net income
- Disciplined M&A strategy based on clear set of objectives and criteria

# Balanced approach creates value for all stakeholders



# Network Airlines and Eurowings:

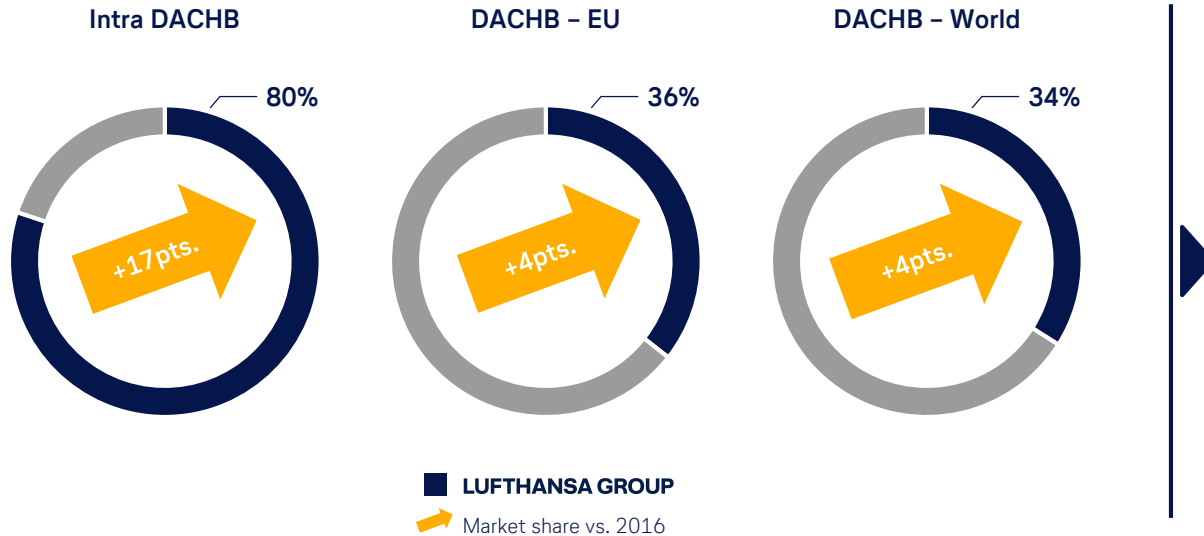
Two leading  
airline groups



# 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



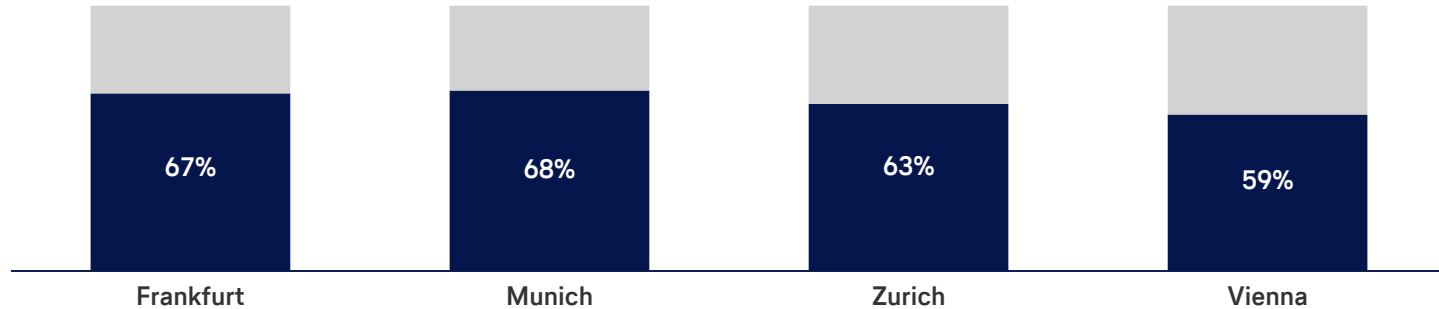
## Slot allocation at group hubs



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)

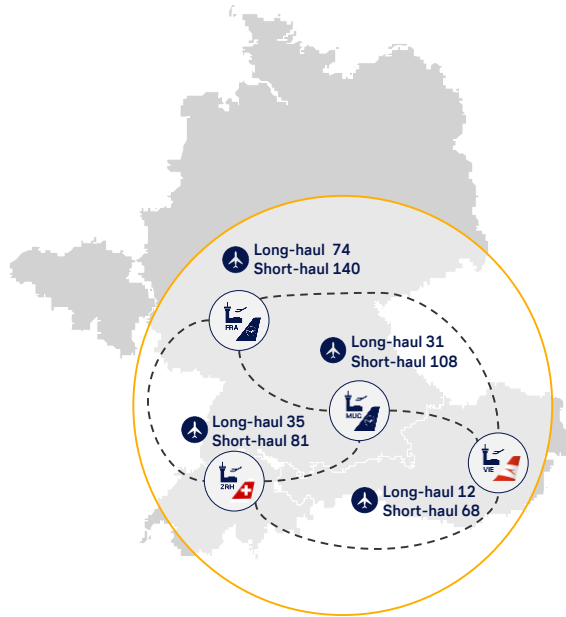
## Recent Awards



# 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

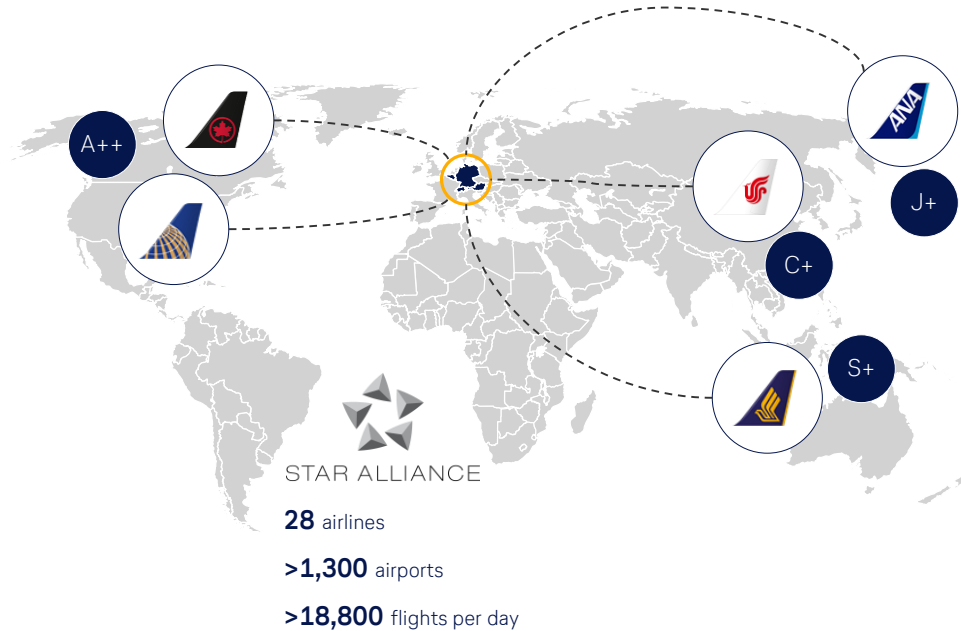


**Joint commercial steering**  
as key success factor

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

Multi-Hub

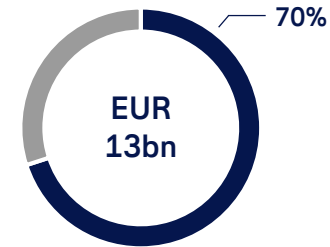
## Multi-Hub + JVs form Network of Networks



## 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

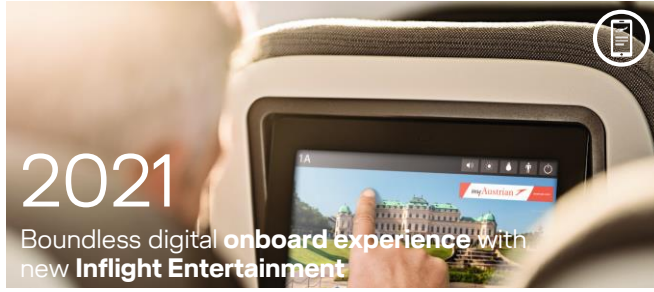
## 2020

**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**



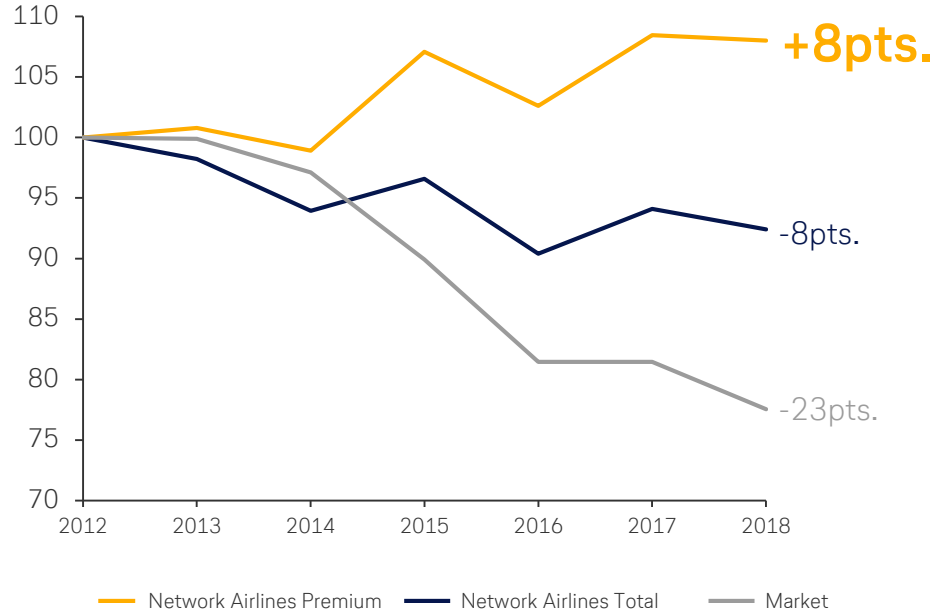
## 7,000 m<sup>2</sup>

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

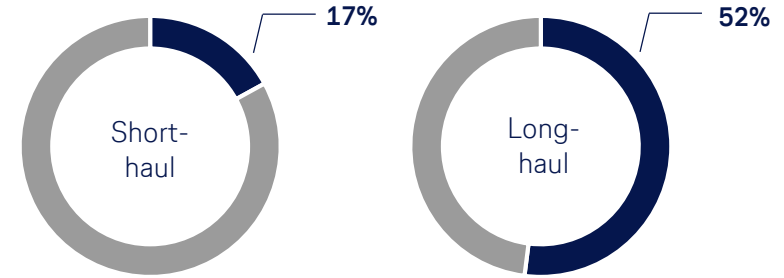


# Our airlines' premium positioning generates industry-leading yields

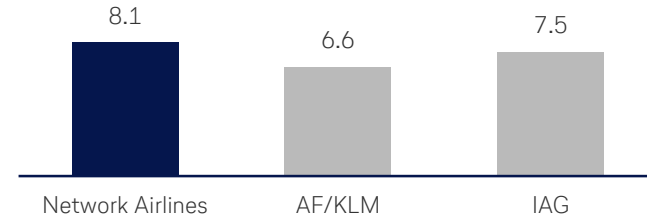
## Long term unit revenue development



## Revenue share of premium classes



## RASK [in EUR Cent]

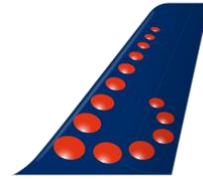


# Austrian und Brussels with key measures to improve profits



**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

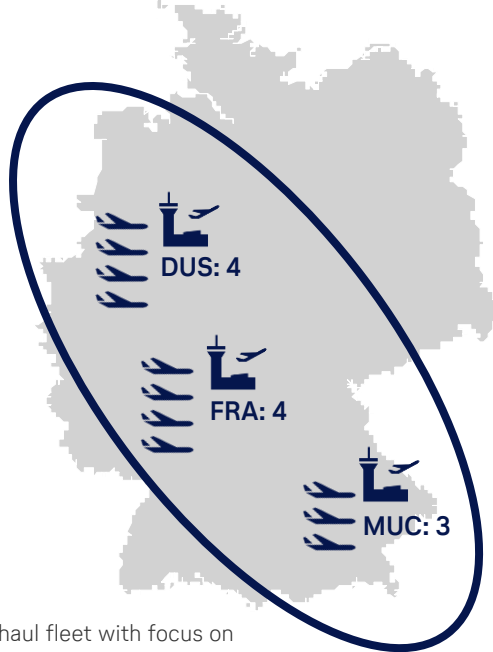


**Target: Operating margin of 8% by 2022**

- 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**



## **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

# 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

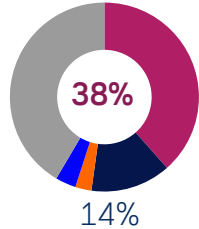
FR

Other

DUS



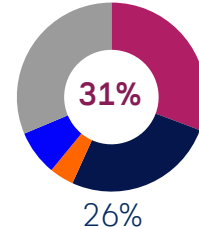
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HAM



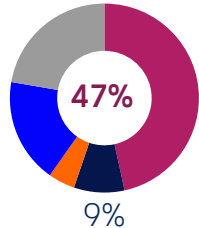
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CGN



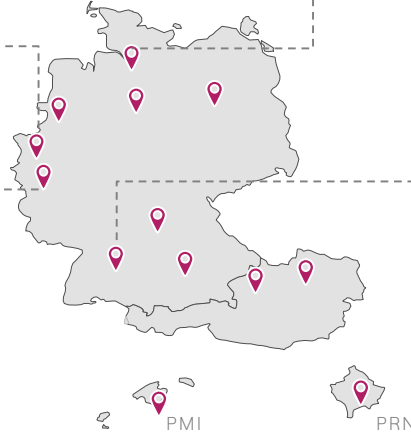
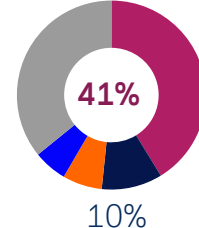
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STR



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**

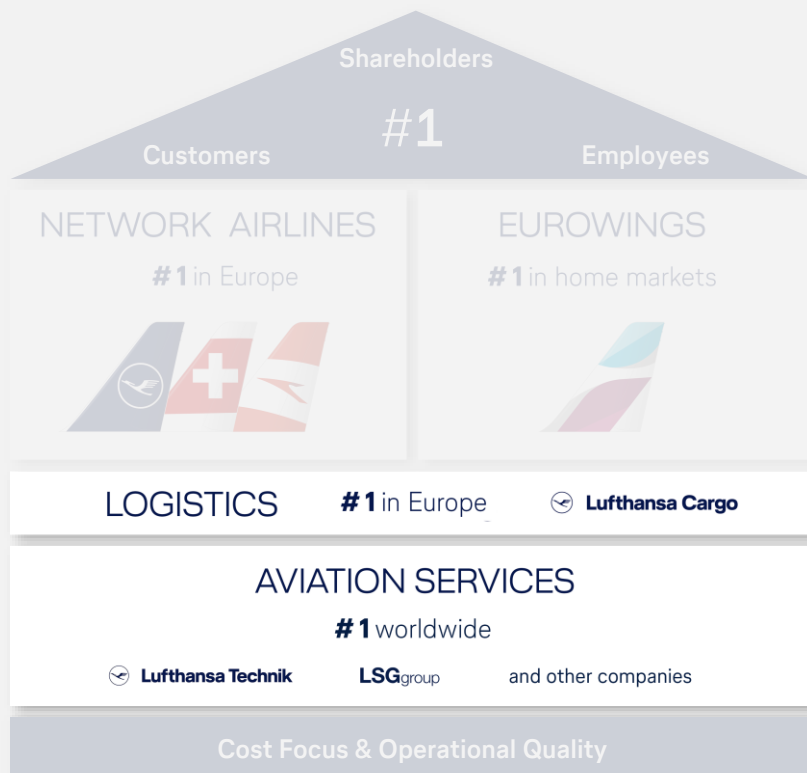
**2) CASK -15% until 2022**

**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

	 <b>Lufthansa Cargo</b>	 <b>Lufthansa Technik</b>	<b>LSGgroup</b>
<b>1</b> Leading <b>market position</b>	✓	✓	✓
<b>2</b> Structurally <b>growing market</b>	✓	✓	✓
<b>3</b> High level of <b>synergies</b> with core business	✓	✓	✗
 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

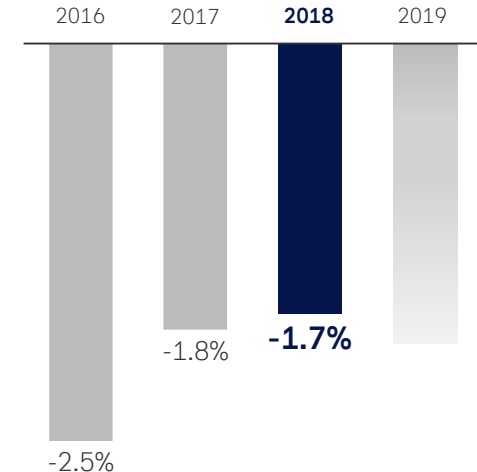


## Infrastructure

- 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**

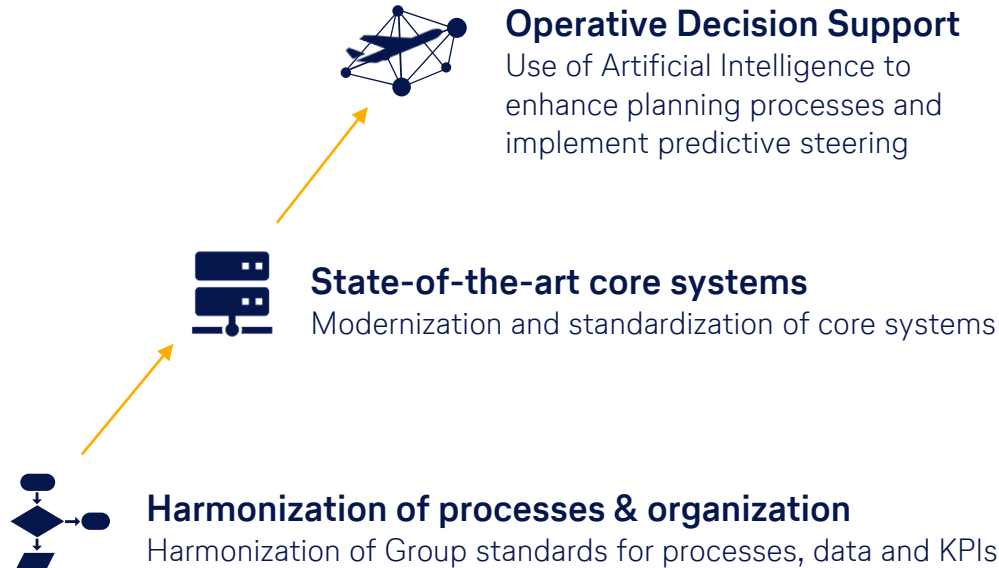
**98.5%**

+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**

# Agenda

01 Strategy update

**02 Focus on ESG**

03 Q3 2019 Results

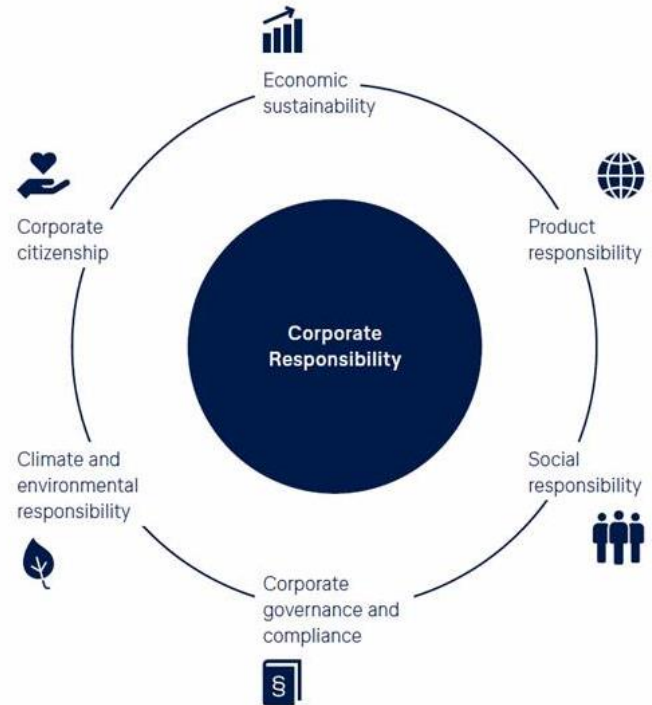
04 Outlook

05 Appendix

# Corporate Responsibility is an integral part of Lufthansa Group's strategy and management

- Supervisory Board regularly debates sustainability matters, three members have specific sustainability expertise
- Christina Foerster holds direct responsibility for Corporate Responsibility on Executive Board level since January 1, 2020
- Group Executive Committee (GEC) discussed sustainability topics at several meetings in 2019
- Sustainability KPIs are part of Executive Board remuneration
- Sustainability reporting in accordance with GRI – Progress report of LHG activities contributing to SDGs (UN Global Compact)

**Responsible and sustainable management** of resources, the environment, employees and suppliers is the **prerequisite for** long-term **financial stability and attractiveness** for customers, investors, employees and partners.



# Dimensions of Corporate Responsibility

## Aspects, Issues and Performance Indicators

Environmental concerns	Customer concerns	Employee concerns	Fighting corruption and bribery	Respect for human rights	Social concerns <sup>1)</sup>
<b>Climate protection</b> CO <sub>2</sub> emissions	<b>Operational stability</b> Departure punctuality	<b>Attractiveness as an employer</b> Engagement Index	Integral part of the Lufthansa Group Compliance Management System	Important part of the corporate culture – embedded in the Code of Conduct	<b>Corporate citizenship</b> help alliance gGmbH
<b>Active noise abatement</b> Percentage of aircraft that meet the 10dB criterion of ICAO Chapter 4	<b>Product and services</b> Customer satisfaction level	<b>Transformation capacity</b>			
		<b>Health and safety at work</b> Health Index			

**Sustainability in the supply chain:** interdisciplinary topic, qualitative representation with its own chapter in the non-financial report

<sup>1)</sup> Immaterial as defined in Section 289c Paragraph 3 German Commercial Code (HGB), voluntary presentation at specific request of addressees.

# Examples of large-scale sustainability initiatives



## Fleet

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



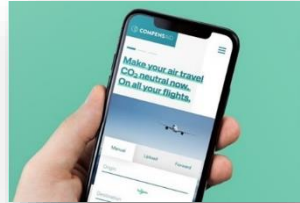
## CO<sub>2</sub> Reduction

- Sole use of green electricity in home markets
- CO<sub>2</sub>-neutral ground operations by 2030 in DACHB



## Alternative Fuel

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



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

- „Corporate Value Fares“: carbon neutral corporate travel in Europe
- „Compensaid“ – platform for CO<sub>2</sub> compensation incl. SAF



## Reduction of Plastic

- Project ‘Smart Plastic’ covering 370M plastic items which will be reduced
- Aiming for recyclable plastic packaging until 2030



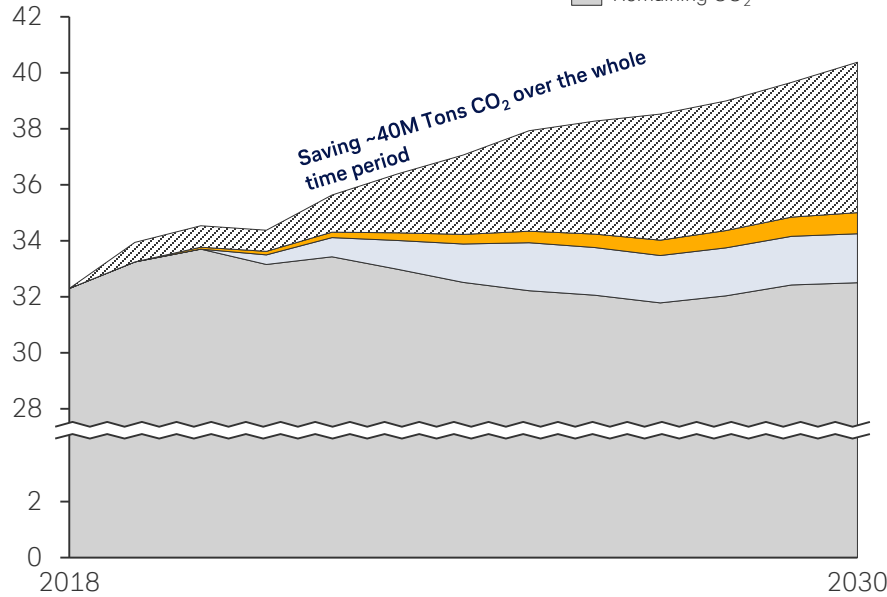
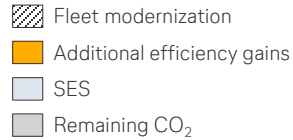
## Employee Initiatives

- Fly Greener, #DoingMyBit
- Corporate Volunteering (helpalliance)

# Investment in new technology is a major lever to reduce CO<sub>2</sub> emissions

## Projected LHG CO<sub>2</sub> emissions

[CO<sub>2</sub> in million tons]



\*Depends on the implementation of Single European Sky

## Four pillars for climate protection



### Technological progress

- Innovation in aircraft and engine technologies
- Alternative fuels



### Improved infrastructure\*

- Better use of airspace
- Needs-based airport infrastructures



### Operational measures

- Efficient aircraft sizes
- Optimal flight routes and speeds
- Optimized processes on the ground



### Economic measures

A global, sensibly designed, market-based system for reducing emissions to complement the other three pillars



# Lufthansa Group has always strived to minimize climate impact

NON-EXHAUSTIVE



## New technology

**EUR 3bn fleet investment** per year, one new aircraft every 2 weeks

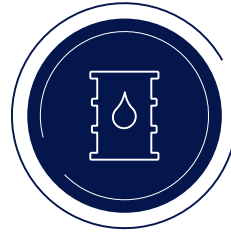
**Replacement of 3/4-engine aircraft** with latest types available, A350 and 777



## Operational efficiency

**30% reduction in fuel consumption**, from 5.2 l/100PKM (1994) to 3.65 in 2018

**Operative measures to conserve fuel**, from weight reduction to adjusted procedures



## Sustainable Fuel

**Worlds first airline** to use (and scientifically assess) biofuel in regular operations

**MOU with Raffinerie Heide** and PtX Kompetenz Center Lausitz



## CO<sub>2</sub> compensation

**Since 2008** cooperation **myclimate B2C**, **LHG duty travel** 2019  
European **corporate travel** 2020

**Compensaid platform** enables travelers to reduce CO<sub>2</sub> using sustainable fuel



## Intermodal shift

**Lufthansa Express Rail** allows for multi-modal travel to 14 German cities

**Collaboration with KIT, RWTH, DLR, dena to reduce climate impact**

# Operational excellence measures will further improve punctuality in 2020



Improved customer information

+20k more first wave flights on time

10-15% reduction of turnaround time  
5.5 mio. minutes = 10 years process time

automated train rebooking

15% faster boarding by new processes

- 1 More than 400 measures initiated to improve operations quality
- 2 Departure punctuality improves by 4.8pts. to 74.8% YTD Sept 19
- 3 Positive effects on customer satisfaction and irregularity costs

# Product quality and safety highly recognized by customers

## Initiatives along Customer Journey



## 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



# Fostering labor aspects is self-evident for LHG - benefitting employees, society and the company alike

**All employees should be offered the opportunity to work with their talents for the economic success of the LH Group**

## Promoting diversity in the sense of

- versatility
- inventiveness
- internationality and
- perspectives

is an important element of LHG's strategy

- LHG has signed the **Charta of Diversity** – committed to developed a culture, characterized by mutual respect and appreciation
- The **LHG Engagement Index** is once again at benchmark level of comparable companies in Germany (Score: 2.2 in 2019)
- **LHG achieved #2 in German workforce ranking** - LHG is again among the most attractive employers in Germany
- **Also, occupational safety and health** are important for LHG - offering a large variety of voluntary health and prevention courses



# Respecting human rights and compliance is a matter of course and has been an integral part of doing business in a global environment



- Amendments in **labor contracts for managers** in high- / extreme risk countries to uphold and ensure human rights
- Group wide strategy and processes defined to fulfill **IATA resolution** to combat **Human Trafficking** – implementation started September 2019
- Orientation on the recommendations of the German **“Nationaler Aktionsplan Wirtschaft & Menschenrechte”**
- **“Zero-tolerance”** policy in cases of sexual harassment
- **IT Security** responsibility on Executive Board level and technology implemented to **prevent cyber attacks**
- Germany / EU Regulation (DSGVO) **implemented for all group companies**

**help alliance** has been the backbone of our social commitment for over 20 years

	Lufthansa Group is committed to these areas	Goal of commitment	Impact achieved
Corporate citizenship	<b>Education/ Enabling</b>  In addition to the emphasis on education and training, the help alliance also supports business approaches (entrepreneurship)	Make a measurable contribution to sustainable social development	<b>49</b> projects supported worldwide
	<b>Life/ Health</b>  Professional and fast emergency aid during humanitarian crises and catastrophes. Lufthansa Cargo cooperates with renowned aid organizations for this purpose		<b>EUR 2.3mn</b> project volume in 2019
	<b>The projects are divided into</b> <ul style="list-style-type: none"> <li>Global flagship projects, e.g., help alliance Americas founded in 2019</li> <li>Local projects at large company locations, e.g. Job-Buddy- Program” started 2019 in FRA</li> <li>Decentralized commitments specific to certain business segments</li> </ul>		<b>All</b> Administrative cost borne by LHG
Corporate volunteering	<ul style="list-style-type: none"> <li>Employees can submit initiatives for social projects</li> <li>Employees can use part of paid working time to execute project, if it is approved by help alliance</li> </ul>	Expand corporate volunteering option for employees	<b>EUR 0.8mn</b> LHG funding of employee projects

# Lufthansa Group outperforms peers in relevant sustainability rankings



- Robust carbon reduction efforts
- Labor disputes pose operational risk
- Punctuality below best-in-class levels despite improvements



- Emissions: strong in pollution prevention, climate protection, transport safety and biodiversity
- Corporate Governance: Foreign ownership limitations based on LuftNasiG



- Above-industry average management of carbon emissions
- Above-industry average of product governance (quality and safety)
- Medium exposure to human capital risk (large workforce, difficult labor relations , controversies)



- Lufthansa Group rating: B (2019)
- Industry average: B-, regional average: C

# Lufthansa Group takes on its environmental and social responsibility

**Invest into our fleet**

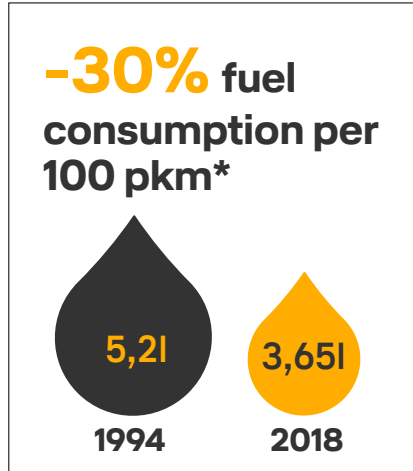
**30 Mrd. €**  
in the next  
10 years



**Sustainable Aviation Fuel (SAF)**




- ▶ Raffinerie Heide
- ▶ Swedish biofuels
- ▶ PtX Kompetenz Zentrum Lausitz



**Smart Plastic Project**

Replace 144M single used plastic p.a.

Recycle 160M PET cups p.a.



**Carbon Offsetting**



100% compensation of LHG duty travels

**10M miles Miles & More**

CORSIA (from 2021) 

EU ETS (since 2012) 

**Member of UN Global Compact since 2002**



United Nations Global Compact


**Flight attendants as environmental ambassadors**



**100% green electricity in DE/A/CH**




**Carbon neutrality on ground by 2030**



**help alliance**

**Corporate volunteering**



\*Passenger kilometer

**LUFTHANSA GROUP**



# Agenda

01 Strategy update

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**03 Q3 2019 Results**

04 Outlook

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# 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: 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.

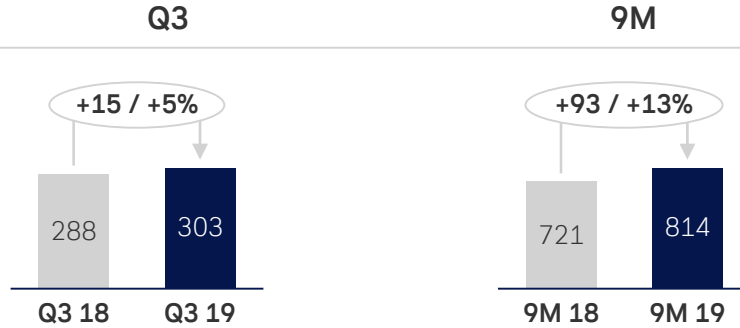
## Comments

- 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

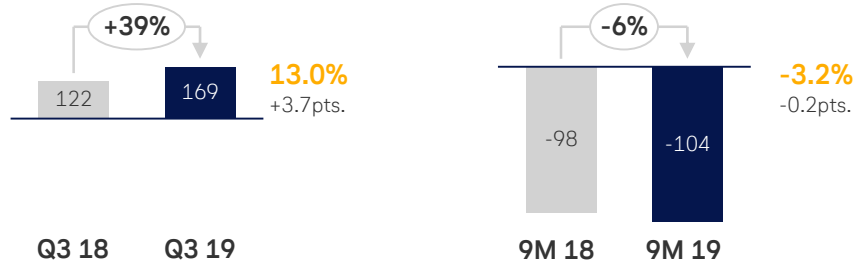
# Eurowings: Profit growth reflects first signs of Eurowings turnaround



## 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

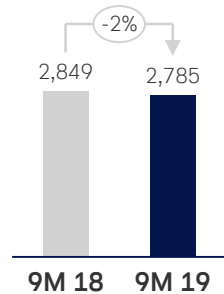
# Net profit performance distorted by several one-off items

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)

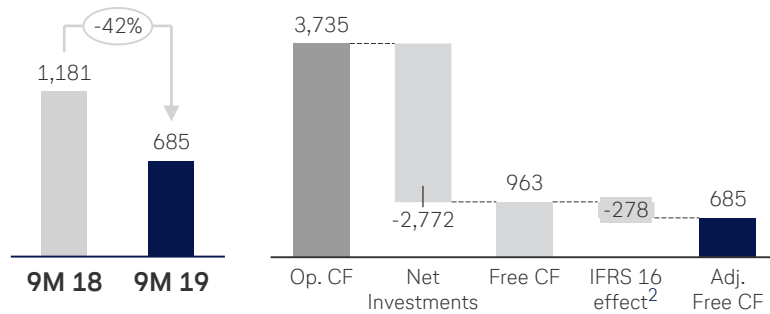
# Net debt increase largely driven by accounting effects

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



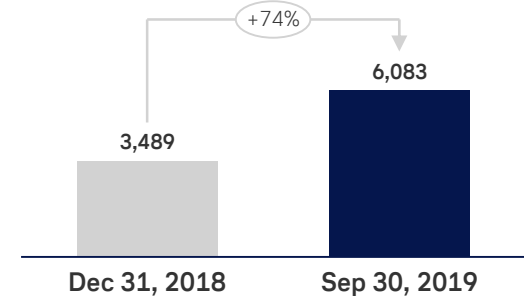
- Decrease due to less aircraft purchases

## Adjusted Free Cash Flow



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

## Net Debt



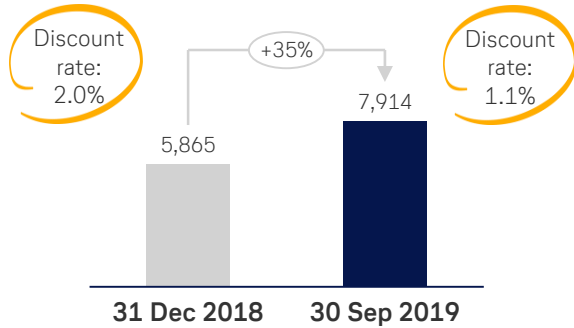
- Increase largely because of first-time application of IFRS 16
- Adjusted Net Debt / Adjusted EBITDA increases by 1.2 to 3.0

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

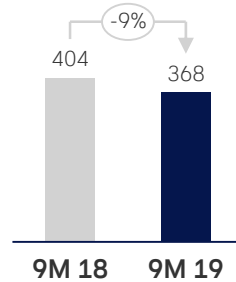
<sup>2</sup> Amortization of operating lease obligations shown in financing cash flow

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

## Balance Sheet: Pension Provisions



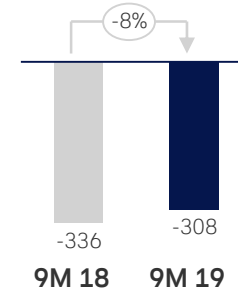
## Profit & Loss: Service Costs



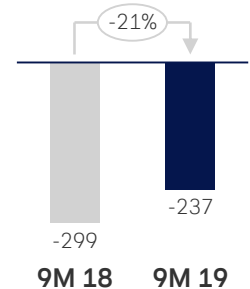
- Increase driven by interest rate decline, partly offset by strong performance of plan assets
- Every 50bp interest rate decline increases the gross pension obligation by c. EUR 2 billion

## 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 Focus on ESG

03 Q3 2019 Results

**04 Outlook**

05 Appendix

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

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

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

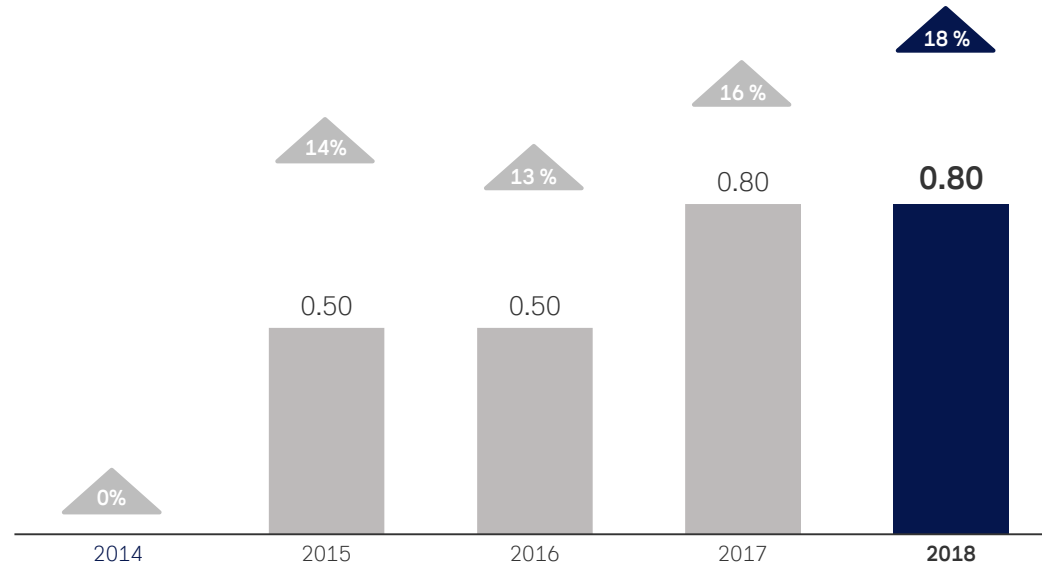
Lufthansa Group	
<b>Revenue</b>	up low single-digit
<b>Adj. EBIT margin</b>	5.5% to 6.5%

# 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

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# 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%

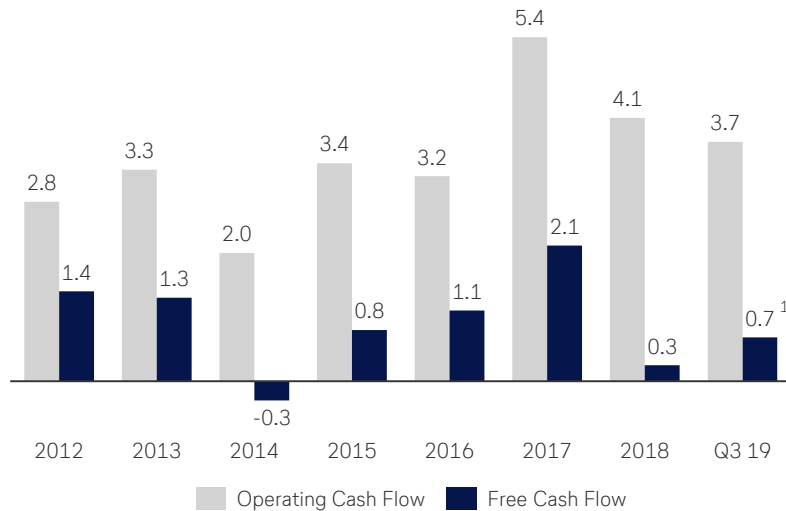
Long-haul	Q3 '19	9M '19
ASK	-12.8%	-0.1%
RPK	-12.3%	+1.2%
SLF	+0.5pts.	+1.1pts.
Yield	+14.0%	+8.4%
Yield ex currency	+13.6%	+7.9%

# 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

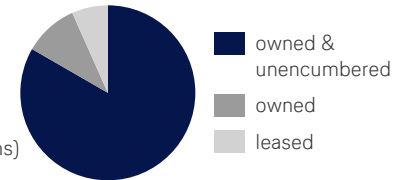
### Full Investment Grade Rating

- 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)

# Multi-Year financial overview

Lufthansa Group (in m EUR, as reported)	2014	2015	2016	2017	2018 <sup>1</sup>
<b>Operating KPIs</b>					
RASK ex currency	-2.5%	-3.0%	-5.9%	+1.9%	-0.5%
CASK ex currency, ex fuel <sup>2</sup>	-2.6%	+2.4%	-2.5%	-1.8%	-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

<sup>1</sup> 2018 reported figures including effects from the capitalization of engine overhaul, 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