



Flying Towards Consolidation: An Analysis of the Potential Acquisition of TAP Air Portugal by Lufthansa Group

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Abstract

Title: Flying Towards Consolidation: An Analysis of the Potential Acquisition of TAP Air Portugal by Lufthansa Group

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This thesis examines the potential acquisition of TAP Air Portugal by the Lufthansa Group in the light of ongoing consolidation in the European aviation industry. Following TAP's stabilization after COVID and the announced reprivatization, Lufthansa is emerging as a key candidate for the takeover to strengthen its multi-brand and multi-hub strategy.

The study starts with a review of theoretical concepts related to mergers and acquisitions (M&A), including motives, success factors, and valuation methods. A comprehensive analysis of the European aviation sector reveals increasing financial pressure, changing consumer preferences, and the strategic need for consolidation. Company-specific analyses of Lufthansa and TAP shed light on their operational performance, strategic positioning, and financial structures. Stand-alone valuations are performed for both companies using the discounted cash flow and relative valuation methods. Finally, a transaction scenario is developed to assess synergy potential, financing aspects, and regulatory risks.

The results indicate that TAP's strong presence on transatlantic routes, particularly between Europe and Brazil, and its strategically located hub in Lisbon could represent significant added value for Lufthansa. Operational and financial synergies are identified, particularly in the areas of fleet integration, route optimization, and procurement.

Despite identifiable risks, including regulatory controls and political uncertainties, the analysis concludes that the acquisition has the potential to create long-term value for Lufthansa shareholders. This case is another example of the strategic use of M&A to address structural challenges in the European aviation landscape.

Keywords: Mergers and Acquisitions, Airline Industry, TAP Air Portugal, Lufthansa Group, Valuation, Strategic Fit, European Aviation, Synergies, Privatization, DCF

Resumo

Título: Rumo à Consolidação: Uma análise da Potencial Aquisição da TAP Air Portugal pelo Grupo Lufthansa

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Esta dissertação analisa a potencial aquisição da TAP Air Portugal pelo Grupo Lufthansa, no contexto da atual consolidação do setor da aviação europeia. Após a estabilização da TAP no pós-COVID e o anúncio da sua reprivatização, a Lufthansa surge como candidata principal à aquisição, visando reforçar a sua estratégia multimarcas e multi-hubs. O estudo começa com uma revisão teórica sobre fusões e aquisições (M&A), abordando motivos, fatores de sucesso e métodos de avaliação.

Segue-se uma análise detalhada do setor da aviação na Europa, evidenciando pressões financeiras crescentes, mudanças no comportamento dos consumidores e a necessidade estratégica de consolidação. Avaliações específicas das empresas Lufthansa e TAP destacam o desempenho operacional, o posicionamento estratégico e a estrutura financeira de ambas. Valorações individuais são realizadas com base nos métodos de fluxo de caixa descontado (DCF) e avaliação relativa. É também desenvolvido um cenário de transação que analisa sinergias, financiamento e riscos regulatórios.

Os resultados indicam que a forte presença da TAP em rotas transatlânticas, especialmente entre a Europa e o Brasil, e o seu hub estratégico em Lisboa, podem acrescentar valor significativo à Lufthansa. Sinergias operacionais e financeiras são identificadas, principalmente na integração de frotas, otimização de rotas e compras conjuntas.

Apesar dos riscos regulatórios e políticos, a análise conclui que a aquisição tem potencial para criar valor sustentável para os acionistas da Lufthansa. O caso exemplifica o uso estratégico de M&A para enfrentar desafios estruturais na aviação europeia.

Palavras-chave: Fusões e Aquisições, Indústria da Aviação, TAP Air Portugal, Grupo Lufthansa, Avaliação, Enquadramento Estratégico, Sinergias, Privatização, DCF

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ABBREVIATIONS

AOC	Air Operator Certificate
ACTK.....	Available Cargo Tonne Kilometers
ASK	Available Seat Kilometers
bn.....	Billion
c.....	Circa
CAPM	Capital Asset Pricing Model
CAGR	Compound Annual Growth Rate
CF.....	Cash Flows
COVID.....	Coronavirus Disease 2019
DCF	Discounted Cash Flow
DIO	Days Inventory Outstanding
DLI.....	Debt-like items
DPO	Days Payables Outstanding
DSP	Days Sales Outstanding
EC	European Commission
EASA	European Union Aviation Safety Agency
EBIT.....	Earnings before Interest & Taxes
EBITDA.....	Earnings before Interest, Taxes, Depreciation & Amortization
EQ	Equity Value
EV	Enterprise Value
FCFE.....	Free Cash Flow to Equity
FCFF	Free Cash Flow to Firm
FSC	Full-Service-Carrier
FYXX.....	Financial Year 20XX
FYXXF	Financial Year 20XX Forecasted
IATA.....	International Air Transport Association
ITA	ITA Airways/ Italia Trasporto Aereo S.p.A.
k.....	Thousand
LCC.....	Low-Cost-Carrier
Lufthansa.....	Lufthansa Group

m	Million
MRO	Maintenance, Repair & Overhaul
MRP	Market Risk Premium
MV	Market Value
NOPAT	Net Operating Profit After Taxes
NWC	Net Working Capital
M&A	Mergers & Acquisitions
M&E	Maintenance & Engineering
PER	Price-to-earnings ratio
PLF	Passenger Load Factor
PMI	Post-Merger Integration
PPE	Property, Plant & Equipment
QX	Quarter X
RCTK	Revenue Cargo Tonne Kilometers
RPK	Revenue Passenger Kilometers
TAP	Transportes Aéreos Portugueses, S.A.
The Group	Lufthansa Group
tn	Trillion
WACC	Weighted Average Cost of Capital

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1 INTRODUCTION

After being rescued and renationalized by the Portuguese government during the COVID-19 pandemic (COVID), TAP Air Portugal (TAP) is now set to be privatized again. With its financial situation stabilized through a state-backed restructuring program, the airline has entered a privatization process that has drawn significant interest from Europe's largest legacy carriers, including Lufthansa Group (Lufthansa), Air France-KLM, and International Airlines Group (IAG).

TAP's strong presence in transatlantic routes, particularly its dominant market share between Europe and Brazil, and its well-positioned Lisbon hub offer significant strategic advantages for prospective buyers. For Lufthansa, a company with a proven multi-brand, multi-hub strategy, acquiring TAP provides an opportunity to secure its leadership in the European airline industry by strengthening its southern European operations, expanding into high-growth transatlantic markets, and optimizing its existing network.

This thesis investigates the potential acquisition of TAP by Lufthansa. First, the theoretical framework of M&A, including key motives, success factors, and valuation approaches, is established. Then, the European airline industry's recent evolution, competitive landscape, and regulatory environment are examined. Detailed profiles of Lufthansa and TAP are provided to highlight their operational performance and strategic fit. Finally, the thesis presents standalone valuations of each company using discounted cash flow and relative valuation methods, constructs a combined transaction case, and evaluates the potential synergies, risks, and regulatory hurdles associated with the acquisition.

Ultimately, this research seeks to determine whether acquiring TAP would create long-term value for Lufthansa shareholders and evaluate how the transaction would contribute to the broader consolidation trend in the European airline sector. By combining strategic analysis with rigorous financial modeling, this thesis aims to comprehensively assess one of the most significant consolidation opportunities currently shaping the European aviation landscape.

2 LITERATURE REVIEW

2.1 MERGERS & ACQUISITIONS

2.1.1 OVERVIEW

Although the terms ‘merger’ and ‘acquisition’ have distinct meanings - a merger referring to the integration of two entities into a single entity, while an acquisition occurs when one company gains control over another’s operations, assets, and liabilities - they are often used interchangeably or in combination (Moeller & Bradley, 2014). The term ‘mergers and acquisitions’ (M&A) refers to various ways companies are combined through financial transactions. Typically, the company seeking to take over or merge with another is called the ‘acquirer’, while the company being acquired or merged with is called the ‘target’ (DePamphilis, 2019). M&A is of critical strategic importance to companies seeking to enhance market presence, achieve growth, and secure competitive advantage. According to Gaughan (2017), M&A transactions serve as a mechanism for corporate restructuring and realignment, enabling companies to optimize operational efficiency and enhance shareholder value.

M&A transactions can be categorized into different types. In a horizontal merger, two companies operating in the same industry and at the same production stage join forces to increase the market share, reduce competition, and use economies of scale (Ansoff, 1957). In contrast, a vertical merger involves firms at different levels of the supply chain, often resulting in increased control over production and distribution processes (DePamphilis, 2019). A conglomerate merger occurs when companies operate in entirely different industries without competing or maintaining a supplier relationship (OECD, 2020). Further differentiation between M&A activities can be made regarding deal type, i.e., share deal vs. asset deal, the acquirer’s intention, i.e., strategic vs. financial investor, the attitude of the target company, i.e., friendly vs. hostile takeover, as well as the sources of financing, the payment method used, and the legal form. (Zhu, 2024)

2.1.2 MOTIVES

Synergies: Shareholder Theory states that managerial decisions, including M&A, should enhance long-term shareholder value (Friedman, 2007), often achieved through synergies. Synergies are the additional value created by combining two companies, enabling opportunities unavailable to them independently, and are typically classified as operational or financial (Damodaran, 2005). Operational synergies improve performance through higher margins, returns, and growth, driven by factors like economies of scale, greater purchasing power

(limited by antitrust rules), cost savings from redundancies, and faster market entry. Financial synergies enhance cash flow or lower the cost of capital through tax benefits, increased debt capacity, or financial strategies like cash-pooling (Damodaran, 2005; Palepu et al., 2020; Eccles et al., 1999).

Strategic motives: Besides the economic rational of achieving synergies, research identifies strategic motives to engage in M&A transactions. According to Bruner (2004), most deals are motivated by the recognition of a strategic threat or opportunity in the firm's competitive environment. This includes pursuing market power and reducing competition by acquiring a competitor or creating entry barriers. Strategic motives for M&A further comprise expanding geographical presence, product or market extension. Moreover, M&A can be an alternative to internal research and development (Junni & Teerikangas, 2019).

Personal interests: Other research argues that long-term shareholder value is not the only motivation for M&A. Devers et al. (2013) show that personal interests may influence CEOs into acquiring a business despite a lack of confidence in long-term value creation with the transaction. Personal benefits, such as higher bonus payments and the pursuit of more power and prestige, are potential reasons for these decisions. Further, CEOs might overestimate their managerial skills and exaggerate their ability to integrate the target successfully. This agency problem highlights the need to analyze how a transaction affects a company's success thoroughly.

2.1.3 SUCCESS FACTORS & CHALLENGES

M&A research offers mixed findings on whether such deals are generally successful. Many studies report that acquiring firms see little to no value gain in the short or long term (Haleblian et al., 2009; Hitt et al., 2001), often due to overestimated synergies and associated overpayment (Eccles et al., 1999). Brouthers et al. (1998) suggest these results may be biased by how success is defined. Epstein (2005) highlights six key factors critical to merger success, noting that neglecting any can undermine outcomes.

Strategic Fit: Strategic fit is defined as the extent to which the target company expands or complements the parent company's strategy and thus makes a recognizable contribution to the financial and non-financial objectives of the parent company (Jemison & Sitkins, 1986). However, this does not imply that the two companies must be as similar as possible. Strategic differences can present opportunities for synergy by integrating diverse operations, ultimately enhancing the competitive position of the merged entity (Larsson & Finkelstein, 1999). The

strategic vision should prioritize long-term competitive advantage over short-term gains in operational efficiency. (Epstein, 2005)

Deal Structure: Deal structuring defines the financial, legal, and operational framework of a transaction, including the choice of payment method (e.g., cash, shares, or a mix), while considering tax, regulatory, and risk-sharing factors (Gaughan, 2017). A well-structured deal aligns buyer and seller interests, supports value creation, and eases post-merger integration (Bruner, 2004). Elements like earn-outs, contingent payments, and indemnification clauses help manage uncertainty and bridge valuation gaps (DePamphilis, 2019). Successful structuring depends on thorough negotiation and due diligence.

Due Diligence: Merger partners must assess whether a deal can realistically achieve its strategic goals. Buyers' primary due diligence goals are to identify and validate sources of value and synergy while mitigating actual or potential liability risks by detecting significant defects that could diminish value. Due diligence typically consists of three key assessments: strategic, financial, and legal. (DePamphilis, 2010) A key part of legal due diligence is assessing whether the transaction could raise antitrust concerns. Since M&A can quickly lead to monopolistic power, it is closely regulated, especially in critical industries like banking, airlines, and energy. (Coates, 2015)

Pre-Merger Planning: This phase defines the integration process, including leadership, structure, and timing. Clear separation between integration leaders and operational managers is essential, along with explicitly assigned authority and accountability. The new company's structure and the composition of the integration team should be planned before the official announcement. (Epstein, 2005)

Post-Merger Integration: Post-merger integration (PMI) determines whether the transaction's expected synergies and strategic objectives are realized. Effective PMI involves aligning corporate cultures, integrating operations, and harmonizing financial and IT systems to ensure a seamless transition (Bruner, 2004). The acquiring company must balance granting autonomy to the target to minimize disruptions with the need for integration to maximize economic benefits (Bodner & Capron, 2018). Additionally, effective human resource management to retain key employees is pivotal in PMI, as employees of the target often react unfavorably to M&A (Larsson & Finkelstein, 1999). Failure to execute PMI successfully can result in value destruction, employee turnover, and operational inefficiency, erasing the benefits of the merger (Weber & Tarba, 2013).

External Factors: Even if all the above factors are effectively addressed, there may be factors outside the organization's control. Shifting economic conditions, including a shift in consumer

preferences, can create unforeseen employment and customer retention challenges. These factors can negatively impact an otherwise well-executed merger. (Epstein, 2005)

2.2 VALUATION

Valuation plays a crucial role in acquisition analysis. The bidding entity must determine a fair value for the target company before making an offer. In contrast, the target company must assess its worth before accepting or rejecting the proposal. Generally, there are three approaches to valuation: discounted cash flow (DCF), relative, and contingent claim valuations. Valuation is not a completely objective process, as an analyst's biases and prejudices will inevitably affect the result. (Damodaran, 2012)

While investment bankers and deal makers primarily use multiples to derive valuations, scholars and financial economists prefer DCF methods to value a company (Kaplan & Ruback, 1996). In the context of M&A, contingent claim valuation, which roots are in option pricing, is used with earnout and contingent payments or in cases of distressed M&A and bankruptcy (Lukas et al., 2012; Jones et al., 1983). As this is not the case when evaluating the acquisition of TAP by Lufthansa, the following review of valuation methods will concentrate on DCF and relative valuation.

2.2.1 DISCOUNTED CASH FLOW

The DCF method determines a company's worth by projecting its future cash flows and discounting them using a rate that reflects its associated risks. The future cash flows are based on a detailed forecast of all financial components contributing to the company's cash flow generation. (Fernández, 2007) The detailed forecasting horizon should be as long as it takes for the company to reach equilibrium. Typically, detailed CF projections are made for 5 years (Kaplan & Ruback, 1996)

Formula 1: Discounted Cash Flow

$$V = \frac{CF_1}{1+k} + \frac{CF_2}{(1+k)^2} + \frac{CF_3}{(1+k)^3} + \dots + \frac{CF_n + VR_n}{(1+k)^n}$$

where:

- CF_i = Cash flow generated in the period i
- V_n = Value of the company in the year n
- VR_n = Residual value of the company in the year n
- k = Appropriate discount rate for the cash flows' risk

As companies are generally not assumed to have a finite life, the residual value, aka terminal value, is calculated assuming an indefinite duration of future cash flows with a constant growth (Fernández, 2007).

Formula 2: Terminal Value

$$VR_n = \frac{CF_n * (1 + g)}{k - g}$$

where: CF_n = Cash flow generated in the period n
 VR_n = Residual value of the company in the year n
 g = Constant growth after year n

The two most common types of cash flow are free cash flow to the firm (FCFF), which represents funds available to debt and equity holders, and cash flow to equity (FCFE), which reflects the cash available exclusively to equity holders. Using one or the other also comes with using the appropriate discount rate. (Fernández, 2007)

2.2.1.1 Free Cashflow to Equity

The DCF approach using the FCFE is discounting the funds available to equity investors after all claims to non-equity investors, e.g., interest and principal payments to debtholders and preferred dividends, are fulfilled and reinvestments to facilitate the company's growth are made. (Damodaran, 2011) The appropriate discount rate for the DCF approach using FCFE is the cost of equity, the return equity investors demand for investing in the business. (Damodaran, 2006)

Formula 3: Free Cash Flow to Equity

$$FCFE = NI - Net\ CAPEX - \Delta NWC - \Delta Debt$$

where: $FCFF$ = Free Cash Flow to Equity
 NI = Net Income
 $Net\ CAPEX$ = Net Capital Expenditures
 ΔNWC = Changes in Net Working Capital
 $\Delta Debt$ = Changes in Debt

2.1.1.2 Free Cash Flow to Firm:

In contrast to the FCFE, the DCF approach using the FCFF values the entire business by discounting the FCFF with the weighted average cost of capital (WACC). The WACC thereby captures both tax benefits and the expected bankruptcy cost.

Formula 4: Free Cash Flow to Firm

$$FCFF = EBIT * (1 - \text{Tax rate}) - \text{Net CAPEX} - \Delta NWC$$

where: FCFF = Free Cash Flow to Firm
EBIT = Earnings before Interest and Tax
Net CAPEX = Net Capital Expenditures
 ΔNWC = Changes in Net Working Capital

The firm's equity value is determined by deducting the market value of non-operating assets, including cash, marketable securities, and minority holdings in other companies, as well as non-operating liabilities like financial debt and pension obligations. (Damodaran, 2006)

If assumptions are made consistently, the FCFE and FCFF approaches will lead to the same present value of shareholders' equity. However, the key advantage of using the FCFF over FCFE is that it eliminates the need to explicitly account for cash flows related to debt (Damodaran, 2006). For this reason, the FCFF approach is used to evaluate Lufthansa and TAP in this thesis.

2.2.1.3 Weighted Average Cost of Capital

As previously mentioned, the corresponding discount rate when using FCFF is the WACC, which weights the cost of debt and cost of equity with respect to the company's capital structure based on market values (Fernández, 2007).

Formula 5: Weighted Average Cost of Capital

$$WACC = \frac{E}{D + E} * r_E + \frac{D}{D + E} * r_D * (1 - \tau)$$

where: E = MV of Equity
D = MV of Debt
 r_E = Cost of Equity
 r_D = Cost of Debt
 τ = Tax Rate

Cost of Equity: The cost of equity is usually estimated using the Capital Asset Pricing Model (CAPM). The CAPM assumes investors only care about risk and return and states that investors focus on an asset's contribution to the portfolio's overall risk, which is referred to as beta or systematic risk and results from the correlation with other investments. It defines the cost of equity as a risk-free return plus a risk premium based on the beta and the market risk premium (MRP). (Palepu et al., 2020)

Formula 6: Cost of Equity

$$r_E = r_f + \beta * (E[r_M] - r_f)$$

where: r_f = Risk-free Rate
 β = Beta, i.e., Systematic Risk of the Equity
 $E[r_M]$ = Expected Market Return

To compute the cost of equity, one must estimate the three parameters: risk-free rate, beta, and MRP. The risk-free rate is usually derived from medium- to long-term government bonds, e.g., 10-year government bonds. U.S. government bonds are commonly used for international companies, while German government bonds are preferred for European companies, as both are considered default-free benchmarks. (Bruner et al., 1998)

The beta requires a regression analysis of the firm's stock returns against a market index, such as STOXX Europe 600 for European companies. A beta greater than one thereby indicates higher volatility than the market, while a beta less than one suggests a lower systematic risk than the market. For companies that are not listed, it is common to use industry averages or averages of comparable firms as a beta proxy. (Bruner et al., 1998) However, the betas of different firms must be adjusted for leverage. The levered beta of the peers must be unlevered. Subsequently, after taking the average of the unlevered betas, the beta needs to be levered according to the unlisted company's current capital structure. (Damodaran, 2012)

Formula 7: Levered Beta

$$\beta_l = \beta_u * (1 + (1 - \tau) * \frac{D}{E})$$

where: β_l = Levered Beta
 β_u = Unlevered Beta
 τ = Marginal Tax Rate
D = MV of Debt
E = MV of Equity

Furthermore, using historical betas might not be representative for the company's future systematic risk. Blume (1975) shows that high and low beta stocks for a given time period have a tendency to regress towards a beta of 1 in the subsequent period. It is therefore suggested to adjust the obtained historical beta as follows to obtain a more accurate estimate for the company's future risk.

Finally, for the MRP, Kaplan & Ruback (1996) suggest using the arithmetic average historic spread between the market return and the long-term government bond in line with standard practice.

Formula 8: Beta Adjustment

$$\beta_{adjusted} = \beta_{raw} * \frac{2}{3} + \frac{1}{3}$$

Cost of debt: The cost of debt represents the interest expense when borrowing funds to finance its operations. The cost of debt largely depends on the default risk perceived by lenders; the higher the risk, the higher the interest rate, reflected through a default spread added to the risk-free rate. Default risk and the associated credit spread are commonly estimated using the credit rating issued by the leading rating agencies, Standard & Poor's, Moody's, and Fitch. (Damodaran, 2011)

It's important to note that there are various methods for estimating the components of WACC, and using different time horizons for estimation can result in significant differences in the company's value. Therefore, a sensitivity analysis should be performed to assess the impact of different WACC variations.

2.2.2 RELATIVE VALUATION

Relative valuation assesses a company based on the market prices of similar companies and is widely used due to its simplicity. Unlike DCF, it doesn't require detailed multiyear forecasts of growth, profitability, or cost of capital. The process starts with identifying comparable companies with similar cash flows, growth prospects, and risk. While these firms do not need to be in the same industry, analysts often define comparables by industry. This can be difficult in sectors with few public firms or across markets with varying valuation multiples. (Damodaran, 2006; Palepu et al., 2020) Another issue in peer selection is the subjectivity. Eaton et al. (2022) found that target firm advisors tend to boost the target firm's valuation by choosing high growth peers with high multiples to negotiate a higher offer price.

The second step is scaling the market price to a common variable to generate comparable standardized prices. For companies, it is common to convert the firm or equity value into multiples of earnings, book value, or revenues. This assumes a linear relationship between the performance measure and the company value (Kaplan & Ruback), 1996). Similar to DCF valuation, relative valuation can price the whole firm, equity and debt, or only the company's equity. One of the most popular multiples is the price-to-earnings ratio (PER). (Petitt & Ferris, 2013)

Formula 9: Price-to-Earnings Ratio

$$PER = \frac{\text{Market price per share}}{\text{Earnings per share}}$$

In the context of M&A, executives and analysts are often interested in a firm's total value, including equity and debt. The most used enterprise value multiple is the enterprise value to EBITDA multiple (EV/EBITDA). For less mature companies without positive earnings, the enterprise value to sales multiple (EV/Sales) is considered. (Petitt & Ferris, 2013)

Formula 10: EV/EBITDA

$$EV/EBITDA = \frac{\text{Enterprise Value}}{EBITDA}$$

Formula 11: EV/Sales

$$EV/Sales = \frac{\text{Enterprise Value}}{\text{Sales}}$$

In the last step, the comparable firm multiple is applied to the performance measure of the firm being analyzed.

All three multiples can be based on both historical and projected future fundamentals. The advantages of relative valuation are its simplicity and the incorporation of market sense. In practice, it is difficult to find perfectly comparable companies, which makes it difficult to adjust for differences in market value due to company-specific factors. Furthermore, there is no consensus on how to select the most appropriate performance measure.

DCF valuation estimates an asset's intrinsic value based on projected cash flows, with its accuracy relying on sound forecasts, risk assessments, and assumptions. While both methods can align in efficient markets, discrepancies arise when markets misprice certain assets or industries. (Damodaran, 2006) Kaplan & Ruback (1996) found that adding comparables improved the explanatory power of DCF estimates. Similarly, Imam, et al. (2008) observed that analysts favor cash flow methods supported by multiples. This thesis adopts the same combined approach.

3 INDUSTRY ANALYSIS

3.1 OVERVIEW

The Air Transport industry is one of the most important industries in Europe, facilitating trade, tourism, and business connectivity. According to the International Air Transport Association (IATA), the air transport sector accounted for a GDP of \$1.2tn in Europe and \$760bn in the European Union (EU), playing a key role in the economic well-being of the European countries and the economic growth of the region. The European airline industry is one of the biggest aviation markets with major hubs including London Heathrow, Paris Charles de Gaulle, and Frankfurt Airport. While the airline industry encompasses various segments such as cargo transport and aircraft maintenance, this analysis will focus specifically on the passenger business, which remains the sector's most visible and economically significant component. The industry is characterized by high fragmentation and competition, and even before COVID, profits were low, and some airlines were already in financial distress. (Palepu et al., 2020) Intense competition combined with external factors such as COVID, regulatory challenges, and fluctuating fuel prices have made it difficult for many airlines to achieve sustainable profitability. (Magdalina & Bouzaima, 2021)

3.2 AIRLINE CLASSIFICATION & KEY PLAYERS

According to the level of service offered, passenger airlines can be classified as full-service carriers (FSCs) or low-cost carriers (LCCs), offering limited to no on-flight services. Further differentiation can be made according to the length of flights provided by the airline. Lastly, there are different systems an airline can fly. In the point-to-point system, planes fly directly to their destination, reducing the time required for the operation. This system is typically used by LCCs but also by medium FSCs. In a hub-and-spoke system, an airline centralizes its operations around major hubs from which passengers are transferred to their final destinations. This system is commonly used by airlines serving extensive markets with transoceanic routes. Regional flights from these hubs are often operated by affiliated partners or franchise airlines. (Marti et al., 2015; Magdalina & Bouzaima, 2021) *Figure 1* shows the classification of European airlines into six archetypes.

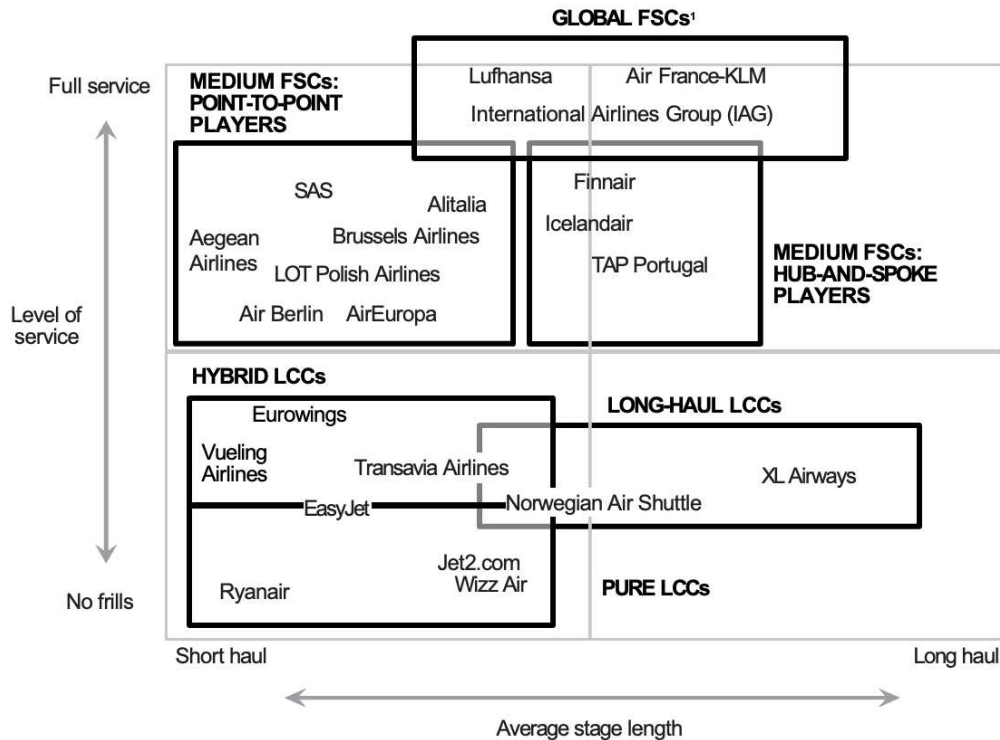


Figure 1: Airline Types; Source: Canelas & Ramos (2016)
 Note: Lufthansa includes Swiss International Airlines and Austrian Airlines; IAG includes Aer Lingus, British Airways, and Iberia

LLCs are typically characterized by uniformity of aircraft in use, younger fleets, denser seat capacity, and higher aircraft utilization. Their pricing strategy involves unbundled fares, where ancillary services can be added for additional fees. The pricing strategy of FSCs is more complex, involving bundles, diverse in-flight services, and loyalty programs (Magdalina & Bouzaima, 2021).

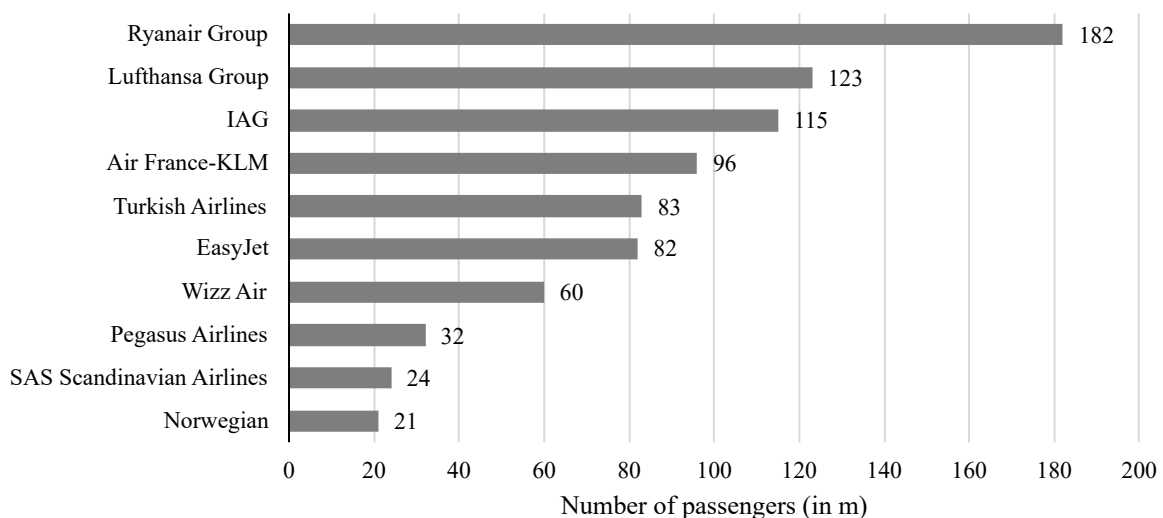


Figure 2: Leading airlines in Europe 2023; Source: Statista (2024a)

Figure 2 shows the leading European Airlines by passenger number as of 2023. The industry is dominated by global FSCs, also called legacy airlines, i.e., Lufthansa, IAG, and Air France-KLM, as well as LCC Ryanair. In terms of revenue, legacy carriers are still ahead of large LLCs, which have only risen in the last two decades.

3.3 HISTORICAL DEVELOPMENT

Over the last decades, the industry has seen severe changes due to technological advancements, economic fluctuations, and regulatory changes. The industry's significant growth accelerated in the 1990s due to the continuous liberalization and reduced government intervention by the EU. Several new airlines, especially LCCs like easyJet and Ryanair, offering low-fare, no-frills flights, entered the industry, thereby putting pressure on legacy airlines to lower their prices due to increased competition. (Palepu et al., 2020) Moreover, globalization changed the face of the industry. Airline alliances were formed to increase the airlines' global reach without investing in new resources (Brueckner, 2001).

The air traffic level depends on the GDP (Kaya & Aydin, 2024). Economic downturns have historically influenced the industry. Especially, COVID surpassed all previous disruptive events like the 9/11 terrorist attacks or the 2008 financial crisis (Magdalina & Bouzaima, 2021). Figure 3 presents the development of passenger transport in the EU over the last 15 years. After a severe drop in 2020, passenger numbers are expected to reach pre-COVID levels in 2024 (Eurocontrol, 2025).

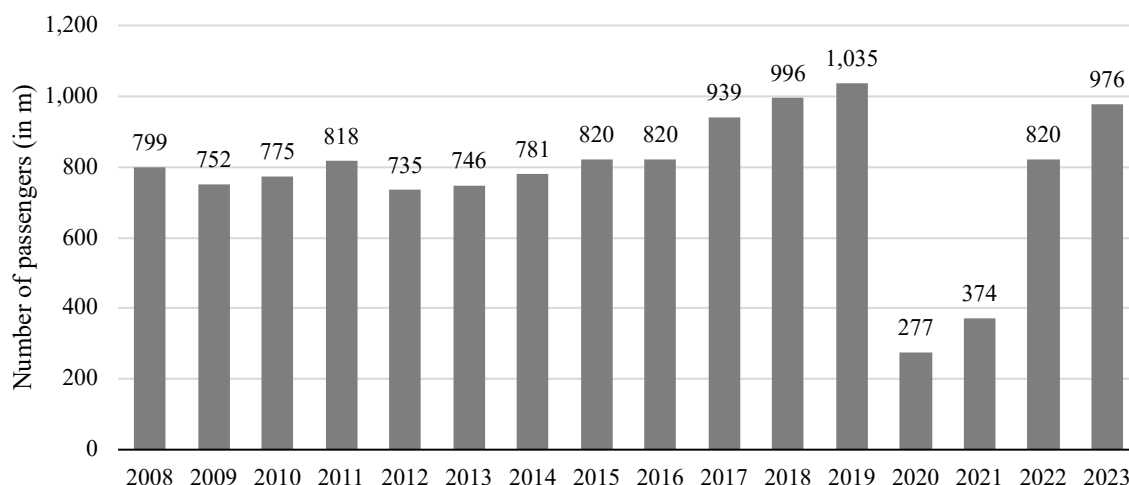


Figure 3: Air passenger transport in the European Union 2008-2023; Source Statista (2024b)
Note: Figures before 2020 include the UK

A key measure of operating performance in the airline industry is the passenger load factor (PLF), which measures the utilization of available capacity. It is calculated as the revenue passenger kilometers (RPK), i.e., demand, divided by the available seat kilometers (ASK), i.e., capacity (IATA, 2024b).

Even though passenger traffic recovered, some European airlines are still struggling with their profitability and financial stability, affected by the Russo-Ukrainian war. Since the EU imposed sanctions against Russia, most European airlines are not allowed to fly through Russian airspace, making many east Asian trips longer and less profitable. Furthermore, jet fuel prices, which comprise a large portion of airline operating expenses (OPEX) before the pandemic, increased sharply. (Chu et al., 2024; IATA, 2022) Moreover, rising interest rates over the past three years have further strained the industry's financial stability, which inherently carries substantial lease liabilities (KPMG, 2024).

Because of these unstable circumstances, airlines must increase their adaptability and resilience. Full-service carriers (FSCs) are adopting LCC-like strategies like cabin densification and fleet standardization. This trend points to a shift from traditional LCC and FSC models to hybrid approaches. (Magdalina & Bouzaima, 2021) M&A is another way to facilitate this trend towards hybrid business models.

3.4 ROLE OF M&A

M&A have played a crucial role in shaping the European airline industry. Even though the industry is still fragmented, a lot of consolidation has occurred over the last decades, leading to the presence of large airline groups. For example, Lufthansa has acquired flag carriers like Swiss Airlines, Brussels Airlines, Austrian Airlines, and German LCC Eurowings. Air France and KLM merged into one of the largest airline groups in 2004, and British Airways and Iberia formed the IAG in 2011 (Merkert & Morell, 2012).

The main motives cited for M&A in the airline industry are increased efficiency and reduced cost, increased market share and revenues, the elimination of competition, access to airport slots and facilities, access to aircraft, and being more attractive to customers due to a broader reach (Merkert & Morell, 2012).

The EU, however, scrutinizes M&A in the airline industry to ensure competition. The envisaged acquisition of Air Europa by IAG, for example, has recently been rejected (European Commission, 2024a)

Despite regulatory hurdles, there is a lot of M&A activity in the industry. In May 2023, Lufthansa announced the acquisition of 41% of ITA Airways (ITA) shares and the takeover of 10% of shares in AirBaltic in January 2025. Air France-KLM acquired a 20% share in SAS Scandinavia Airlines with a subsequent option to become majority stakeholder and expressed its interest in acquiring a stake in AirEuropa after the purchase by IAG was rejected. Moreover, the Portuguese government intends to privatize the national airline TAP Air Portugal. (KPMG, 2024; Plucinska & Gonzales, 2025) One can therefore expect that there will be more M&A activity in the future, leading to a further consolidation of the industry.

3.5 KEY CHALLENGES & INDUSTRY OUTLOOK

The aviation industry is still recovering from COVID. Another pandemic or an external event with a similar impact on the economy or air travel remains a constant risk. Geopolitical instability, including the looming US tariffs, economic downturns, or global health crises, could once again challenge the industry's stability and growth.

The aviation industry faces increasing pressures to reduce its environmental impact from regulation and society. To meet the EU's ambitious climate targets, airlines must monitor, report, and verify their emissions and use tradable allowances to contribute to the economy-wide goal of climate neutrality by 2050. In addition, the airlines must gradually increase their investment in and use of sustainable aviation fuels (SAF), reaching up to 70% by 2050. (European Commission, 2025; IATA, 2024c; EASA, 2025)

Part of decreasing emissions is using newer, more fuel-efficient aircraft. With an average aircraft age of 14.8 years, the industry faces the oldest fleet on record. Older fleets result in higher maintenance costs, higher fuel burn, and more engine-related groundings. Although airlines are planning to renew their fleets, their efforts are constrained by supply chain disruptions. These issues, which are expected to persist throughout 2025, limit airlines' ability to take full advantage of growing demand. (Palepu, 2020; IATA, 2024c)

Moreover, the industry faces severe staff shortages. Airlines struggle to recruit and retain talent, while frequent union strikes over wages and conditions disrupt operations, causing cancellations and delays. These labor challenges further complicate recovery and long-term stability. (IATA, 2024c)

4 COMPANY ANALYSIS

4.1 LUFTHANSA GROUP

4.1.1 COMPANY OVERVIEW

Founded in 1926, Lufthansa Group (hereafter referred to as “Lufthansa” or “the Group”) is the leading European aviation group employing more than 100,000 employees and performing about 3.000 daily flights to 300 destinations in 100 countries. The Group operates the business segments Passenger Airlines, MRO, Logistics and other. (Lufthansa, 2025)

Since 1966, Lufthansa has been publicly listed on different German stock exchanges. It is currently part of the German share index MDAX (Ticker: LHA) after being removed from the biggest index, DAX, during COVID. The share price development depicted in *Figure 4* showcases the challenges the industry and Lufthansa have faced over the last decades. As of 30th April 2025, there are 1,198m shares outstanding at a price per share of €6.32, representing a market capitalization of €7.6bn. Most shares are held by German investors (81.3%), with US investors holding the second biggest share (7.4%). Please refer to *Appendix 3* for the shareholder structure by nationality. (Lufthansa, 2025)

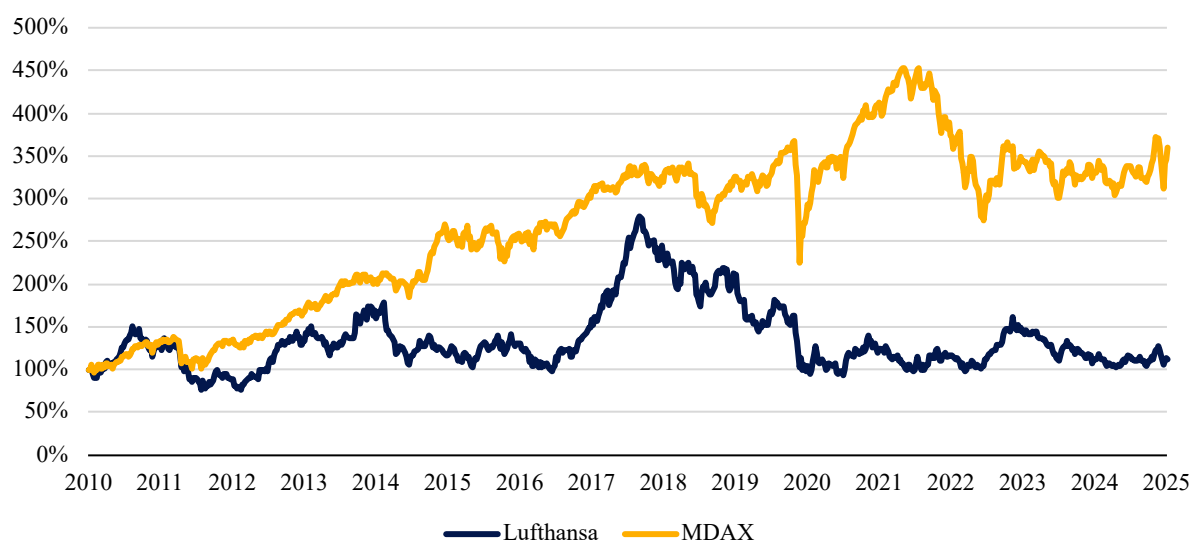


Figure 4: Lufthansa AG Share Price Development; Source: Refinitiv
Note: Lufthansa index has been adjusted by dividend payments

Lufthansa's financial performance is characterized by the challenges the industry has faced over the last years. After recovering from COVID, Lufthansa achieved its highest-ever revenue. However, the operating result declined by 37% compared to FY23, almost entirely driven by a declining EBIT margin of the Passenger Airline segment. For a breakdown of EBIT development by business segment, refer to *Figure 6*.

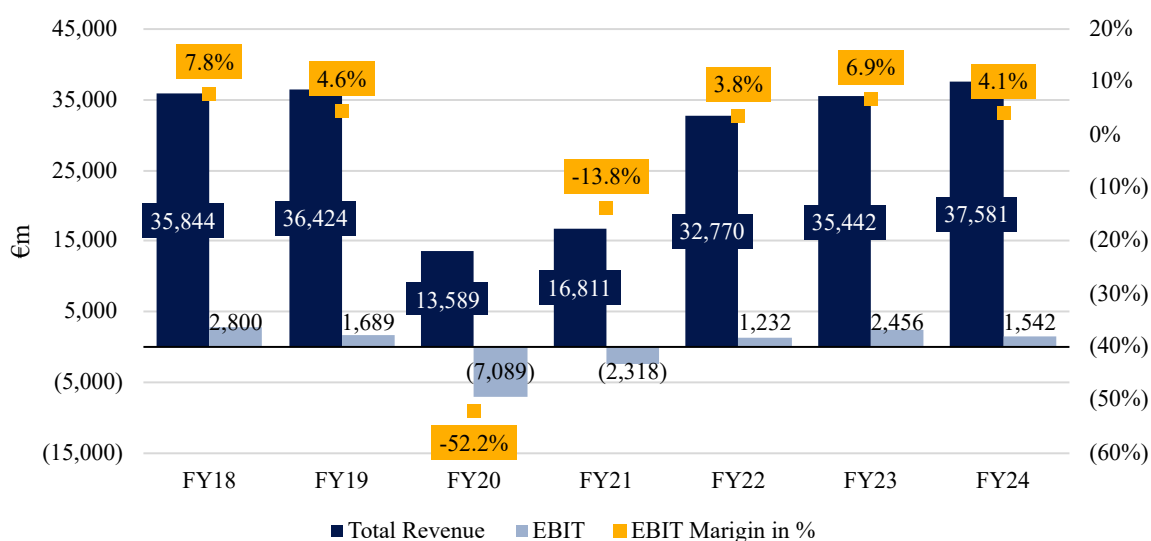


Figure 5: Lufthansa – Revenue & EBIT development; Source: Company Information

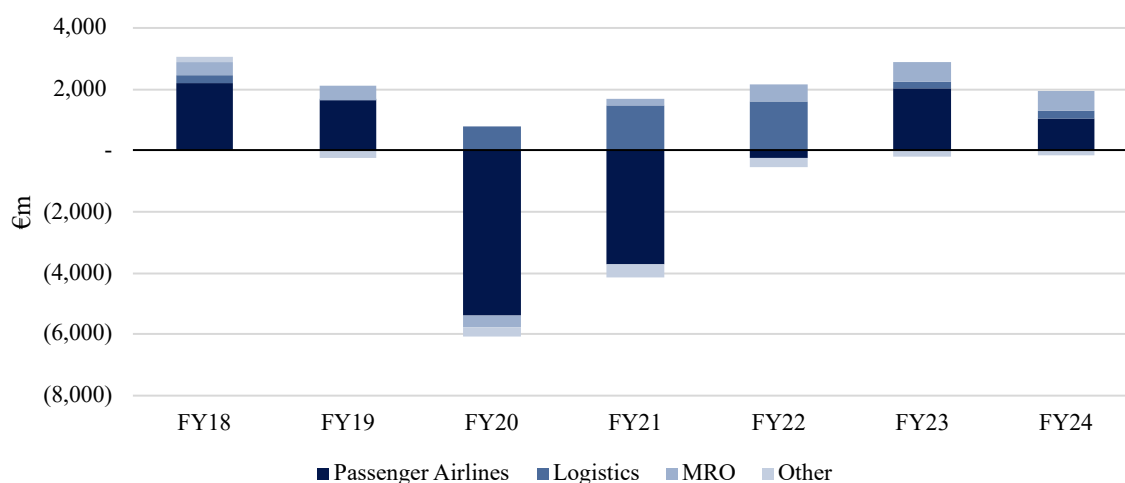


Figure 6: Lufthansa – EBIT by Business Segment; Source: Company Information

4.1.2 PASSENGER AIRLINES

The Passenger Airlines segment comprises Lufthansa Airlines, SWISS, Austrian Airlines, Brussels Airlines, and Eurowings. The regional group airlines Lufthansa CityLine, Lufthansa City Airlines and Air Dolomiti provide the network airlines with transfer services on short-haul routes. Except for Eurowings, which is a value carrier only focusing on point-to-point transfers for the short- and medium-haul, Lufthansa offers its passengers a premium service in a hub-and-spoke system with the major hubs in Frankfurt, Munich, Vienna, Brussels, and Zurich. Since the beginning of FY25, Lufthansa welcomed ITA as a new group airline with its main hubs in Rome and Milan.

In FY24, Lufthansa Passenger Airlines carried 131m passengers on 980k flights to more than 260 destinations worldwide. The Group's core markets in terms of revenue are domestic flights

in Europe (62%) and to North America (20%). The business in the Asia-Pacific region is also essential to the Group (12%). However, the tense situation with the Russo-Ukrainian war and the ban on Russian airspace burdens the profitability. Lufthansa is comparably less positioned in South and Central America, Africa, and the Middle East. (Lufthansa, 2024a)

The quarterly development of capacity and utilization shows a capacity recovery after COVID due to increased air travel demand. However, capacity did not reach pre-pandemic levels due to supply chain issues and labor disputes. Additionally, *Figure 7* shows that Lufthansa's passenger business is subject to an apparent seasonality with peaks in summer months, i.e., Q2 and Q3. With a load factor of 83.1%, the Group achieved its highest performance in FY24, surpassing pre-COVID years.

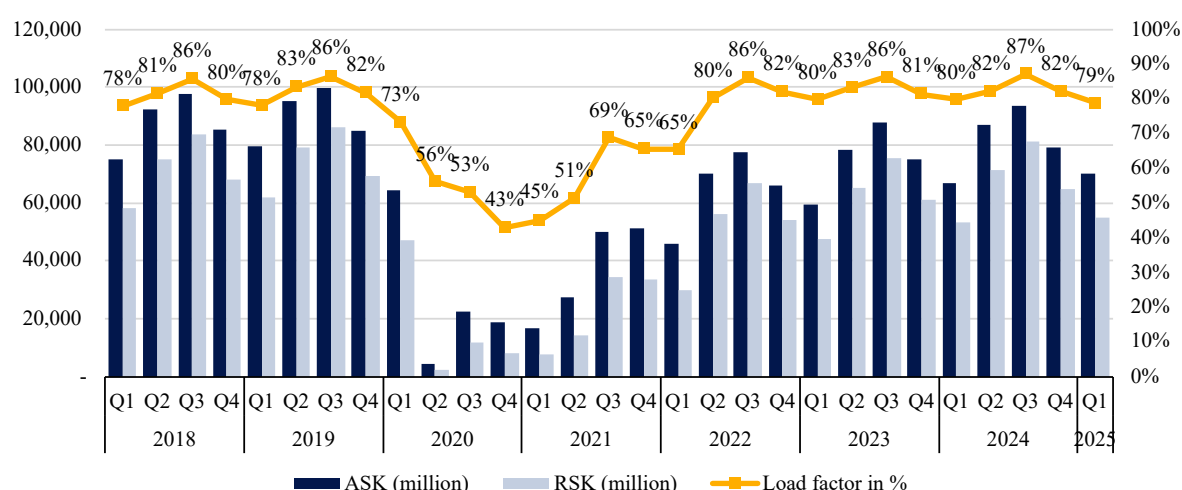


Figure 7: Passenger Airlines – Capacity & Utilization Development; Source: Company Information

Despite the ongoing growth in capacity and revenues, the operating result of the passenger airline segment declined significantly in FY24. This development is mainly driven by Lufthansa Airlines, the Group's core brand, which suffered from workforce strikes in the first semester, increased price pressure because of the market-wide capacity growth in Q2, cost inflation, and effects from irregularities. In addition, Lufthansa was missing 41 new-generation aircraft that could not yet be delivered due to supply chain issues. Due to the delayed deliveries, numerous older aircraft could not be retired, e.g., A340-300 and 747-400. This has led to significantly higher MRO expenses. Further, the situation has resulted in a non-standardized fleet with various aircraft types, limiting the group's operational flexibility and causing inefficiencies. (Lufthansa, 2025b) For an overview of the Group's aircraft types, please refer to *Appendix 3*.

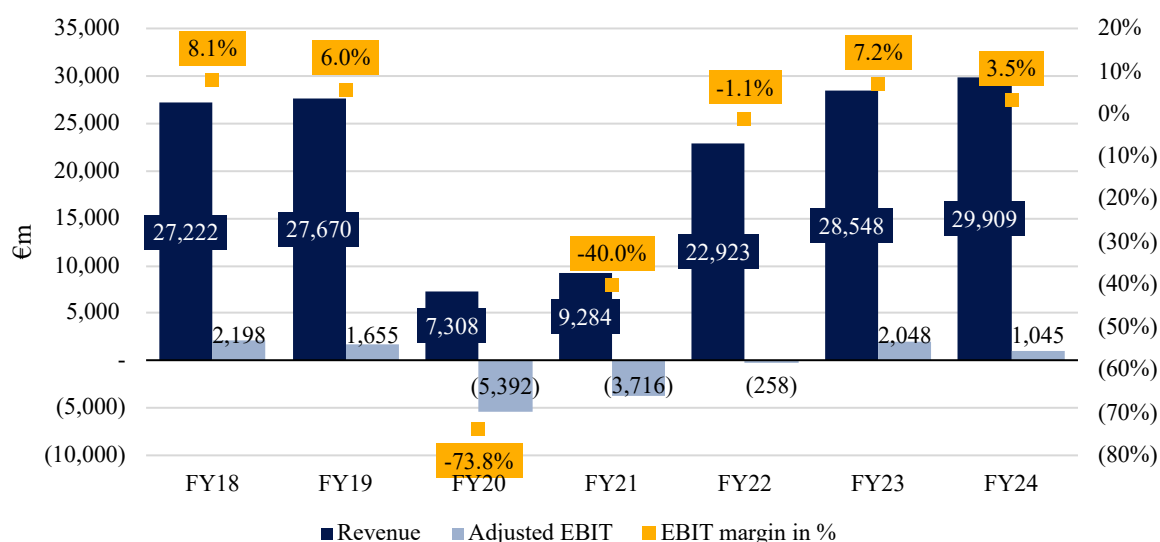


Figure 8: Passenger Airlines – Revenue & EBIT development; Source: Company Information

With €801m, representing a margin of 12.3% of revenues, SWISS had by far the highest contribution to the adjusted EBIT of the Passenger Airline segment. For each passenger airline's revenue and EBIT development, please refer to *Appendix 2*.

Because of the disappointing financial performance of Lufthansa Airlines, the Group started a turnaround program in Q3 FY24. The program focuses on stabilizing operations through structural adjustments to processes, staffing, and scheduling, insourcing ground services in Munich, and greater automation and digitalization. According to CEO Carsten Spohr, these measures have already shown positive effects in early FY25F and are expected to boost profitability significantly in the coming years. (Lufthansa, 2025b) For a current year trading analysis, please refer to *Appendix 3*.

4.1.3 MRO

With its Maintenance, Repair and Overhaul (MRO) Business, Lufthansa is the world leader for civil and commercially operated aircraft. The MRO segment comprises the areas Engine Services, Aircraft Component Services and Aircraft Maintenance Services as well as Digital Fleet Services and Original Equipment & Special Aircraft Services.

MRO revenue consistently increased with the recovery from COVID and higher air travel demand, as well as the industry-wide need to operate older aircraft due to delayed deliveries of new generation aircraft, leading to an increased need for maintenance. Despite challenges due to delayed supply of aircraft, engines, and aircraft components as well as personnel shortages, the MRO segment increased its operating profit in FY24. (Lufthansa, 2025b)

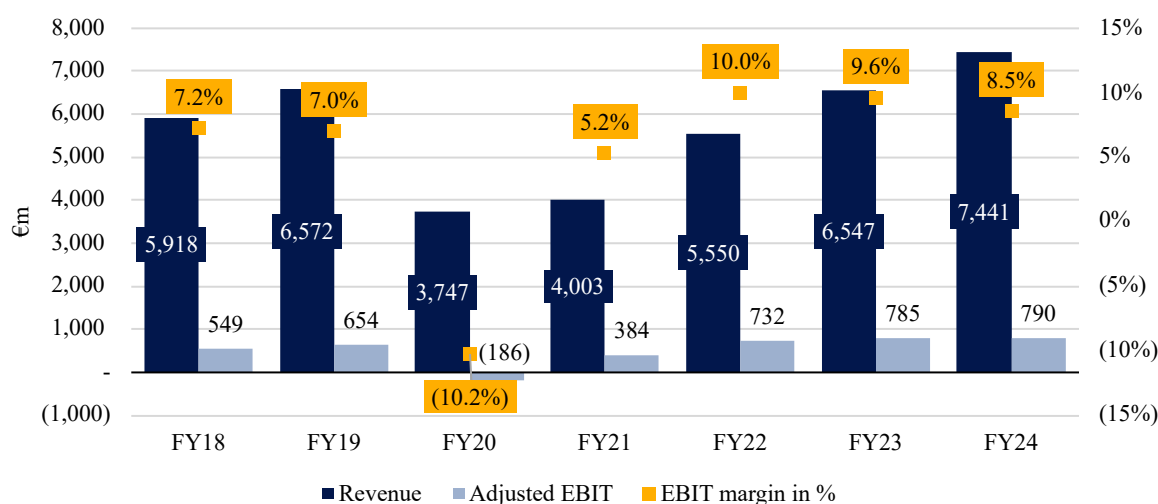


Figure 9: MRO – Revenue & EBIT development; Source: Company Information

4.1.4 LOGISTICS

The business segment Logistics is Lufthansa's air freight division, specializing in air cargo transportation, logistics, and related services. The company handles the global transport of goods using dedicated freighter aircraft and cargo space on Lufthansa's passenger flights. Lufthansa Cargo focuses on airport-to-airport airfreight and offers standard, express, and special cargo services. The fastest growing segment is cross-border e-commerce, but the demand for live animal transportation, valuables, mail, dangerous goods, and temperature-controlled freight is also increasing. (Lufthansa, 2025)

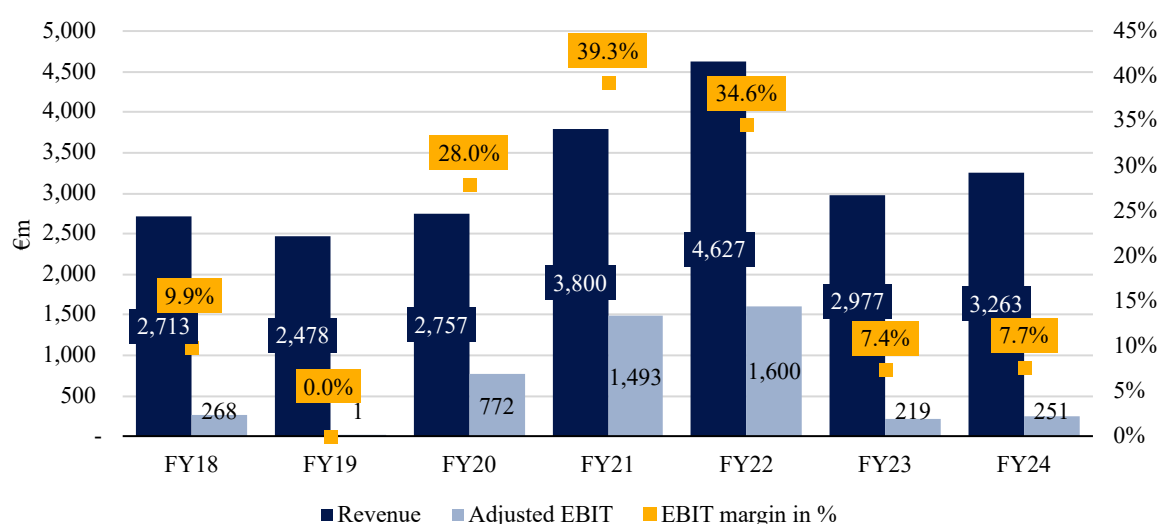


Figure 10: Logistics – Revenue & EBIT development; Source: Company Information

In FY20 to FY22, Logistics benefited from the pandemic-related shortage of belly capacities and a sharp increase in demand due to the disruption of global supply chains. This led to a

significant revenue and operating margin increase during those years. From FY23 onwards, the average proceeds decreased due to a normalized demand situation, remaining above pre-pandemic levels. (Lufthansa, 2024a) Despite slightly lower average proceeds, mainly due to lower fuel add-on fees, the EBIT margin increased from FY23 to FY24. As shown in *Figure 11*, capacities are still below FY19 figures but are expected to further increase due to the ongoing growth in demand in e-commerce.

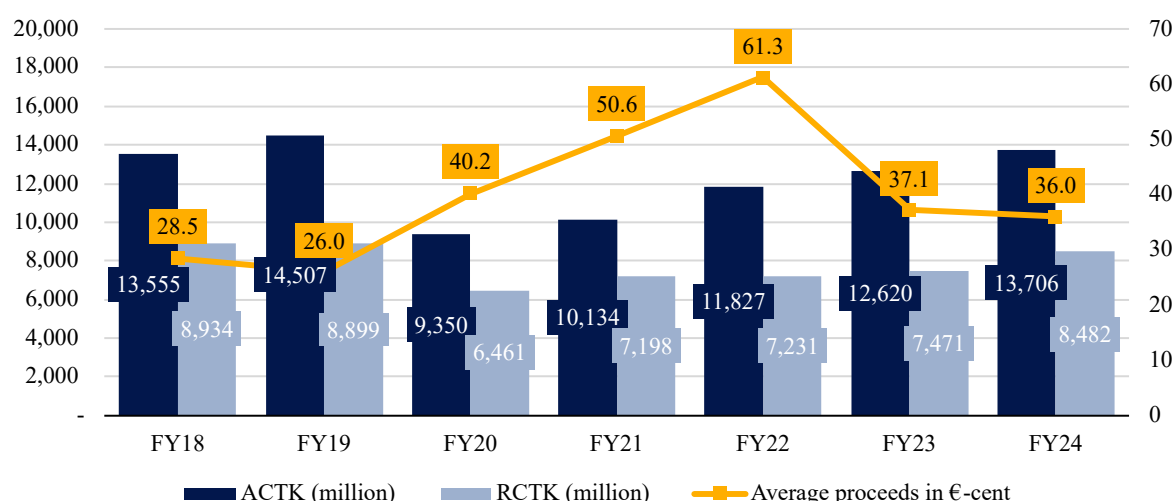


Figure 11: Logistics – Key Performance Data; Source: Company Information

4.1.5 FINANCIAL POSITION

As a result of COVID, Lufthansa aims to maintain a liquidity of €8-10bn to be resilient to global crises. The Group's financial liabilities as of Dec24 comprise bonds (€7.0bn), bank liabilities (€0.4bn), lease liabilities (€2.9bn) and other loans (€3.9bn). During COVID, the Group received €9 billion in state support from the German, Austrian, Swiss, and Belgian governments, although the full amount was not utilized. The state loans have since been fully repaid, partly through the issuance of bonds. (Handelsblatt, 2024) For an overview of outstanding bonds, please refer to *Appendix 6*. The Group intends to further decrease its leverage ratio measured in net debt divided by EBITDA. (Lufthansa, 2024a)

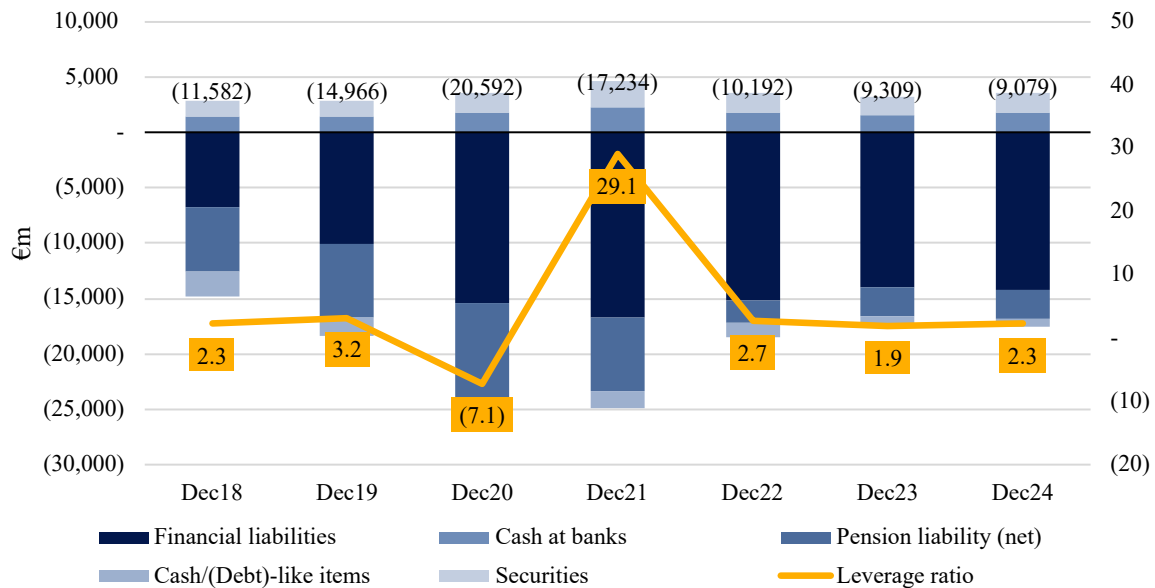


Figure 12: Lufthansa – Net Debt and Leverage Ratio; Source: Company Information

4.1.6 M&A ACTIVITY

Lufthansa's group structure is subject to constant changes. Over the last two decades, Lufthansa built a group which is unique in the global airline industry due to its multi-brand, multi-hub strategy. A list of the major M&A activities since 2000 is shown in *Appendix 3*.

Lufthansa's biggest acquisition in recent years was the acquisition of 41% stake in the Italian flag carrier ITA, the successor airline of the bankrupt Alitalia. ITA is a full-service airline providing domestic and international passenger and cargo transport from its main hubs in Rome and Milan. The Italian government and Lufthansa have signed an agreement for the minority share for a capital contribution of €325m in May23 with closing in Q1 FY25. The deal includes the option to acquire the remaining shares over the coming years at a predefined price. Due to competition concerns, the European Commission (EC) has conducted a detailed investigation and gave its conditional approval in November 2024. The concessions mainly comprise the transfer of short-haul slots at Milan airport as well as offering feeder flights to competitors to ensure their competitiveness in long-haul flights from Rome to North America. The airline that started its operations in October 2021, employs c. 5,000 employees, owns 99 aircraft and carried 18m passengers to 69 destinations in FY24. (Lufthansa, 2024c; European Commission, 2024b) Due to the non-controlling stake and the lack of financial information, ITA will play a subordinate role in the subsequent assessment of the potential transaction.

4.2 TAP AIR PORTUGAL

4.2.1 COMPANY OVERVIEW

Transportes Aéreos Portugueses, S.A. (hereafter referred to as “TAP” or “the Target”), headquartered in Lisbon, is the leading Portuguese airline. Founded in 1945, TAP operates through its main hub in Lisbon, which is strategically well-positioned between Europe, Africa, North and South America. As of FY24, the company employs more than 9,000 employees and offers flights to more than 86 destinations in 31 countries, 7 in Portugal, 42 in Europe, 14 in Africa, 14 in South America, and 9 in North America.

Based on its history, Portugal maintains a strong relationship with its former colonies in Africa and South America. It has emerged as the world's leading airline, connecting Europe with Brazil, the biggest economy in South America. TAP operates one of the youngest fleets in the world, with 99 aircraft as of Dec25, 57 of which are from the NEO-family (TAP, 2025a). For details on the fleet composition, please refer to *Appendix 5*.

Similar to the overall aviation industry, TAP suffered from the drop in passenger travel due to COVID since March 2020, resulting in significant operating losses. The crisis severely weakened TAP’s financial position, pushing the company to the brink of insolvency. To prevent bankruptcy of the national airline, the loss of thousands of jobs, and the connectivity from Lisbon as a transatlantic hub, the Portuguese government intervened with a €3.2bn state aid package approved by the EC under specific conditions. This effectively renationalized TAP, increasing the state ownership to 100%. The EC approval was conditional on a deep restructuring plan including cost-cutting, workforce reduction, and divestment of non-core business segments. (TAP, 2022) Following the implementation of the restructuring plan and the normalization of travel activities, TAP returned to profit in FY23.

4.2.2 OPERATING PERFORMANCE

In FY24, TAP reported record revenues of €4,220m, thereof €3,821m Passenger revenue, €237m Maintenance & Engineering (M&E), and €163m Cargo and Mail. The slight growth compared to FY23 revenue is driven by a 44% increase in M&E revenue, partly offset by a 0.8% decrease in the Passenger segment and a 6% decrease in Cargo revenue. The rise in M&E revenue is due to the ongoing supply chain issues leading to more third-party demand for aircraft maintenance, supplemented by IT-process implementations. The decrease in passenger revenue is driven by adjustments in non-flown passenger revenue. In the Cargo segment, the

normalization of yields, which had soared during the pandemic, led to decreased revenue and operating margin. The company's operating profit saw a slight decline compared to FY23, driven by a 13% increase in employee cost because of a collective labor agreement in place since Q4 FY23, having the first full-year impact in FY24. This was partly offset by a decrease in fuel expenses.

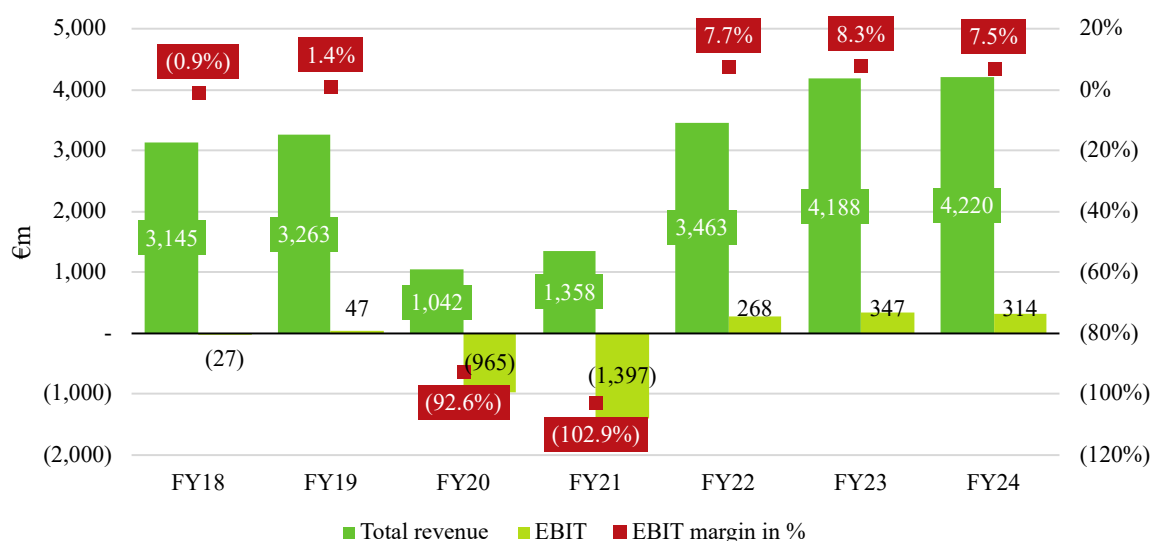


Figure 13: TAP – Revenue & EBIT Development; Source: Company Information

In FY24, TAP carried 16.1m passengers, representing 94% of FY19 levels. After the drop during COVID, the company continuously increased the capacity, surpassing pre-COVID levels in FY24 and improving the load factor to 82.3%. For a quarterly view on the development of capacity and utilization, please refer to *Appendix 5*.

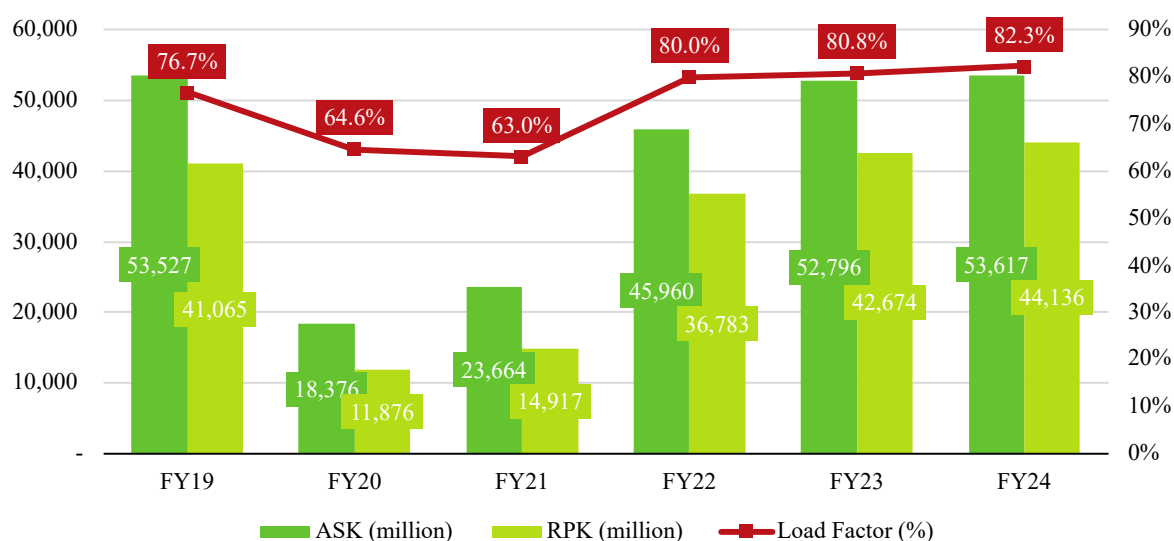


Figure 14: TAP – Capacity & Utilization Development; Source: Company Information

4.2.3 FINANCIAL POSITION

TAP's net financial debt consists primarily of financial liabilities partially offset by cash and cash equivalents. These liabilities include lease liabilities for the entire aircraft fleet - all leased, with some contracts providing for purchase options - and loans. As of Dec24, the loans comprise bank loans of €67m, a bond loan of €400m issued in Nov24, maturing in FY29, and a bond with an outstanding amount of €72m issued in FY19 with a maturity of FY34. In Jan25, the company issued another €200m in bonds maturing in FY29. For an overview of the maturity profile of TAP's borrowings, please refer to *Appendix 5*.

In FY20, TAP was in financial distress due to the impact of COVID and received a government loan of €1.2 billion, which was later converted into equity. As part of the subsequent restructuring process, TAP's financial debt was significantly reduced compared to pre-pandemic levels. One of the conditions imposed by the EC as part of the restructuring was to limit TAP's fleet size to 99 aircraft. As a result, new aircraft have been delivered in recent years, and older aircraft have been retired simultaneously. The fleet cap will expire in FY25.

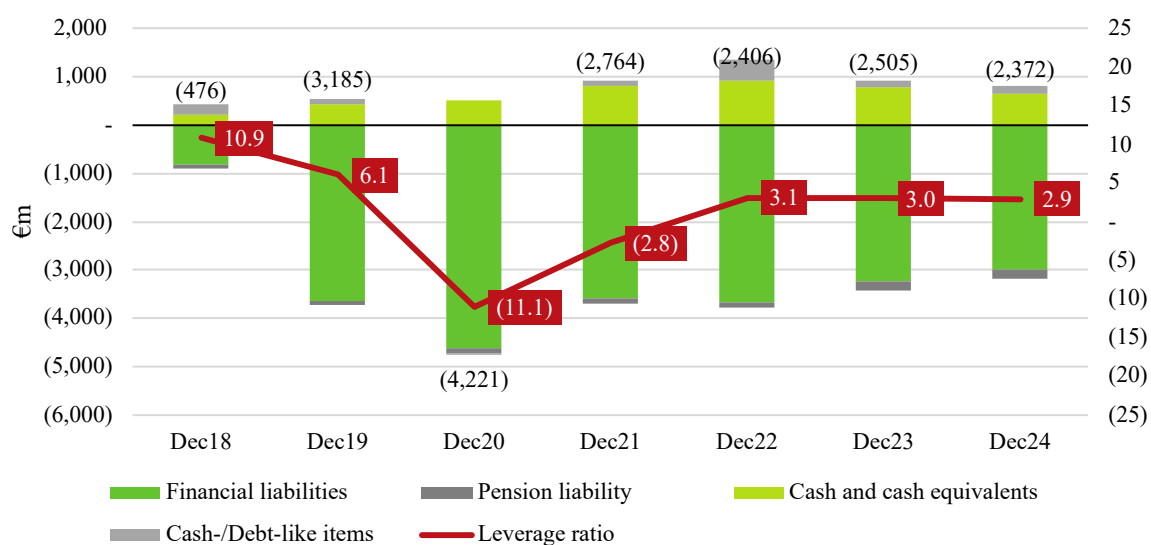


Figure 15: Net Debt & Leverage Ratio; Source: Company Information

4.2.4 TAP PRIVATIZATION

In 1945, TAP was founded under the jurisdiction of the Civil Aviation Office led by Humberto Delgado. After being privatized for the first time in 1953, TAP became state-owned again in 1975 in the wave of renationalization following the Carnation Revolution. (TAP, 2025b)

In 2015, the Portuguese government agreed to sell a majority stake in TAP to the Atlantic Gateway consortium led by JetBlue founder David Neeleman. The privatization included the

sale of 61% for €10m, a cash injection of €338m, and the supply of more than 50 aircraft, as well as the commitment to keep the hub in Lisbon for at least 30 years. (Financial Times, 2015) One year later, the new left-wing Portuguese government increased its share in the airline from 34% to 50%, with 5% held by employees and the remaining 45% by the Gateway consortium (Publico, 2016).

In 2023, the Portuguese government announced plans to re-privatize TAP, opening the door for major airline groups to acquire a stake in the national carrier. With this move, the Portuguese government intends to stabilize TAP's financial position and enhance its competitiveness in the global aviation market. Further, the government aims to regain the €3.2bn injected by taxpayers. However, analysts and bankers value the company considerably below this amount, stressing the importance of the negotiation and bidding process. Multiple potential buyers have indicated their interest, including Lufthansa, IAG, and Air France-KLM. (Financial Times, 2023; Reuters, 2025) Reasons why TAP might be a suitable addition to Lufthansa are discussed in the following chapter.

5 DEAL RATIONALE

5.1 STRATEGIC RATIONALE

The takeover of TAP with its hub in Lisbon would be an extension of Lufthansa's multi-hub, -brand, and -AOC strategy. With this move, the Group could add a sixth airline with a strong local brand and a growing hub that could ease future capacity restrictions at existing hubs.

With the acquisition of TAP, Lufthansa could strengthen its positioning in the South American market, where the Group currently lacks presence. Lufthansa currently operates flights to two Brazilian airports, whereas TAP services 13 destinations. South America, with Brazil being its biggest economy, is expected to experience significant economic growth in the future.

Additionally, TAP's growing hub in Lisbon is geographically well-positioned to improve Lufthansa's transatlantic connectivity to North America, easing the load on its Frankfurt and Munich hubs. Regarding domestic European flight operations, Lufthansa could strengthen its presence in southern Europe further, building on its recent acquisition of ITA and optimizing the Group's network.

From the Portuguese government's perspective, Lufthansa is a suitable acquirer because of its financial strength, operational expertise, and proven track record of successfully integrating national carriers like SWISS, Austrian Airlines, and Brussels Airlines while preserving them as separate brands with a national identity and operational autonomy. Further, TAP is already part of the Star Alliance led by Lufthansa. This would simplify the integration and network alignment compared to other interested parties.

5.2 FINANCIAL RATIONALE

A combination of operations of Lufthansa and TAP has significant synergy potential. This can be achieved through cross-selling opportunities and a broader customer base. By optimizing the combined networks, capacities can be consolidated on certain routes, freeing up new capacities for additional routes.

TAP's long-haul routes to Brazil and Africa could be leveraged to boost Lufthansa's overall revenue per passenger. Through codeshare agreements leading to optimized routes and traveling time, as well as the integration of TAP in Lufthansa's customer loyalty program, the Group becomes more attractive to customers. This can increase revenues for both TAP and the current Lufthansa airlines.

The combination of the companies would allow significant synergies through cost savings. TAP's fleet comprises aircraft from the A320 and A330 family as well as Embraer for regional

flights. Lufthansa operates the same aircraft types, enabling a seamless integration, better procurement deals, optimized maintenance procedures, and joint training programs for pilots and cabin crew. If TAP were to operate different classes of aircraft than Lufthansa, integrating and achieving synergies would be significantly more challenging, as fleet and crew interchangeability would be less efficient. Furthermore, by integrating TAP's fleet management into Lufthansa's existing system, the Group can reduce the cost of aircraft maintenance.

Another key cost savings is centralized procurement and supplier negotiations. As part of Lufthansa, TAP would benefit from stronger bargaining power with aircraft manufacturers, fuel suppliers, and service providers. Furthermore, shared IT infrastructure and digital transformation, as well as joint financing, would contribute to long-term cost savings.

TAP has undergone several restructuring efforts in recent years, requiring substantial government interactions. With its operational expertise, Lufthansa is well suited to be the partner to implement effective cost-control measures and operational efficiency improvements that lead TAP back to financial stability.

5.3 REGULATORY AND RISK CONSIDERATIONS

While the transaction appears to be beneficial for TAP and Lufthansa, it is not without challenges. The EC scrutinizes airline mergers to ensure competition. Similar to its acquisition of ITA, Lufthansa might be obliged to divest certain routes or to hand some airport slots to its competitors. The investigations might be time- and resource-consuming, hindering a full or timely utilization of potential synergies.

In March 2025, the Portuguese Prime Minister lost a confidence vote, leading to the third election in Portugal in less than 4 years (Financial Times, 2025). Even though the privatization of TAP was already initiated before the current government came into place, it remains unclear whether, when, and under what conditions the new government will continue the privatization of TAP. However, for this thesis, it is assumed that the government intends to sell 95% of its shares in TAP, with 5% being reserved for its employees (CAPA, 2023), by the end of 2025, and that the EC gives its approval.

Due to the abovementioned characteristics, TAP is also an attractive target for Lufthansa's competitors. The interest of multiple airlines could lead to parties having to bid each other up and pay a high premium, which could reduce or cancel out any synergy effects. Therefore, it is crucial to conduct a careful valuation of the transaction and the expected synergy gains.

6 STAND-ALONE VALUATIONS

To evaluate whether the acquisition of TAP would add value for Lufthansa shareholders, the following sections will seek to obtain the company valuations for both companies on a stand-alone basis as well as the combined entity after the transaction. It is assumed that the transaction will be closed on 31. December 2025. For DCF valuation, cash flows are assumed to occur evenly throughout the year.

6.1 LUFTHANSA GROUP

6.1.1 DCF VALUATION

6.1.1.1 Weighted Average Cost of Capital

The WACC was obtained using the approach outlined in *Section 2.1.1.3*. The cost of equity is estimated using the CAPM approach, incorporating the equity risk premium for Germany of 4.33% published by Damodaran and the German 10-year government bond yield as the risk-free rate. For the beta calculation, a balanced method was applied, combining the indirect beta derived from unlevering peer group betas with the direct beta of Lufthansa stock, retrieved from Refinitiv Workspace. Lufthansa's peers comprise the major European airline groups Air France-KLM, IAG, as well as the further large listed European airlines Ryanair, Turkish Airlines, and Finnair. United Airlines was included in the peer group to reflect Lufthansa's strong reliance on US travel. This approach resulted in an indirect unlevered beta of 1.37. For a comparison of each peer, please refer to *Appendix 6*. Based on the Group's market capitalization and the market value of outstanding bonds as of 30th April 2025, this leads to a levered indirect beta of 2.25. Considering the direct beta of 1.28 as well as the beta adjustment discussed in the literature review, this leads to an adjusted beta for Lufthansa of 1.51.

For the cost of debt, Lufthansa's outstanding bonds and their respective yields at current market prices were retrieved from Refinitiv Workspace. *Appendix 6* shows an overview of outstanding bond instruments. The approach described leads to an estimated WACC of 6.29%.

Weighted Average Cost of Capital	
Market Value Equity	8,617
Outstanding Bonds	6,600
Cost of Equity	9.4%
Cost of Debt	3.0%
Marginal Tax Rate	24.9%
WACC	6.29%

Table 1: Lufthansa – Weighted Average Cost of Capital; Source: Own Computation

6.1.1.2 Forecasted Financial Statement

To obtain the intrinsic value of Lufthansa using the DCF method, the financial statements, including the income statement, balance sheet, and cash flow statement, are forecasted in detail for the financial years 2025 to 2030. For the detailed statements and the underlying assumptions, refer to *Appendix 7*.

Revenue: The revenue is forecasted based on different projections for the individual market segments, Passenger Airlines, MRO, and Logistics, and overall expectations for the airline industry.

The catch-up effects from COVID are expected to phase out in FY25F. The IATA expects a growth in passenger demand of c. 8.0% in FY25F, while yield is anticipated to decrease by c. 3% due to increased competition. Both demand growth and yields are expected to stabilize over the period under review, leading to a CAGR of 4% from FY24 to FY30F.

The Logistics segment experienced strong growth in demand and yields during the pandemic. Since, yields strongly decreased, yet remaining above pre-pandemic levels. Demand for cargo is expected to further grow with the increase in global trade. The growth in demand is met by Lufthansa, both with an increase in dedicated freighters, an increased number of passenger flights, and higher belly capacity in new generation aircraft. In FY25, the IATA projects an increase in demand of c. 6% and a decrease in yields of c. 1%. Going forward, Logistics' growth rate is expected to develop towards the long-term growth rate.

In the MRO segment, Lufthansa is expected to strengthen its market leadership. Due to the ongoing supply chain issues, airlines keep older aircraft in operation that require significantly more maintenance. In its "Ambition 2030" program, Lufthansa announced that it expects MRO revenues to increase to €10bn by 2030, mainly driven by an increase in engine maintenance (Lufthansa, 2024d). In conjunction with market forecasts done by Oliver Wyman (2025) and McKinsey (2025), which project a lower growth of the overall MRO market, the MRO revenue is more conservatively projected to increase by a CAGR of 9.1% to €8.5bn in FY30F. For further details on the revenue forecast, please refer to *Appendix 8*.

Operating cost: The operating cost are closely tied to business volume. Material cost, which comprise fuel expenses, fees & charges, operating lease and other expenses are expected to decrease as a percentage of revenue in the period under review. Fuel prices are expected to further decline due to lower crude oil prices in FY25F (IATA, 2024c). However, fuel expenses are anticipated to increase again, driven by the requirement to increase the usage of expensive

SAF. This is expected to be partly offset by using more fuel-efficient aircraft and efficiency gains in other material cost components due to the turnaround measures implemented in FY24. For details on the development of material cost, please refer to *Appendix 8*.

Staff costs are expected to increase in revenue over the period under review. This is expected to be driven by labor shortages of pilots and cabin crews, increased training efforts due to the more diverse fleet, and salary increases due to settling labor disputes with pilots, crews, and ground operation services.

D&A, as a percentage of the Group's asset base and other operating expenses in terms of revenue, have historically been relatively stable at around 9% and 14.3% and are expected to develop similarly in the detailed forecasting period.

CapEx: Capital expenditures are forecasted as a percentage of revenue. Substantial investments, especially in aircraft, will be required in the coming years to support the Group's expansion and maintain its position as a leading airline group. These investments are essential to facilitate growth and transition to a more fuel-efficient fleet to achieve the goal of net-zero emissions by 2040. Additionally, the Group has committed over a billion euros in investments for the MRO segment as part of its "Ambition 2030" program (Lufthansa, 2024d).

Working Capital: Working capital is mainly driven by contract liabilities, i.e. performance obligations for prepayments of flight tickets received from customers (€8,145m as of Dec24). Contract liabilities are expected to develop in line with revenue. The DIO saw an increase compared to pre-pandemic levels due to the need to have more engines and spare parts in stock for the Group's diverse fleet and the increase in the MRO business. DSO and DPO have been stable over the last two years and are expected to be stable in the future, with only DPO slightly increasing with Lufthansa's active cash management efforts. Other working capital is likely to develop in line with revenue.

Free Cash Flow: Lufthansa's FCFF is calculated for the detailed forecasting period based on the methodology outlined in *Section 2.2.1*. The Group's FCFF is mainly driven by NOPAT, partly offset by the net CapEx. Subsequently, cash flows are discounted to 31 December 2025, the date of the envisaged transaction, using the WACC of 6.29% as a discount factor.

€m	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
EBIT	1,665	1,778	1,890	1,998	2,092	2,190
Tax rate	13.5%	15.7%	18.0%	20.3%	22.6%	24.9%
Taxes	(224)	(280)	(341)	(406)	(473)	(545)
NOPAT	1,441	1,498	1,549	1,592	1,619	1,645
CapEx	(3,939)	(3,734)	(3,911)	(4,075)	(4,201)	(4,298)
Depreciation	2,574	2,715	2,848	2,971	3,067	3,132
Change in Working Capital	476	392	358	320	224	240
Free Cash Flow to Firm	552	872	843	808	710	718
Discount Factor		0.97	0.91	0.86	0.81	0.76
Discounted Cash Flow		846	770	694	573	546

Table 2: Lufthansa – Free Cash Flow Projection; Source: Own Analysis

6.1.1.3 Terminal Value

As mentioned before, the growth of the airline industry is related to economic growth. The OECD expects the global long-term real GDP growth rate of 1.5% (OECD, 2023). Together with the ECB inflation target of 2%, this would lead to a terminal growth rate of 3.5% (ECB, 2025). However, such a high terminal growth rate is unrealistic for Lufthansa given persistent competitive pressure and the expectation that future global growth will be driven outside Europe. Therefore, the Group's terminal growth rate is conservatively adjusted to 2.0% to reflect a more realistic outlook. Considering the FY30F FCF and the WACC of 6.29%, this leads to a present value of the terminal value amounting to €13.0bn.

6.1.1.4 Enterprise & Equity Value

The enterprise value was derived by summing the present value of both the cash flows for the detailed period and the terminal value as of Dec25. For the reconciliation of enterprise value (EV) and equity value (EQ), please refer to *Figure 16*. Cash and financial debt have been forecasted based on the Group's intention to decrease the leverage ratio with cash flows while maintaining a liquidity of €8-10bn. The pension liability is projected as a percentage of personnel cost. Affiliated companies are considered at book values due to limited information regarding their market value. The approach resulted in an EQ for Lufthansa shareholders of €8.1bn or, considering the 1.2bn shares outstanding, €6.78 per share. Compared to the current share price of €6.32 as of 30th April 2025, this represents an undervaluation by the market of 7%.

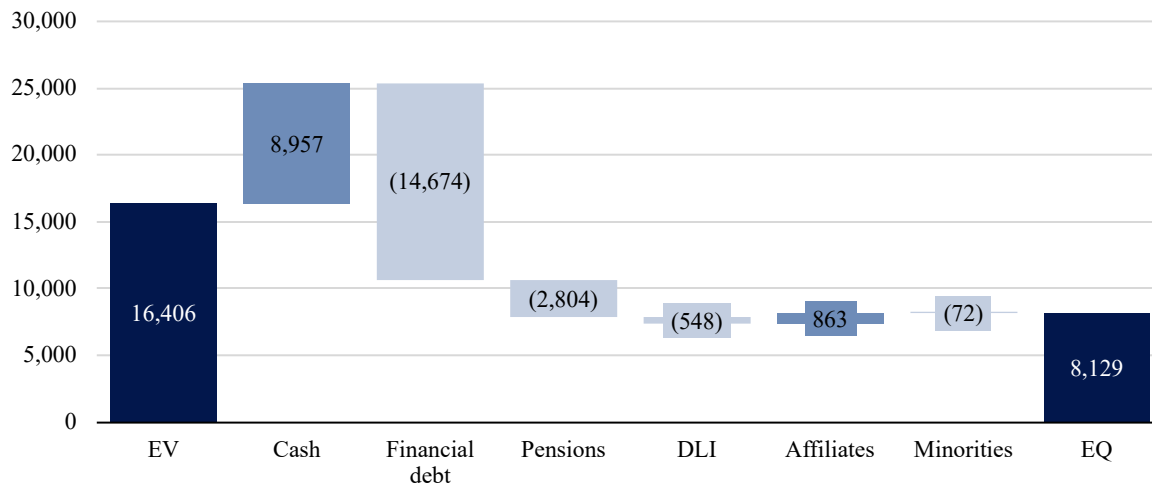


Figure 16: Lufthansa – EV-to-EQ Bridge; Source: Own Analysis

The intrinsic Lufthansa valuation is subject to several assumptions. Changes to these assumptions have the potential to significantly impact the results. To test the sensitivity of the company valuation, the terminal growth rate and the WACC were varied in incremental steps of 0.25%. The resulting share price range of Lufthansa is shown in *Appendix 9*.

6.1.2 RELATIVE VALUATION & VALUATION OVERVIEW

As outlined in *Section 2.2.2*, relative valuation using comparable companies priced by the market can increase the explanatory power of the DCF method. The same peers are used as in the beta computation, as these companies have similar risks and growth opportunities.

Using the peer's median multiple for the three 1-year forward multiples EV/Sales, EV/EBITDA and PER retrieved from Refinitiv and applying them to the projected FY26F sales, EBITDA and earnings leads to the projected valuation as of Dec25 presented in *Table 3*.

	EV/Sales	EV/EBITDA	PER
Air France-KLM	0.4x	2.8x	2.0x
IAG	0.6x	3.1x	4.8x
Turkish Airlines	0.8x	3.9x	3.8x
Ryanair	1.6x	7.8x	10.9x
Finnair	0.4x	2.8x	6.7x
United Airlines	0.6x	4.4x	6.3x
Median	0.6x	3.5x	5.6x
Lufthansa 1Y Forwards as of Dec25	41,490	4,494	1,323
Implied Enterprise Value	25,673	15,712	15,654
Implied Equity Value	17,396	7,435	7,376
Implied Share Price	14.52	6.20	6.16

Table 3: Lufthansa – Relative Valuation; Source: Refinitiv, Own Computation

The EV/Sales multiple leads to the highest implied share price of €14.52, significantly higher than Lufthansa's current share price. This might mean that investors might have lower expectations for the Group's profitability and margins, or assign a higher business risk. The other multiples align with Lufthansa's current market price and the intrinsic valuation derived in the DCF.

Figure 17 presents Lufthansa's valuation overview, comparing the ranges using the DCF, relative valuation, and share price range over the last 12 months. The yellow line represents the intrinsic value of €6.78 derived from the DCF.

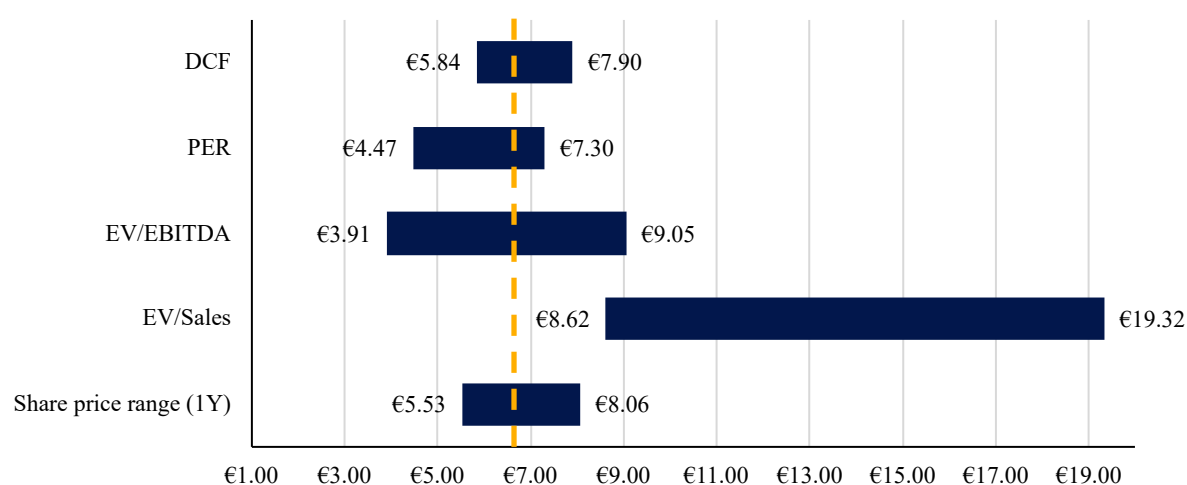


Figure 17: Lufthansa – Valuation Overview; Source: Own Analysis

6.2 TAP AIR PORTUGAL

6.2.1 DCF VALUATION

6.2.1.1 Weighted Average Cost of Capital

TAP's WACC is estimated using the same approach as previously described. The cost of equity was calculated using the CAPM approach, incorporating the equity risk premium for Portugal of 5.93% published by Damodaran and the German 10-year government bond yield as the risk-free rate. The beta is derived from unlevering peer group betas, retrieved from Refinitiv Workspace. TAP's peers comprise the smaller listed European airlines Finnair, Aegean Airlines, as well as easyJet and Turkish Airways. Although these comparable companies are not perfect matches in size, geographical focus, and business model, they represent the best available approximation given the limited number of comparable listed European airlines. This approach resulted in an indirect unlevered beta of 1.46. For a comparison of each peer, please refer to *Appendix 10*. As no market values for the company's equity and debt are available, projected book value of equity and the amount of outstanding bonds as of Dec25 were used to

relever the beta which results in 2.37 before and 1.92 after the adjustment. The resulting cost of equity amounts to 13.5%.

The risk-free rate and default spread for TAP's BB credit rating, derived from Damodaran's website, are added for the cost of debt. The approach described leads to a WACC estimation of 8.81% for TAP.

Weighted Average Cost of Capital	
Book Value Equity	738
Book Value Debt	672
Cost of Equity	14.2%
Cost of Debt	4.2%
Marginal Tax Rate	31.5%
WACC	8.81%

Table 4: TAP – Weighted Average Cost of Capital; Source: Own Analysis

6.2.1.2 Forecasted Financial Statements

To obtain the intrinsic value of TAP using the DCF method, the financial statements, including the income statement, balance sheet, and cash flow statement, are forecasted in detail for the financial years 2025 to 2030. For the detailed statements and the underlying assumptions, please refer to *Appendix 11*.

Revenue: TAP's revenue is projected by forecasting each segment's revenue individually. Passenger Airline revenue in FY25F is expected to increase by 5.2% in RPK based on the expected demand growth per region, partly offset by a 2% decline in passenger yield due to intense competition. Going forward, both RPK and yield are expected to develop positively. With the expiry of TAP's fleet cap in the FY25F, the airline will gain flexibility to expand its fleet and increase its capacity. This will enable TAP to better exploit growth opportunities, particularly on transatlantic routes to South America.

M&E experienced significant growth in recent years. This trend is expected to continue, however, with growth rates slowing down over the forecasting period. This growth is facilitated by investments in infrastructure as part of the company's M&E extension plan, which were undertaken in FY24 and are expected to be completed in FY25F with direct impact on revenue growth (TAP, 2025). In the medium term, M&E revenue growth is expected towards the market forecasts of c. 2% p.a. (Oliver Wyman, 2025; McKinsey, 2025)

Cargo and Mail revenue is expected to increase again after its significant decline in the last two years due to the normalization of high fares during COVID. Going forward, revenue is expected to increase in line with passenger operations, however, at a slightly lower pace.

Operating Cost: For airlines, operating costs are closely tied to business volumes. Therefore, most operating expenses are forecasted based on revenue, with percentages developing according to foreseen trends. Overall, margins are expected to decrease in FY25F and slightly increase in the following years. Fuel expenses, the most significant part of material expenses, are expected to decline as a percentage of revenue in FY25F with an ongoing decrease in crude oil prices. Subsequently, despite the investments in more fuel-efficient aircraft, costs are expected to increase due to the increased usage of SAF as mandated by the EC. Due to the growth in M&E business, cost of materials consumed is expected to increase as a percentage of revenue. For details on the development of material cost, please refer to *Appendix 12*. Staff costs are expected to increase slightly in revenue as the competition for staff increases; hence, their bargaining power is expected to increase in the coming years.

CapEx: TAP will need to further invest in infrastructure and its fleet to facilitate growth and maintain its young and fuel-efficient fleet. With the expiry of the fleet cap, TAP will be able to expand its fleet from FY26F onwards, leading to increased CapEx in the detailed forecasting period.

Working Capital: TAP's inventory, trade receivables, and trade payables are projected based on DIO, DSO, and DPO, respectively. DSO and DPO are expected to shift slightly in TAP's favor as the company can negotiate better terms while improving its financial stability. DIO is expected to increase due to the increase in M&E business.

Free Cash Flow: TAP's FCFF is calculated for the detailed forecasting period based on the methodology outlined in *Section 2.2.1*. The company's cash flow development is driven by an increase in NOPAT due to TAP's business growth and heavy investments in its modern fleet. The company's FCFF is discounted to 31 December 2025, the date of the envisaged transaction, using the WACC of 8.81%.

€m	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
EBIT	404	403	433	463	489	512
Tax rate	31.5%	31.5%	31.5%	31.5%	31.5%	31.5%
Taxes	(127)	(127)	(136)	(146)	(154)	(161)
NOPAT	277	276	297	317	335	351
CapEx	(646)	(749)	(768)	(781)	(785)	(780)
Depreciation	522	572	602	629	651	667
Change in Working Capital	9	28	36	32	22	14
Free Cash Flow to Firm	161	127	167	197	223	251
Discount Factor		0.96	0.88	0.81	0.74	0.68
Discounted Cash Flow		121	147	159	166	172

Table 5: TAP – Free Cash Flow Projection; Source: Own Analysis

6.2.1.3 Terminal Value

For TAP, the terminal growth rate is projected to be similar to that of Lufthansa. Nevertheless, South America, especially Brazil, is expected to outpace Europe in terms of economic growth. Therefore, TAP's terminal growth rate is expected to be slightly above that of Lufthansa at 2.25%. (OECD, 2018) Considering the FY30F FCFF and the WACC of 8.81%, this leads to a terminal value of €2.7bn.

6.2.1.4 Enterprise and Equity Value

Adding the present value of TAP's FCFF and terminal value leads to an EV of €3.4bn as of Dec25F. For the reconciliation of EV and EQ, please refer to *Figure 18*. Cash and financial debt have been forecasted based on TAP's intention to decrease the leverage ratio with positive cash flows as part of the restructuring plan. The pension liability is projected as a percentage of personnel cost. The approach resulted in an EQ of €1.3bn or, considering the 410m shares outstanding, €3.08 per share.

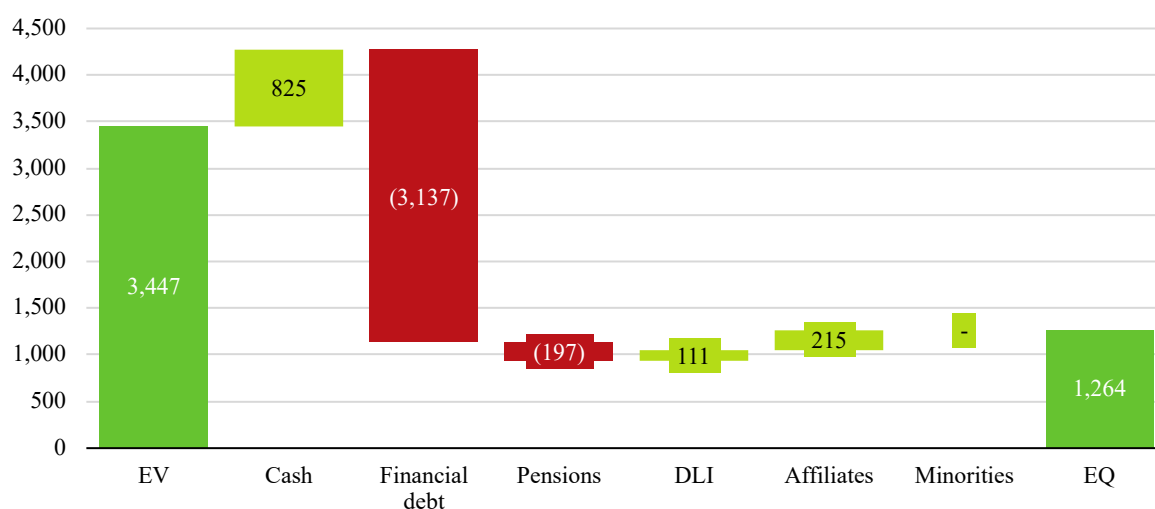


Figure 18: TAP – EV-to-EQ Bridge; Source: Own Analysis

The intrinsic value of TAP valuation is subject to several assumptions. Changes to these assumptions might significantly impact the results. To test the sensitivity of the company valuation, the terminal growth rate and the WACC were varied in incremental steps of 0.25%. The resulting share price range of TAP is shown in *Appendix 13*.

6.2.2 RELATIVE VALUATION & VALUATION OVERVIEW

To validate the intrinsic value derived in the DCF, relative valuation was performed for TAP using the multiples EV/Sales, EV/EBITDA, and PER of the same peer group used for indirect beta estimation. The peers' 1-year forward multiples are derived from Refinitiv. The resulting enterprise and equity values are depicted in *Table 6*.

	EV/Sales	EV/EBITDA	PER
Finnair	0.4x	2.8x	6.7x
Aegean Airlines	0.9x	4.2x	7.3x
easyJet	0.4x	2.3x	6.7x
Turkish Airlines	0.8x	3.9x	3.8x
Median	0.6x	3.4x	6.7x
TAP 1Y Forwards as of Dec25	4,619	975	164
Implied Enterprise Value	2,761	3,283	3,278
Implied Equity Value	578	1,100	1,095
Implied Share Price	1.41	2.68	2.67

Table 6: TAP – Relative Valuation; Source: Refinitiv, Own Computation

For all three multiples, relative valuation leads to a lower implied share price than the intrinsic value derived with the DCF. This could be explained by the imperfect peer group, as the peers

and investors' assessment might structurally differ from TAP or the current market sentiment for European airlines, being more conservative in general. However, as shown in *Figure 19*, which visually summarizes TAP's valuation using the red dashed line indicating the DCF value, the DCF estimate is primarily supported by relative valuation methods.

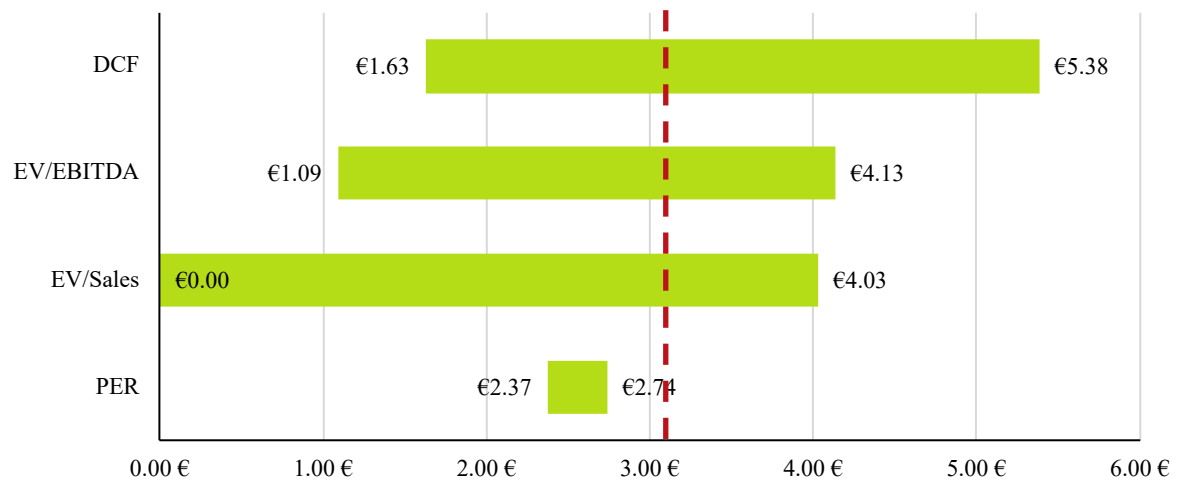


Figure 19: TAP – Valuation Overview; Source: Own Analysis

7 TRANSACTION CASE

7.1 PROPOSED TRANSACTION & FINANCING

The proposed transaction involves Lufthansa acquiring 95% of the shares in TAP, with the closing on 31. December 2025. Due to the high competition in the bidding process and the high expectation regarding the transaction price by the Portuguese government, the premium required to close the deal might be substantial. It is assumed that the premium required is at c. 40%. However, due to the uncertainty of the negotiation outcome, a sensitivity analysis including variations in the premium offered will be conducted in *Section 7.2* to evaluate a potential accretive or dilutive effect.

To facilitate the transaction, both due diligence and legal services must be used before closing the transaction. These fees are expected to amount to 2% of the target price incl. premium.

Table 7 shows an overview of the financing sources and uses for the proposed transaction.

Sources (in €m)			Uses (in €m)	
Cash	614	36%	TAP intrinsic value per share	3.08 €
Coupon Bond 3Y Maturity	300	18%	95% of TAP shares (in m)	390
Coupon Bond 5Y Maturity	400	23%	Target value	1,200
Coupon Bond 7Y Maturity	400	23%	Percentage premium offered	40%
Bonds	1,100	64%	Premium offered	480
			Target incl. Premium	1,681
			Percentage transaction fees	2%
			Transaction fees	34
Total sources	1,714	100%	Total cost of acquisition	1,714

Table 7: Transaction Case – Sources & Uses; Source: Own Analysis

64% of the transaction could be financed through the issuance of corporate bonds. The bonds would be issued in three tranches of floating coupon bonds with maturities of 3, 5, and 7 years and face values of €300m, €400m, and €400m, respectively. Thereby, the financial burden is distributed according to Lufthansa's current maturity profile and free cash flow projection. To minimize Lufthansa's risk, the bonds could include a conditional call option, which provides Lufthansa with the right to redeem the bond early if the EC does not approve the proposed transaction.

The stand-alone DCF concluded that the Lufthansa share is currently undervalued. Therefore, a payment including Lufthansa shares is currently not beneficial. Additionally, it is questionable whether the Lufthansa shareholders would agree to a dilution of their shares.

Thus, the remaining 36% of the transaction price will be paid with excess cash. Lufthansa has a strong liquidity position. By using €614m to acquire TAP, the company would still remain in its target liquidity range of €8-10bn.

7.2 VALUATION POST-TRANSACTION

TAP is expected to become part of Lufthansa with full consolidation into the Group accounts as of Dec25F. With net assets projected to amount to €738m as of Dec25F and the purchase price of €1,714m, a goodwill of €1,066m would be recognized using the full goodwill method. For the purchase price allocation, please refer to *Appendix 14*.

After the integration, synergies are expected to follow a gradual ramp-up. However, in the first two years, the synergies are expected to be offset by temporary dis-synergies, mainly attributable to the costs of harmonizing business processes, adapting IT systems, and integrating TAP into Lufthansa's overall operating model.

Starting in FY28F, the Group is expected to benefit from increasing synergies in both revenues and several cost categories. For details on the expected synergies, please refer to *Appendix 16*. Revenue synergies are expected to be realized gradually through network optimizations, higher load factors, and coordinated frequent flyer programs, improving customer benefits and earnings potential. However, EU regulators will likely scrutinize the transaction, particularly on routes where competition could be restricted. As a result, the merged company may be required to give up specific airport slots, particularly on routes between Lufthansa hubs and Lisbon airport. This could lead to minor revenue declines on these particular connections.

One of the most essential synergy areas is material costs, where joint procurement activities, an improved negotiating position, as well as efficiency gains, should lead to significant savings through optimized resource spending. These gains are expected to rather materialize towards the end of the detailed forecast period. Personnel cost synergies will arise from joint pilot and cabin crew training, enabling more flexible scheduling and improved network efficiency. Other operating and D&A expenses are expected to decline slightly due to a leaner asset base, process harmonization, and administrative consolidation.

Overall, the combination of TAP and Lufthansa is expected to achieve synergies in EBIT of c. €200m annually. The projected financial statements of the combined entity including synergies is depicted in *Appendix 15*. Further, *Appendix 17* presents the derivation of the projected FCFF for the combined entity. To discount the FCFF and calculate the terminal value, the WACC and terminal growth rates from the stand-alone valuations are weighted according to their

respective enterprise values. This results in a WACC of 6.78%, a terminal growth rate of 2.04%, and an equity value of €9.8bn or €8.17 per share. For the EV-to-EQ bridge, please refer to *Appendix 17. Figure 20* illustrates the accretive effect of the transaction for Lufthansa shareholders with an expected share price appreciation of 20%.

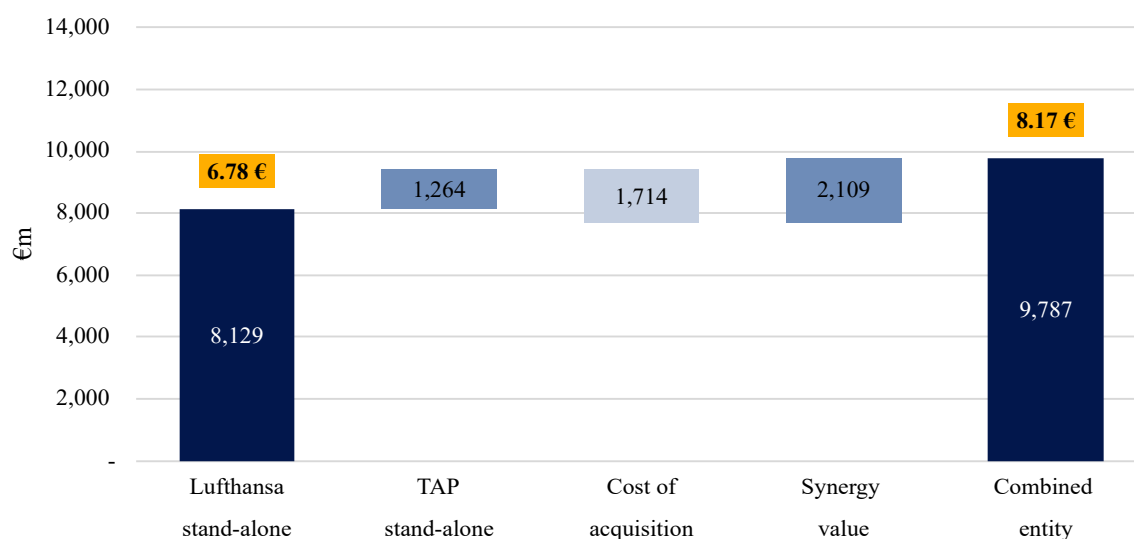


Figure 20: Transaction Case – Shareholder Value Bridge; Source: Own Analysis

As the valuation of synergies involves substantial subjective judgment and uncertainty, a Monte-Carlo simulation is conducted, randomly varying the synergy impact for each line item around the above base case. Further, different scenarios for the price premium and the transaction fee are simulated. The histogram of 10,000 runs depicted in *Figure 21* shows that in less than 3% of cases, the resulting share price is below the stand-alone share price of Lufthansa derived in the DCF.

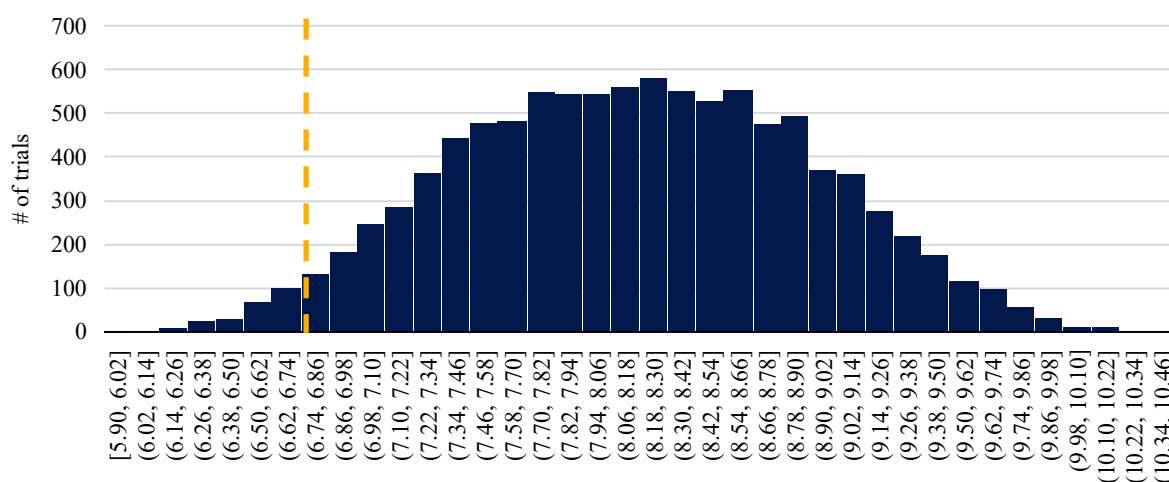


Figure 21: Transaction Case – Monte Carlo Simulation; Source: Own Analysis

8 CONCLUSION

This thesis aimed to evaluate Lufthansa's potential acquisition of TAP. It combined theoretical insights, industry and company analysis, and detailed financial modeling to assess the transaction's strategic and financial attractiveness. The results suggest that, under the right conditions, the acquisition represents a strong strategic fit and offers substantial opportunities for value creation.

From a strategic perspective, TAP's leading market position in South American connectivity, particularly its dominance in Brazil, allows Lufthansa to significantly strengthen its presence in a region where it currently lacks scale. TAP's Lisbon hub is geographically well-positioned to serve transatlantic traffic to North and South America, complementing Lufthansa's existing hubs.

Financially, the acquisition promises considerable synergy potential of c. €200m in EBIT annually. Cost savings could be realized through joint procurement, shared maintenance operations, fleet optimization, and integration of loyalty programs and IT systems. Revenue synergies could be unlocked by cross-selling routes and leveraging a broader customer base. The transaction model demonstrates that the deal will likely be value-enhancing for Lufthansa shareholders even after accounting for conservative assumptions and potential regulatory concessions.

However, several risks must be acknowledged. Geopolitical tensions, uncertainties in Portuguese politics, regulatory scrutiny by the EC, and potential competitive bidding from rival airline groups could complicate or delay the transaction. Furthermore, the valuation of TAP and the potential combined entity, including estimated synergies, is based solely on publicly available information. A comprehensive due diligence process would be essential to obtain a more accurate assessment of TAP's intrinsic value and the true extent of potential synergies. Additionally, Lufthansa is currently integrating ITA, and the simultaneous integration of TAP could pose additional challenges.

In conclusion, Lufthansa's acquisition of TAP appears strategically sound and financially justified, provided the transaction is carefully structured and executed. It represents an opportunity to strengthen Lufthansa's competitive position and a broader step towards the anticipated consolidation of the European airline industry.

APPENDIX

APPENDIX 1: LUFTHANSA – HISTORICAL FINANCIALS

€m	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Passenger Airlines	26,204	26,432	6,756	8,528	21,873	27,632	28,905
<i>Growth in %</i>	<i>n/a</i>	<i>0.9%</i>	<i>(74.4%)</i>	<i>26.2%</i>	<i>156.5%</i>	<i>26.3%</i>	<i>4.6%</i>
Logistics	2,681	2,437	2,733	3,768	4,582	2,927	3,213
<i>Growth in %</i>	<i>n/a</i>	<i>(9.1%)</i>	<i>12.1%</i>	<i>37.9%</i>	<i>21.6%</i>	<i>(36.1%)</i>	<i>9.8%</i>
MRO	3,812	4,378	2,724	3,117	4,004	4,389	5,036
<i>Growth in %</i>	<i>n/a</i>	<i>14.8%</i>	<i>(37.8%)</i>	<i>14.4%</i>	<i>28.5%</i>	<i>9.6%</i>	<i>14.7%</i>
Other	3,146	3,177	1,376	1,398	2,311	494	427
<i>Growth in %</i>	<i>n/a</i>	<i>1.0%</i>	<i>(56.7%)</i>	<i>1.6%</i>	<i>65.3%</i>	<i>(78.6%)</i>	<i>(13.6%)</i>
Total Revenue	35,843	36,424	13,589	16,811	32,770	35,442	37,581
<i>Growth in %</i>	<i>n/a</i>	<i>1.6%</i>	<i>(62.7%)</i>	<i>23.7%</i>	<i>94.9%</i>	<i>8.2%</i>	<i>6.0%</i>
Other Operating Income	2,284	2,515	2,005	1,611	2,385	2,987	2,961
<i>In % of total revenue</i>	<i>6.4%</i>	<i>6.9%</i>	<i>14.8%</i>	<i>9.6%</i>	<i>7.3%</i>	<i>8.4%</i>	<i>7.9%</i>
Total Operating Income	38,127	38,939	15,594	18,422	35,155	38,429	40,542
Material Costs	(18,669)	(19,827)	(8,453)	(8,946)	(18,634)	(20,363)	(22,393)
<i>In % of total revenue</i>	<i>(52.1%)</i>	<i>(54.4%)</i>	<i>(62.2%)</i>	<i>(53.2%)</i>	<i>(56.9%)</i>	<i>(57.5%)</i>	<i>(59.6%)</i>
Staff Costs	(8,924)	(9,111)	(6,405)	(5,836)	(8,053)	(8,310)	(8,992)
<i>In % of total revenue</i>	<i>(24.9%)</i>	<i>(25.0%)</i>	<i>(47.1%)</i>	<i>(34.7%)</i>	<i>(24.6%)</i>	<i>(23.4%)</i>	<i>(23.9%)</i>
D&A	(2,180)	(2,692)	(2,561)	(2,259)	(2,277)	(2,228)	(2,337)
<i>In % of Fixed Assets</i>	<i>(8.9%)</i>	<i>(9.5%)</i>	<i>(10.9%)</i>	<i>(9.6%)</i>	<i>(9.5%)</i>	<i>(9.0%)</i>	<i>(8.8%)</i>
Other Operating Expenses	(5,692)	(5,494)	(3,427)	(3,049)	(4,698)	(5,059)	(5,375)
<i>In % of total revenue</i>	<i>(15.9%)</i>	<i>(15.1%)</i>	<i>(25.2%)</i>	<i>(18.1%)</i>	<i>(14.3%)</i>	<i>(14.3%)</i>	<i>(14.3%)</i>
Operating Expenses	(35,465)	(37,124)	(20,846)	(20,090)	(33,662)	(35,960)	(39,097)
Result of equity investment	174	211	(199)	2	16	213	200
<i>Growth in %</i>	<i>n/a</i>	<i>21.3%</i>	<i>(194.3%)</i>	<i>(101.0%)</i>	<i>700.0%</i>	<i>1231.3%</i>	<i>(6.1%)</i>
Adjusted EBIT	2,836	2,026	(5,451)	(1,666)	1,509	2,682	1,645
Adjustments	138	(169)	(1,902)	(650)	(278)	(13)	86
EBIT	2,974	1,857	(7,353)	(2,316)	1,231	2,669	1,731
Interest Income	68	79	83	(6)	69	245	441
<i>In % of financial assets</i>	<i>n/a</i>	<i>2.4%</i>	<i>2.5%</i>	<i>(0.1%)</i>	<i>0.9%</i>	<i>3.0%</i>	<i>5.3%</i>
Interest Expenses	(211)	(394)	(417)	(435)	(488)	(593)	(590)
<i>In % of prev. year financial liabilities</i>	<i>n/a</i>	<i>3.1%</i>	<i>2.5%</i>	<i>1.7%</i>	<i>2.1%</i>	<i>3.5%</i>	<i>3.5%</i>
Other Financial Items	(47)	318	(944)	151	238	(4)	(6)
Financial Result	(190)	3	(1,278)	(290)	(181)	(352)	(155)
EBT	2,784	1,860	(8,631)	(2,606)	1,050	2,317	1,576
Taxes on Income	(588)	(615)	1,865	413	(246)	(380)	(176)
<i>Tax rate</i>	<i>21.1%</i>	<i>33.1%</i>	<i>21.6%</i>	<i>15.8%</i>	<i>23.4%</i>	<i>16.4%</i>	<i>11.2%</i>
Result from Discontinued Businesses	-	-	-	-	-	(248)	(7)
Net Profit Group	2,196	1,245	(6,766)	(2,193)	804	1,689	1,393
Minorities	(33)	(32)	41	2	(13)	(16)	(13)
<i>In % of Net Profit</i>	<i>(1.5%)</i>	<i>(2.6%)</i>	<i>(0.6%)</i>	<i>(0.1%)</i>	<i>(1.6%)</i>	<i>(0.9%)</i>	<i>(0.9%)</i>
Net Profit attributable to LH Shareholder	2,163	1,213	(6,725)	(2,191)	791	1,673	1,380

Table 8: Lufthansa – Historical Income Statement; Source: Company Information

in €m	FY18	FY19	FY20	FY21	FY22	FY23	FY24
EBT	2,784	1,860	(8,631)	(2,606)	1,050	2,317	1,576
D&A	2,180	2,692	2,561	2,259	2,277	2,228	2,337
Interest expenses (net)	143	315	334	441	419	348	149
Taxes on Income	(588)	(615)	1,865	413	(246)	(380)	(176)
Change in NWC	134	309	851	866	2,046	505	476
Other items	(544)	(531)	692	(974)	(378)	(113)	(470)
Cash Flow from Operations	4,109	4,030	(2,328)	399	5,168	4,905	3,892
CapEx	(4,053)	(3,761)	(1,085)	(1,143)	(2,393)	(3,044)	(2,800)
<i>In % of total revenue</i>	<i>(11.3%)</i>	<i>(10.3%)</i>	<i>(8.0%)</i>	<i>(6.8%)</i>	<i>(7.3%)</i>	<i>(8.6%)</i>	<i>(7.5%)</i>
Interest Income	68	79	83	(6)	69	245	441
Other investing cash flow	716	(185)	(1,340)	(1,656)	(1,117)	(142)	34
<i>In % of total revenue</i>	<i>2.0%</i>	<i>(0.5%)</i>	<i>(9.9%)</i>	<i>(9.9%)</i>	<i>(3.4%)</i>	<i>(0.4%)</i>	<i>0.1%</i>
Investing Cash Flow	(3,269)	(3,867)	(2,342)	(2,805)	(3,441)	(2,941)	(2,325)
Capital increase/decrease	1	1	306	2,091	-	(1)	-
Change in Financial debt	(209)	430	5,014	1,074	(1,879)	(1,537)	(520)
Profit distribution	(349)	(414)	(21)	(19)	(8)	(25)	(372)
<i>In % of Net Profit</i>	<i>(16.1%)</i>	<i>(34.1%)</i>	<i>0.3%</i>	<i>0.9%</i>	<i>(1.0%)</i>	<i>(1.5%)</i>	<i>(27.0%)</i>
Interest expenses	(211)	(394)	(417)	(435)	(488)	(593)	(590)
Other financing items	142	216	194	163	109	84	32
<i>In % of total revenue</i>	<i>0.4%</i>	<i>0.6%</i>	<i>1.4%</i>	<i>1.0%</i>	<i>0.3%</i>	<i>0.2%</i>	<i>0.1%</i>
Financing Cash Flow	(626)	(161)	5,076	2,874	(2,266)	(2,072)	(1,450)
Total Cash Flow	214	2	406	468	(539)	(108)	117

Table 9: Lufthansa – Historical Cash Flow Statement; Source: Company Information

in €m	Dec18	Dec19	Dec20	Dec21	Dec22	Dec23	Dec24
Intangible assets	1,893	1,942	1,638	1,608	1,428	1,355	1,337
<i>In % of total revenue</i>	<i>5.3%</i>	<i>5.3%</i>	<i>12.1%</i>	<i>9.6%</i>	<i>4.4%</i>	<i>3.8%</i>	<i>3.6%</i>
Tangible assets	21,130	24,660	21,336	20,519	21,255	22,401	23,940
<i>In % of total revenue</i>	<i>59.0%</i>	<i>67.7%</i>	<i>157.0%</i>	<i>122.1%</i>	<i>64.9%</i>	<i>63.2%</i>	<i>63.7%</i>
Financial assets	1,543	1,759	615	1,321	1,391	882	1,373
<i>In % of total revenue</i>	<i>4.3%</i>	<i>4.8%</i>	<i>4.5%</i>	<i>7.9%</i>	<i>4.2%</i>	<i>2.5%</i>	<i>3.7%</i>
Fixed assets	24,566	28,361	23,589	23,448	24,074	24,638	26,650
Inventories	968	980	726	675	812	1,385	1,606
<i>DIO</i>	<i>10</i>	<i>10</i>	<i>20</i>	<i>15</i>	<i>9</i>	<i>14</i>	<i>16</i>
Trade receivables	4,012	3,862	1,577	2,400	2,991	2,309	2,437
<i>DSO</i>	<i>41</i>	<i>39</i>	<i>42</i>	<i>52</i>	<i>33</i>	<i>24</i>	<i>24</i>
Trade liabilities	(3,868)	(3,722)	(2,087)	(2,881)	(4,041)	(4,125)	(4,472)
<i>DPO</i>	<i>76</i>	<i>69</i>	<i>90</i>	<i>118</i>	<i>79</i>	<i>74</i>	<i>73</i>
Contract assets	234	277	142	179	342	312	395
<i>In % of total revenue</i>	<i>0.7%</i>	<i>0.8%</i>	<i>1.0%</i>	<i>1.1%</i>	<i>1.0%</i>	<i>0.9%</i>	<i>1.1%</i>
Contract liabilities	(6,382)	(6,771)	(5,077)	(5,979)	(7,610)	(7,777)	(8,145)
<i>In % of total revenue</i>	<i>(17.8%)</i>	<i>(18.6%)</i>	<i>(37.4%)</i>	<i>(35.6%)</i>	<i>(23.2%)</i>	<i>(21.9%)</i>	<i>(21.7%)</i>
Trade working capital	(5,036)	(5,374)	(4,719)	(5,606)	(7,506)	(7,896)	(8,179)
Other working capital	77	578	(1,240)	(251)	(313)	(278)	79
<i>In % of total revenue</i>	<i>0.2%</i>	<i>1.6%</i>	<i>(9.1%)</i>	<i>(1.5%)</i>	<i>(1.0%)</i>	<i>(0.8%)</i>	<i>0.2%</i>
Net working capital	(4,959)	(4,796)	(5,959)	(5,857)	(7,819)	(8,174)	(8,100)
Financial liabilities	(6,724)	(10,047)	(15,382)	(16,689)	(15,172)	(13,947)	(14,232)
<i>In % of total equity</i>	<i>(70.2%)</i>	<i>(98.0%)</i>	<i>(1109%)</i>	<i>(371.7%)</i>	<i>(179.0%)</i>	<i>(143.7%)</i>	<i>(122.8%)</i>
Cash and cash equivalents	3,235	3,385	5,460	7,666	8,301	8,265	8,488
Pension liability (net)	(5,865)	(6,659)	(9,531)	(6,676)	(1,993)	(2,676)	(2,566)
<i>In % of personnel cost</i>	<i>65.7%</i>	<i>73.1%</i>	<i>148.8%</i>	<i>114.4%</i>	<i>24.7%</i>	<i>32.2%</i>	<i>28.5%</i>
Net debt (reported)	(9,354)	(13,321)	(19,453)	(15,699)	(8,864)	(8,358)	(8,310)
Cash/(Debt)-like items	(2,228)	(1,645)	(1,139)	(1,535)	(1,328)	(951)	(769)
Net debt (adjusted)	(11,582)	(14,966)	(20,592)	(17,234)	(10,192)	(9,309)	(9,079)
Deferred income tax asset/(liability)	1,548	1,657	4,348	4,132	2,411	2,554	2,123
Net assets	9,573	10,256	1,386	4,489	8,474	9,709	11,594
Capital	1,217	1,224	1,530	3,060	3,060	3,063	3,068
Reserve	343	378	378	956	252	258	265
Retained earnings	4,555	5,617	4,868	491	2,068	2,514	5,477
Other non-operating reserves	1,185	1,715	1,296	2,134	2,234	2,151	2,732
Net income	2,163	1,213	(6,725)	(2,191)	791	1,673	-
Equity attributable to LH Shareholders	9,463	10,147	1,347	4,450	8,405	9,659	11,542
Minority interest	110	109	40	40	69	50	52
Total Equity	9,573	10,256	1,387	4,490	8,474	9,709	11,594

Table 10: Lufthansa – Historical Balance Sheet; Source: Company Information

APPENDIX 2: LUFTHANSA – PASSENGER AIRLINES OPERATING KPIs

	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenue	15,917	16,634	4,104	5,061	13,173	16,168	16,564
Adjusted EBIT	1,753	1,227	(3,386)	(2,616)	(466)	854	(94)
EBIT	1,773	1,168	(4,702)	(2,587)	(432)	866	(116)
Employees at End of Period	34,540	39,374	38,662	36,543	34,402	35,834	38,466
Number of Flights	582,663	565,703	192,216	227,427	408,419	454,755	472,439
Number of Passenger	70,108	72,470	17,996	23,544	51,784	60,268	64,483
ASK (million)	196,769	212,948	64,480	82,962	149,412	169,573	182,993
RSK (million)	160,074	175,762	40,064	50,067	119,363	139,763	151,487
Load factor in %	81.4%	82.5%	62.1%	60.3%	79.9%	82.4%	82.8%
Adjusted EBIT margin	11.0%	7.4%	(82.5%)	(51.7%)	(3.5%)	5.3%	(0.6%)
EBIT margin in %	11.1%	7.0%	(114.6%)	(51.1%)	(3.3%)	5.4%	(0.7%)

Table 11: Lufthansa Airlines – Operating KPIs; Source: Company Information

	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenue	4,897	5,144	1,732	2,098	4,805	5,905	6,472
Adjusted EBIT	593	558	(689)	(417)	476	809	801
EBIT	686	572	(695)	(349)	472	797	815
Employees at End of Period	9,827	10,360	10,348	9,300	8,730	9,481	10,870
Number of Flights	171,548	167,119	54,835	66,285	123,118	149,392	162,819
Number of Passenger	20,416	21,531	5,677	7,133	15,050	19,295	21,071
ASK (million)	60,638	63,321	21,489	26,420	44,423	55,327	61,089
RSK (million)	50,204	53,116	13,069	15,007	35,467	46,719	51,290
Load factor in %	82.8%	83.9%	60.8%	56.8%	79.8%	84.4%	84.0%
Adjusted EBIT margin	12.1%	10.8%	(39.8%)	(19.9%)	9.9%	13.7%	12.4%
EBIT margin in %	14.0%	11.1%	(40.1%)	(16.6%)	9.8%	13.5%	12.6%

Table 12: SWISS – Operating KPIs; Source: Company Information

	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenue	2,178	2,108	460	743	1,871	2,346	2,457
Adjusted EBIT	83	19	(321)	(264)	3	127	76
EBIT	90	15	(381)	(239)	(1)	127	73
Employees at End of Period	7,099	7,022	6,689	6,039	5,609	5,949	6,105
Number of Flights	150,963	139,230	42,310	56,201	95,040	113,417	119,127
Number of Passenger	13,936	14,613	3,114	5,008	11,142	13,857	14,589
ASK (million)	27,703	28,508	7,127	11,324	21,700	25,444	27,578
RSK (million)	21,966	23,043	4,412	7,011	17,240	20,835	22,424
Load factor in %	79.3%	80.8%	61.9%	61.9%	79.4%	81.9%	81.3%
Adjusted EBIT margin	3.8%	0.9%	-69.8%	-35.5%	0.2%	5.4%	3.1%
EBIT margin in %	4.1%	0.7%	-82.8%	-32.2%	-0.1%	5.4%	3.0%

Table 13: Austrian Airlines – Operating KPIs; Source: Company Information

	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenue		1,473	414	560	1,217	1,537	1,544
Adjusted EBIT		(27)	(293)	(189)	(74)	53	59
EBIT		(32)	(332)	(189)	(75)	53	84
Employees at End of Period		3,831	3,482	3,035	3,200	3,366	3,573
Number of Flights		81,540	21,280	29,645	52,795	62,786	61,564
Number of Passenger		10,285	2,362	3,479	6,830	8,317	8,360
ASK (million)		21,994	6,487	10,525	16,313	18,118	18,332
RSK (million)		17,929	4,428	7,073	12,685	14,947	15,155
Load factor in %		81.5%	68.3%	67.2%	77.8%	82.5%	82.7%
Adjusted EBIT margin		(1.8%)	(70.8%)	(33.8%)	(6.1%)	3.4%	3.8%
EBIT margin in %		(2.2%)	(80.2%)	(33.8%)	(6.2%)	3.4%	5.4%

Table 14: Brussels Airlines – Operating KPIs; Source: Company Information

	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Revenue	4,230	2,311	598	822	1,857	2,592	2,872
Adjusted EBIT	(231)	(122)	(703)	(230)	(197)	205	203
EBIT	(231)	(126)	(802)	(227)	(200)	241	261
Employees at End of Period	9,293	3,665	3,203	3,289	4,112	4,702	5,301
Number of Flights	322,620	232,461	71,829	72,420	137,755	155,729	164,474
Number of Passenger	38,491	26,971	7,235	7,792	16,969	20,798	22,796
ASK (million)	64,748	32,383	10,260	13,914	27,579	32,121	36,184
RSK (million)	52,609	26,639	7,501	10,240	22,276	27,005	30,682
Load factor in %	81.3%	82.3%	73.1%	73.6%	80.8%	84.1%	84.8%
Adjusted EBIT margin	(5.5%)	(5.3%)	(117.6%)	(28.0%)	(10.6%)	7.9%	7.1%
EBIT margin in %	(5.5%)	(5.5%)	(134.1%)	(27.6%)	(10.8%)	9.3%	9.1%

Table 15: Eurowings – Operating KPIs; Source: Company Information

APPENDIX 3: LUFTHANSA – FURTHER INFORMATION

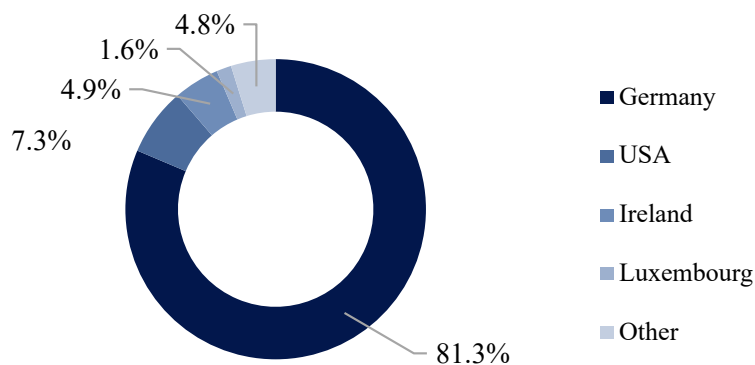


Figure 22: Lufthansa – Shareholder Structure by Nationality; Source: Company Information



Figure 23: Lufthansa – FY24 Revenue by Region; Source: Company Information

Manufacturer/Type	Lufthansa Airlines	SWISS	Austrian Airlines	Brussels Airlines	Euro-wings	Logistics	Group Fleet	thereof Lease	Change FY24
Airbus A220	-	30	-	-	-	-	30	-	-
Airbus A319	40	-	-	15	31	-	86	17	-
Airbus A320	63	25	29	16	50	-	183	24	(2)
Airbus A320neo	35	8	5	5	8	-	61	17	6
Airbus A321	54	6	6	-	6	4	76	4	-
Airbus A321neo	17	4	-	-	5	-	26	10	1
Airbus A330	22	14	-	10	-	-	46	-	-
Airbus A340	33	9	-	-	-	-	42	-	(1)
Airbus A350	30	4	-	-	-	-	34	5	8
Airbus A380	8	-	-	-	-	-	8	-	-
Boeing 747	27	-	-	-	-	-	27	-	-
Boeing 767	-	-	3	-	-	-	3	-	-
Boeing 777	-	12	6	-	-	-	18	2	-
Boeing 787	5	-	2	-	-	-	7	2	2
Boeing 777F	-	-	-	-	-	18	18	6	1
Bombardier CRJ	27	-	-	-	-	-	27	-	(1)
Embraer	26	-	17	-	-	-	43	-	-
Total Aircraft	387	112	68	46	100	22	735	91	14

Table 16: Lufthansa – Total Fleet; Source: Company Information

€m	FY24			FY25F		
	Q1	Full year	% of full year	Q1	Full year	% of full year
Passenger Airlines	5,395	28,905	18.7%	5,719	29,830	19.2%
Logistics	678	3,213	21.1%	821	3,372	24.3%
MRO	1,188	5,036	23.6%	1,481	5,752	25.7%
Other	131	427	30.7%	106	438	24.2%
Total Revenue	7,392	37,581	19.7%	8,127	39,392	20.6%
Other Operating Income	783	2,961	26.4%	700	2,904	24.1%
Total Operating Income	8,175	40,542	20.2%	8,827	42,296	20.9%
Material Costs	(4,892)	(22,393)	21.8%	(5,381)	(23,156)	23.2%
Staff Costs	(2,254)	(8,992)	25.1%	(2,367)	(9,463)	25.0%
D&A	(570)	(2,337)	24.4%	(601)	(2,574)	23.3%
Other Operating Expenses	(1,295)	(5,375)	24.1%	(1,162)	(5,635)	20.6%
Operating Expenses	(9,011)	(39,097)	23.0%	(9,511)	(40,828)	23.3%
Result of equity investment	(13)	200	(6.5%)	(38)	200	(19.0%)
Adjusted EBIT	(849)	1,645	(51.6%)	(722)	1,668	(43.3%)
Adjustments	(22)	86	(25.6%)	(19)	-	n/a
EBIT	(871)	1,731	(50.3%)	(741)	1,668	(44.4%)

Table 17: Lufthansa – Current Year Trading; Source: Company Information

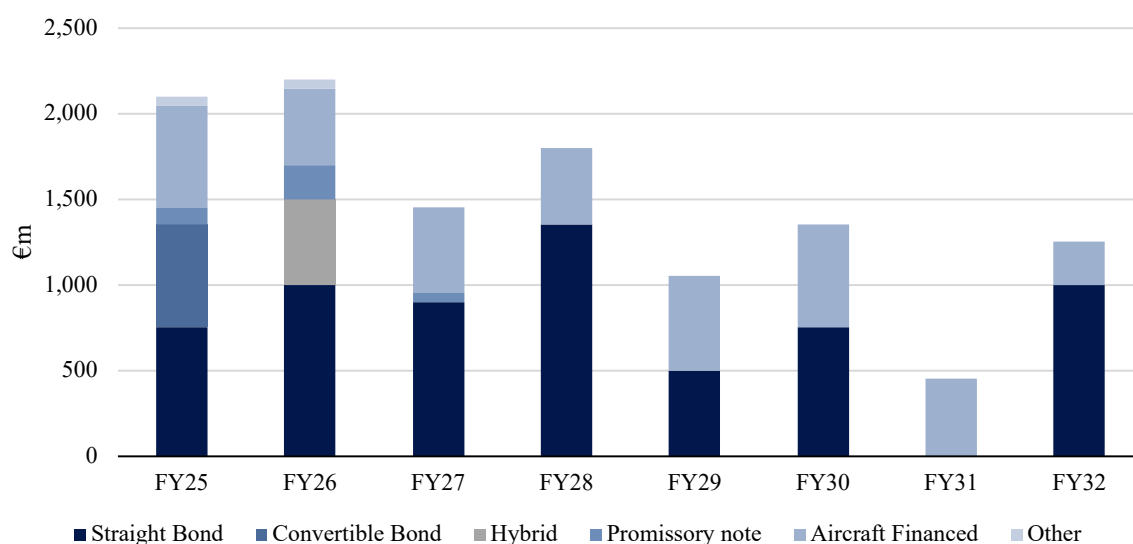


Figure 24: Lufthansa – Maturity Profile of Borrowings; Source: Company Information

in €m	Dec18	Dec19	Dec20	Dec21	Dec22	Dec23	Dec24
Inventories	968	980	726	675	812	1,385	1,606
Trade receivables	4,012	3,862	1,577	2,400	2,991	2,309	2,437
Trade liabilities	(3,868)	(3,722)	(2,087)	(2,881)	(4,041)	(4,125)	(4,472)
Contract assets	234	277	142	179	342	312	395
Contract liabilities	(6,382)	(6,771)	(5,077)	(5,979)	(7,610)	(7,777)	(8,145)
Trade working capital	(5,036)	(5,374)	(4,719)	(5,606)	(7,506)	(7,896)	(8,179)
Other receivables	1,564	1,555	1,266	1,286	1,111	1,614	1,820
Prepaid expenses	335	361	284	282	375	314	309
Other provisions	(1,078)	(986)	(1,040)	(1,144)	(1,119)	(1,279)	(1,526)
Advance payments received	(439)	(414)	(1,328)	(678)	(725)	(789)	(752)
Other liabilities	(269)	(260)	(316)	(292)	(327)	(312)	(303)
Derivative financial instruments	(36)	322	(106)	295	372	174	531
Other working capital	77	578	(1,240)	(251)	(313)	(278)	79
Net working capital	(4,959)	(4,796)	(5,959)	(5,857)	(7,819)	(8,174)	(8,100)

Table 18: Lufthansa – Net Working Capital; Source: Company Information

Year	Acquisition/Disposal	Details
2003	Air Dolomiti	Acquisition of 100% of shares in Air Dolomiti
2005	SWISS Airlines	Acquisition of initial stake in SWISS Airlines
2007	SWISS Airlines	Full integration of SWISS Airlines into Lufthansa
2008	Brussels Airlines	Acquisition of 45% of Belgian flag carrier
2008	Austrian Airlines	Full integration of Austrian Airlines
2008	BMI	Increase in BMI stake to 80%
2009	Eurowings	Acquisition of 51% of Eurowings shares from AK Industriebeteiligung
2009	Germanwings	Lufthansa takes over 100% of LCC Germanwings
2009	BMI	Acquisition of remaining 20% of shares in BMI from SAS
2009	Austrian Airlines	Acquisition of remaining part of Austrian Airlines
2012	BMI	Sale of British Midland International to IAG
2017	Brussels Airlines	Acquisition of remaining 55% of Brussels Airlines
2017	Luftfahrtgesellschaft Walter	Acquisition of Luftfahrtgesellschaft Walter from bankrupt Air Berlin Group
2019	Luftfahrtgesellschaft Walter	Sale to Zeitfracht Group
2019	LSG Group	Sale of European business of LSG Group to Gategroup
2023	ITA Airways	Acquisition of 41% of government owned airline for €325m
2023	LSG Group	Sale of remaining Catering business to Aurelius
2024	AirPlus	Sale of payment specialist to Swedish SEB Kort bank
2024	ETP Thermal Dynamics	Acquisition of 80% stake in ETP Thermal Dynamics
2025	airBaltic	Acquisition of 10% stake in Latvian airBaltic

Table 19: Lufthansa Major M&A Activities since 2000; Source: Company Information

APPENDIX 4: TAP – HISTORICAL FINANCIALS

€m	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Passenger Airline	2,782	2,914	848	1,067	3,072	3,852	3,821
<i>Growth in %</i>	n/a	4.7%	(70.9%)	25.8%	187.9%	25.4%	(0.8%)
Cargo and Mail	135	137	126	236	258	173	163
<i>Growth in %</i>	n/a	2.0%	(8.6%)	88.0%	9.4%	(33.0%)	(6.0%)
Maintenance & Engineering	228	211	68	54	132	164	237
<i>Growth in %</i>	n/a	(7.4%)	(67.9%)	(20.0%)	143.3%	23.9%	44.6%
Total revenue	3,145	3,263	1,042	1,358	3,463	4,188	4,220
<i>Growth in %</i>	n/a	3.7%	(68.1%)	30.3%	155.1%	21.0%	0.8%
Other operating income	32	36	18	31	22	26	22
<i>In % of total revenue</i>	1.0%	1.1%	1.8%	2.3%	0.6%	0.6%	0.5%
Total operating Income	3,177	3,299	1,060	1,389	3,485	4,215	4,242
Material Cost	(2,146)	(1,794)	(676)	(762)	(1,931)	(2,205)	(2,148)
<i>In % of total revenue</i>	(68.2%)	(55.0%)	(64.9%)	(56.2%)	(55.8%)	(52.6%)	(50.9%)
Staff Cost	(608)	(679)	(420)	(373)	(417)	(723)	(817)
<i>In % of total revenue</i>	(19.3%)	(20.8%)	(40.3%)	(27.5%)	(12.0%)	(17.3%)	(19.4%)
Other operating expenses	(328)	(297)	(194)	(190)	(323)	(373)	(379)
<i>In % of total revenue</i>	(10.4%)	(9.1%)	(18.7%)	(14.0%)	(9.3%)	(8.9%)	(9.0%)
Non-recurring items	(52)	(6)	(151)	(1,062)	(37)	(82)	(91)
Total operating cost	(3,133)	(2,776)	(1,440)	(2,388)	(2,707)	(3,382)	(3,435)
EBITDA	44	523	(380)	(999)	778	833	807
Depreciation & Amortization	(71)	(476)	(585)	(490)	(510)	(486)	(493)
<i>In % of fixed assets</i>	(13.2%)	(15.5%)	(19.5%)	(16.3%)	(16.3%)	(15.1%)	(14.6%)
EBIT	(27)	47	(965)	(1,489)	268	347	314
Interest and similar income	37	34	34	34	40	65	80
<i>In % of cash and fin. investments</i>	n/a	15.1%	7.9%	6.5%	4.9%	7.1%	10.1%
Interest and similar expenses	(43)	(185)	(246)	(294)	(262)	(255)	(250)
<i>In % of prev. year financial liabilities</i>	n/a	22.5%	6.8%	6.3%	7.3%	7.0%	7.7%
Overhedge Gains / Losses	-	-	(165)	9	-	-	-
Net currency exchange	(49)	(21)	162	(176)	(13)	30	(49)
Earnings before taxes	(82)	(126)	(1,180)	(1,916)	34	186	96
Income tax	24	30	(50)	316	32	(9)	(42)
Effective tax rate	29.4%	24.0%	(4.2%)	16.5%	(93.8%)	4.9%	43.7%
Net profit/ (loss)	(58)	(96)	(1,230)	(1,600)	65	177	54

Table 20: TAP – Historical Income Statement; Source: Company Information

€m	FY18	FY19	FY20	FY21	FY22	FY23	FY24
EBT	(82)	(126)	(1,180)	(1,916)	34	186	96
D&A	71	476	585	490	510	486	493
Interest expenses (net)	6	151	212	260	221	190	170
Taxes on Income	24	30	(50)	316	32	(9)	(42)
Change in TWC	n/a	(134)	148	1,088	(336)	(195)	305
Other items	(11)	(61)	(27)	(266)	313	348	(372)
Cash Flow from Operations	7	337	(313)	(29)	774	1,005	649
CapEx	(605)	(3,012)	(509)	(498)	(627)	(586)	(652)
<i>In % of total revenue</i>	(19.2%)	(92.3%)	(48.9%)	(36.7%)	(18.1%)	(14.0%)	(15.5%)
Interest income	37	34	34	34	40	65	80
Other investing cash flow	576	2,844	311	356	346	297	184
<i>In % of total revenue</i>	18.3%	87.2%	29.8%	26.2%	10.0%	7.1%	4.4%
Investing Cash Flow	8	(135)	(165)	(109)	(241)	(225)	(388)
Capital increase/decrease	-	-	-	998	294	-	343
Change in financial debt	113	194	812	(463)	(638)	(810)	(686)
Profit distribution	(30)	-	-	-	-	-	-
Interests and similar costs	(43)	(185)	(246)	(294)	(262)	(255)	(250)
Overhedge fuel derivatives	-	-	(165)	9	-	-	-
Other financing items	13	8	172	181	183	168	212
<i>In % of total revenue</i>	0.4%	0.2%	16.5%	13.3%	5.3%	4.0%	5.0%
Financing Cash Flow	53	16	573	431	(423)	(896)	(380)
Total Cash Flow	68	218	95	293	110	(115)	(119)

Table 21: TAP – Historical Cash Flow Statement; Source: Company Information

€m	Dec18	Dec19	Dec20	Dec21	Dec22	Dec23	Dec24
Tangible assets	521	3,026	2,944	2,955	3,078	3,181	3,153
<i>In % of total revenue</i>	16.6%	92.8%	282.6%	217.7%	88.9%	76.0%	74.7%
Intangible assets	11	25	25	24	23	23	31
<i>In % of total revenue</i>	0.4%	0.8%	2.4%	1.7%	0.7%	0.5%	0.7%
Financial assets	2	19	26	25	20	18	196
<i>In % of total revenue</i>	0.1%	0.6%	2.5%	1.9%	0.6%	0.4%	4.6%
Fixed assets	534	3,071	2,995	3,004	3,121	3,221	3,381
Inventories	64	100	80	57	66	79	98
DIO	7	11	28	15	7	7	8
Clients and other receivables	1,155	1,288	1,116	348	876	1,128	877
DSO	134	144	391	93	92	98	76
Liabilities from unused flight documents	(393)	(481)	(602)	(644)	(738)	(716)	(699)
<i>In % of total revenue</i>	(12.5%)	(14.7%)	(57.8%)	(47.4%)	(21.3%)	(17.1%)	(16.6%)
Suppliers and Other payables	(667)	(572)	(387)	(406)	(584)	(675)	(625)
DPO	114	116	209	194	110	112	106
Trade Working Capital	158	336	207	(646)	(380)	(183)	(350)
Other Working Capital	(93)	(138)	(157)	(392)	(321)	(322)	(461)
<i>In % of total Revenue</i>	(3.0%)	(4.2%)	(15.1%)	(28.9%)	(9.3%)	(7.7%)	(10.9%)
Net Working Capital	64	198	50	(1,037)	(701)	(506)	(811)
Financial liabilities	(826)	(3,637)	(4,629)	(3,600)	(3,656)	(3,242)	(3,001)
<i>In % of total equity</i>	(787.9%)	(2702.1%)	401.1%	769.0%	(875.3%)	(528.1%)	(512.7%)
Pension liability	(86)	(96)	(110)	(89)	(108)	(177)	(187)
<i>In % of personell cost</i>	14.2%	14.2%	26.1%	23.9%	25.9%	24.5%	22.8%
Cash and cash equivalents	224	426	519	813	916	789	652
Financial Debt	(688)	(3,307)	(4,220)	(2,876)	(2,848)	(2,629)	(2,536)
Cash-/Debt-like items	213	122	(1)	112	442	124	165
Net debt	(476)	(3,185)	(4,221)	(2,764)	(2,406)	(2,505)	(2,372)
Deferred tax assets (net)	(18)	51	21	330	403	403	387
Net assets	105	135	(1,154)	(468)	418	614	585
Share Capital	42	42	42	904	980	980	314
Supplementary contributions and other capital inst	154	154	154	-	-	-	343
Legal and other reserves	(21)	25	(15)	8	(102)	(29)	(102)
Retained earnings	(12)	10	(105)	218	(526)	(514)	(23)
Net income/ loss for the year	(58)	(96)	(1,230)	(1,599)	66	177	54
Total Equity	105	135	(1,154)	(468)	418	614	585

Table 22: TAP – Historical Balance Sheet; Source: Company Information

APPENDIX 5: TAP – FURTHER INFORMATION

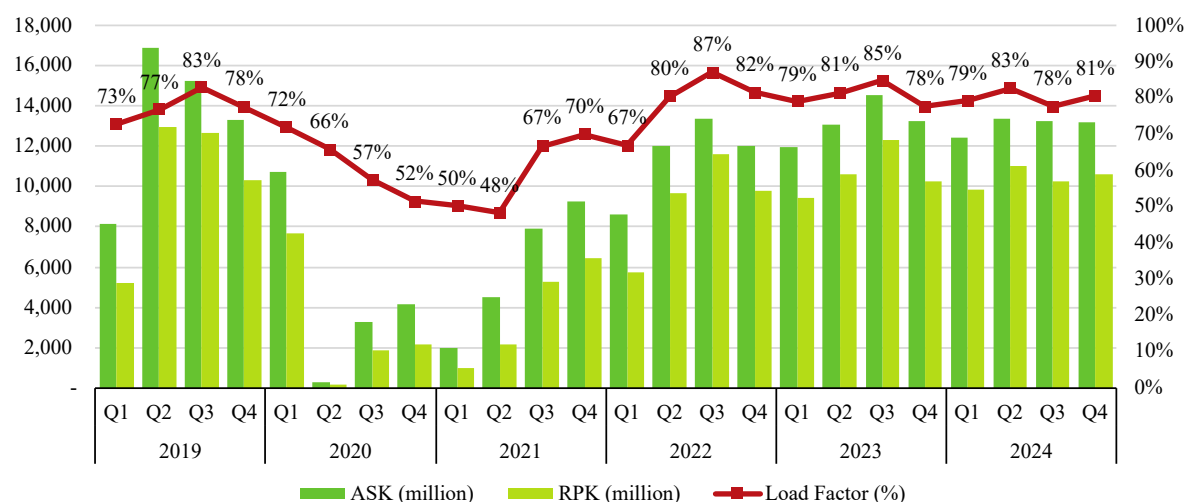


Figure 25: TAP – Quarterly Capacity & Utilization Development; Source: Company Information

	Leases		Total
	With purchase option	Without purchase option	
Airbus A330	-	3	3
Airbus A330 NEO	3	16	19
Airbus A319	3	-	3
Airbus A320	3	11	14
Airbus A320 NEO	4	11	15
Airbus A321	2	1	3
Airbus A321 NEO	-	10	10
Airbus A321 NEO LR	7	6	13
Embraer 190	-	12	12
Embraer 195	-	7	7
Total	22	77	99

Table 23: TAP – Fleet Composition; Source: Company Information

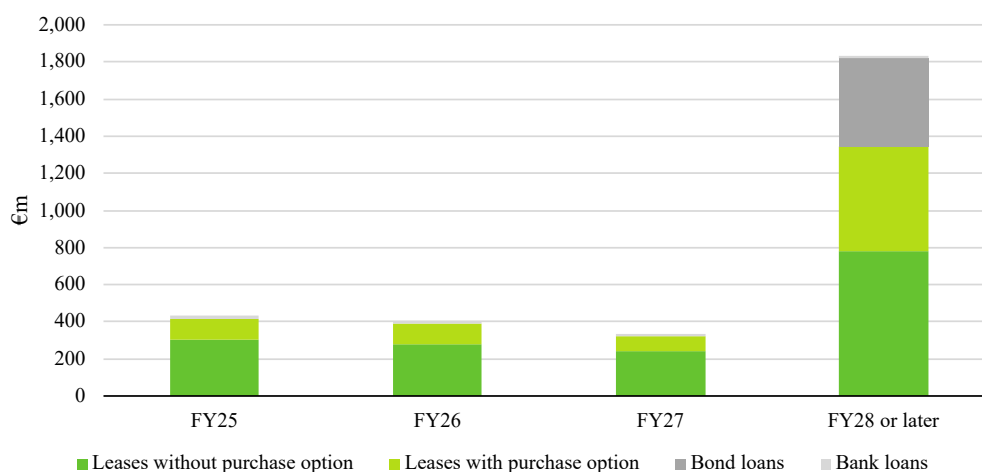


Figure 26: TAP – Maturity Profile of Borrowings; Source: Company Information

APPENDIX 6: LUFTHANSA – WACC COMPONENTS

	Market Cap. (\$m)	5Y Rev. Growth	LTM Revenue	Load Factor	3Y Oper. Margin	Passen- gers	Beta	Bonds Outst. (\$)	Debt-to Equity Ratio
Lufthansa	8,617	22%	41,885	83%	4%	131.3	1.28	7,458	0.87
Air France KLM SA	2,292	13%	34,931	88%	4%	98.0	2.07	3,180	1.39
IAG	16,706	38%	34,222	87%	9%	122.0	2.98	1,700	0.10
Ryanair	25,153	49%	14,919	94%	13%	184.0	1.36	2,318	0.09
Turkish Airlines	10,207	29%	21,863	82%	12%	85.2	1.21	89	0.01
Finnair	553	30%	3,328	76%	-2%	11.7	1.72	565	1.02
United Airlines	22,477	20%	57,737	83%	8%	174.0	1.40	9,960	0.44

Table 24: Lufthansa – Peer Comparison; Source: Refinitiv Workspace

Description	Maturity Date	Amount (€m)		Coupon	Coupon Class	Country of Issue	Issue Date	Last Price	Yield	Weighted Yield
LHAG 2.000 17-Nov-2025 CVT	2025	600	600	2.00%	Fixed	Germany	17.11.20	104.329	-4.31%	-0.39%
LHAG 3.000 29-May-2026 '26 MTN	2026	1,000	1,000	3.00%	Fixed	Eurobond	01.12.20	100.184	2.84%	0.43%
LHAG 2.875 16-May-2027 '27 MTN	2027	900	900	2.88%	Fixed	Eurobond	16.11.21	99.608	3.06%	0.42%
LHAG 3.750 11-Feb-2028 '27 MTN	2028	850	850	3.75%	Fixed	Eurobond	11.02.21	101.587	3.17%	0.41%
LHAG 3.625 03-Sep-2028 '28 MTN	2028	500	500	3.63%	Fixed	Eurobond	03.09.24	101.384	3.19%	0.24%
LHAG 3.500 14-Jul-2029 '29 MTN	2029	500	500	3.50%	Fixed	Eurobond	14.07.21	100.662	3.33%	0.25%
LHAG 4.000 21-May-2030 '30 MTN	2030	750	750	4.00%	Fixed	Eurobond	21.05.24	102.575	3.45%	0.39%
LHAG 4.125 03-Sep-2032 '32 MTN	2032	500	500	4.13%	Fixed	Eurobond	03.09.24	101.239	3.93%	0.30%
LHAG 5.250 15-Jan-2055 '30 FRN	2055	500	500	5.25%	Floating	Eurobond	15.01.25	99.375	5.37%	0.41%
LHAG 2.500 13-Apr-2075	2075	-	-	2.50%	Fixed	Eurobond	13.05.15	0	n/a	0.00%
LHAG 4.382 12-Aug-2075 '26 FRN	2075	500	500	4.38%	Floating	Eurobond	12.08.15	100	6.97%	0.53%
Total		6,600	6,600							2.98%

Table 25: Lufthansa – Outstanding Bonds as of Apr25; Source: Refinitiv Workspace

Peer	Levered beta	Debt-to- equity ratio	Tax rate	Unlevered beta
Ryanair	1.36	9%	25%	1.28
Air France-KLM	2.07	139%	26%	1.02
IAG	2.98	10%	25%	2.77
Turkish Airlines	1.21	1%	25%	1.20
Finnair	1.72	102%	13%	0.91
United Airlines	1.40	44%	21%	1.03
Average				1.37
Indirect beta Lufthansa	2.25	87%	25%	1.37
Direct beta Lufthansa	1.28			
Raw beta	1.77			
Adjusted beta	1.51			

Table 26: Lufthansa – Beta Computation; Source: Own Computation

Cost of Equity	
Equity risk premium Germany	4.33%
Beta	1.51
German 10Y Government Bond Yield	2.84%
CAPM - Cost of Equity	9.39%

Table 27: Lufthansa – Cost of Equity; Source: Own Computation

APPENDIX 7: LUFTHANSA – FORECASTED FINANCIALS

€m	FY24	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
Passenger Airlines	28,905	29,830	31,008	32,080	33,119	33,947	34,799
<i>Growth in %</i>	4.6%	3.2%	4.0%	3.5%	3.2%	2.5%	2.5%
Logistics	3,213	3,372	3,523	3,664	3,792	3,907	4,005
<i>Growth in %</i>	9.8%	4.9%	4.5%	4.0%	3.5%	3.0%	2.5%
MRO	5,036	5,752	6,507	7,252	7,896	8,344	8,507
<i>Growth in %</i>	14.7%	14.2%	13.1%	11.4%	8.9%	5.7%	2.0%
Other	427	438	452	463	472	475	475
<i>Growth in %</i>	(13.6%)	2.6%	3.1%	2.5%	1.9%	0.8%	0.0%
Total Revenue	37,581	39,392	41,490	43,458	45,279	46,674	47,787
<i>Growth in %</i>	6.0%	4.8%	5.3%	4.7%	4.2%	3.1%	2.4%
Other Operating Income	2,961	2,904	3,059	3,204	3,338	3,441	3,523
<i>In % of total revenue</i>	7.9%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Total Operating Income	40,542	42,296	44,549	46,662	48,617	50,115	51,310
Material Costs	(22,393)	(23,156)	(24,308)	(25,376)	(26,350)	(27,071)	(27,622)
<i>In % of total revenue</i>	(59.6%)	(58.8%)	(58.6%)	(58.4%)	(58.2%)	(58.0%)	(57.8%)
Staff Costs	(8,992)	(9,469)	(10,020)	(10,544)	(11,037)	(11,429)	(11,756)
<i>In % of total revenue</i>	(23.9%)	(24.0%)	(24.2%)	(24.3%)	(24.4%)	(24.5%)	(24.6%)
D&A	(2,337)	(2,574)	(2,715)	(2,848)	(2,971)	(3,067)	(3,132)
<i>In % of Fixed Assets</i>	(8.8%)	(9.1%)	(9.1%)	(9.1%)	(9.1%)	(9.1%)	(9.1%)
Other Operating Expenses	(5,375)	(5,635)	(5,935)	(6,216)	(6,477)	(6,676)	(6,836)
<i>In % of total revenue</i>	(14.3%)	(14.3%)	(14.3%)	(14.3%)	(14.3%)	(14.3%)	(14.3%)
Operating Expenses	(39,097)	(40,834)	(42,979)	(44,984)	(46,836)	(48,243)	(49,345)
Result of equity investment	200	204	208	212	216	221	225
<i>Growth in %</i>	(6.1%)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Adjusted EBIT	1,645	1,665	1,778	1,890	1,998	2,092	2,190
Adjustments	86	-	-	-	-	-	-
EBIT	1,731	1,665	1,778	1,890	1,998	2,092	2,190
Interest Income	441	418	403	395	376	347	309
<i>In % of financial assets</i>	5.3%	4.9%	4.5%	4.1%	3.7%	3.3%	2.8%
Interest Expenses	(590)	(580)	(587)	(592)	(593)	(591)	(583)
<i>In % of prev. year financial liabilities</i>	3.5%	3.5%	3.4%	3.3%	3.2%	3.1%	3.0%
Other Financial Items	(6)	-	-	-	-	-	-
Financial Result	(155)	(163)	(184)	(197)	(217)	(243)	(274)
EBT	1,576	1,503	1,595	1,692	1,781	1,849	1,916
Taxes on Income	(176)	(202)	(251)	(305)	(362)	(418)	(477)
<i>Tax rate</i>	11.2%	13.5%	15.7%	18.0%	20.3%	22.6%	24.9%
Result from Discontinued Businesses	(7)	-	-	-	-	-	-
Net Profit Group	1,393	1,301	1,344	1,387	1,419	1,431	1,439
Minorities	(13)	(20)	(20)	(21)	(21)	(22)	(22)
<i>In % of Net Profit</i>	(0.9%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)
Net Profit attributable to LH Shareholder	1,380	1,281	1,323	1,366	1,397	1,409	1,417

Table 28: Lufthansa – Income Statement Forecast; Source: Own Analysis

in €m	FY24	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
EBT	1,576	1,503	1,595	1,692	1,781	1,849	1,916
D&A	2,337	2,574	2,715	2,848	2,971	3,067	3,132
Interest expenses (net)	149	163	184	197	217	243	274
Taxes on Income	(176)	(202)	(251)	(305)	(362)	(418)	(477)
Change in NWC	476	418	394	359	321	225	240
Other items	(470)	58	(1)	(1)	(1)	(1)	(1)
Cash Flow from Operations	3,892	4,513	4,635	4,790	4,928	4,965	5,084
CapEx	(2,800)	(3,939)	(3,734)	(3,911)	(4,075)	(4,201)	(4,298)
<i>In % of total revenue</i>	<i>(7.5%)</i>	<i>(10.0%)</i>	<i>(9.0%)</i>	<i>(9.0%)</i>	<i>(9.0%)</i>	<i>(9.0%)</i>	<i>(9.0%)</i>
Interest Income	441	418	403	395	376	347	309
Other investing cash flow	34	-	-	-	-	-	-
<i>In % of total revenue</i>	<i>0.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Investing Cash Flow	(2,325)	(3,522)	(3,331)	(3,517)	(3,699)	(3,853)	(3,989)
Capital increase/decrease	-	-	-	-	-	-	-
Change in Financial debt	(520)	442	376	305	221	120	15
Profit distribution	(372)	(384)	(397)	(410)	(419)	(423)	(425)
<i>In % of Net Profit</i>	<i>(27.0%)</i>	<i>(30.0%)</i>	<i>(30.0%)</i>	<i>(30.0%)</i>	<i>(30.0%)</i>	<i>(30.0%)</i>	<i>(30.0%)</i>
Interest expenses	(590)	(580)	(587)	(592)	(593)	(591)	(583)
Other financing items	32	-	-	-	-	-	-
<i>In % of total revenue</i>	<i>0.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Financing Cash Flow	(1,450)	(523)	(608)	(697)	(791)	(893)	(994)
Total Cash Flow	117	469	696	577	437	219	102

Table 29: Lufthansa – Cash Flow Statement Forecast; Source: Source: Own Analysis

in €m	Dec24	Dec25F	Dec26F	Dec27F	Dec28F	Dec29F	FY30F
Intangible assets	1,337	1,299	1,261	1,208	1,141	1,055	956
<i>In % of total revenue</i>	<i>3.6%</i>	<i>3.3%</i>	<i>3.0%</i>	<i>2.8%</i>	<i>2.5%</i>	<i>2.3%</i>	<i>2.0%</i>
Tangible assets	23,940	25,211	26,703	28,126	29,467	30,542	31,300
<i>In % of total revenue</i>	<i>63.7%</i>	<i>64.0%</i>	<i>64.4%</i>	<i>64.7%</i>	<i>65.1%</i>	<i>65.4%</i>	<i>65.5%</i>
Financial assets	1,373	1,694	1,784	1,869	1,947	2,007	2,055
<i>In % of total revenue</i>	<i>3.7%</i>	<i>4.3%</i>	<i>4.3%</i>	<i>4.3%</i>	<i>4.3%</i>	<i>4.3%</i>	<i>4.3%</i>
Fixed assets	26,650	28,204	29,748	31,202	32,555	33,604	34,311
Inventories	1,606	1,619	1,705	1,786	1,861	1,918	1,964
<i>DIO</i>	<i>16</i>	<i>15</i>	<i>15</i>	<i>15</i>	<i>15</i>	<i>15</i>	<i>15</i>
Trade receivables	2,437	2,554	2,690	2,818	2,936	3,027	3,099
<i>DSO</i>	<i>24</i>	<i>24</i>	<i>24</i>	<i>24</i>	<i>24</i>	<i>24</i>	<i>24</i>
Trade liabilities	(4,472)	(4,646)	(4,900)	(5,139)	(5,362)	(5,533)	(5,752)
<i>DPO</i>	<i>73</i>	<i>73</i>	<i>74</i>	<i>74</i>	<i>74</i>	<i>75</i>	<i>76</i>
Contract assets	395	346	364	381	397	410	419
<i>In % of total revenue</i>	<i>1.1%</i>	<i>0.9%</i>	<i>0.9%</i>	<i>0.9%</i>	<i>0.9%</i>	<i>0.9%</i>	<i>0.9%</i>
Contract liabilities	(8,145)	(8,470)	(8,850)	(9,196)	(9,504)	(9,716)	(9,866)
<i>In % of total revenue</i>	<i>(21.7%)</i>	<i>(21.5%)</i>	<i>(21.3%)</i>	<i>(21.2%)</i>	<i>(21.0%)</i>	<i>(20.8%)</i>	<i>(20.6%)</i>
Trade working capital	(8,179)	(8,597)	(8,991)	(9,350)	(9,671)	(9,896)	(10,136)
Other working capital	79	21	23	24	25	25	26
<i>In % of total revenue</i>	<i>0.2%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>
Net working capital	(8,100)	(8,576)	(8,968)	(9,326)	(9,646)	(9,870)	(10,110)
Financial liabilities	(14,232)	(14,674)	(15,050)	(15,355)	(15,576)	(15,696)	(15,710)
<i>In % of total equity</i>	<i>(122.8%)</i>	<i>(117.3%)</i>	<i>(111.8%)</i>	<i>(106.4%)</i>	<i>(100.9%)</i>	<i>(95.5%)</i>	<i>(90.0%)</i>
Cash and cash equivalents	8,488	8,957	9,653	10,230	10,667	10,886	10,987
Pension liability (net)	(2,566)	(2,804)	(3,075)	(3,350)	(3,625)	(3,877)	(4,114)
<i>In % of personnel cost</i>	<i>28.5%</i>	<i>29.6%</i>	<i>30.7%</i>	<i>31.8%</i>	<i>32.8%</i>	<i>33.9%</i>	<i>35.0%</i>
Net debt (reported)	(8,310)	(8,521)	(8,472)	(8,475)	(8,534)	(8,687)	(8,838)
Cash/(Debt)-like items	(769)	(548)	(656)	(656)	(548)	(170)	527
Net debt (adjusted)	(9,079)	(9,069)	(9,128)	(9,131)	(9,082)	(8,857)	(8,311)
Deferred income tax asset/(liability)	2,123	1,951	1,805	1,689	1,608	1,566	1,566
Net assets	11,594	12,510	13,457	14,434	15,434	16,442	17,456
Capital	3,068	3,068	3,068	3,068	3,068	3,068	3,068
Reserve	265	265	265	265	265	265	265
Retained earnings	5,477	5,093	5,977	6,890	7,837	8,812	9,796
Other non-operating reserves	2,732	2,732	2,732	2,732	2,732	2,732	2,732
Net income	-	1,281	1,323	1,366	1,397	1,409	1,417
Equity attributable to LH Shareholders	11,542	12,439	13,365	14,321	15,300	16,286	17,278
Minority interest	52	72	92	113	135	156	178
Total Equity	11,594	12,510	13,457	14,434	15,434	16,442	17,456

Table 30: Lufthansa – Balance Sheet Forecast; Source: Source: Own Analysis

APPENDIX 8: LUFTHANSA – FORECAST DETAILS

€m	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
Passenger Airline revenue	26,204	26,432	6,756	8,528	21,873	27,632	28,905	29,830	31,008	32,080	33,119	33,947	34,799
<i>Growth in %</i>		<i>0.9%</i>	<i>-74.4%</i>	<i>26.2%</i>	<i>156.5%</i>	<i>26.3%</i>	<i>4.6%</i>	<i>3.2%</i>	<i>4.0%</i>	<i>3.5%</i>	<i>3.2%</i>	<i>2.5%</i>	<i>2.5%</i>
RPK (million)	284,853	296,489	69,474	89,398	207,031	249,269	271,038	291,366	305,934	319,701	330,891	339,163	345,946
<i>Growth in %</i>		<i>4.1%</i>	<i>(76.6%)</i>	<i>28.7%</i>	<i>131.6%</i>	<i>20.4%</i>	<i>8.7%</i>	<i>7.5%</i>	<i>5.0%</i>	<i>4.5%</i>	<i>3.5%</i>	<i>2.5%</i>	<i>2.0%</i>
Passenger Yield (€)	0.09	0.09	0.10	0.10	0.11	0.11	0.11	0.10	0.10	0.10	0.10	0.10	0.10
<i>Growth in %</i>		<i>(3.1%)</i>	<i>9.1%</i>	<i>(1.9%)</i>	<i>10.8%</i>	<i>4.9%</i>	<i>(3.8%)</i>	<i>(4.0%)</i>	<i>(1.0%)</i>	<i>(1.0%)</i>	<i>(0.3%)</i>	<i>0.0%</i>	<i>0.5%</i>

Table 31: Passenger Airlines – Revenue Forecast; Source: Own Analysis

€m	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
Logistic revenue	2,681	2,437	2,733	3,768	4,582	2,927	3,213	3,372	3,523	3,664	3,792	3,907	4,005
<i>Growth in %</i>		<i>-9.1%</i>	<i>12.1%</i>	<i>37.9%</i>	<i>21.6%</i>	<i>-36.1%</i>	<i>9.8%</i>	<i>4.9%</i>	<i>4.5%</i>	<i>4.0%</i>	<i>3.5%</i>	<i>3.0%</i>	<i>2.5%</i>
RCTK (million)	8,934	8,899	6,461	7,198	7,231	7,471	8,482	8,991	9,440	9,818	10,113	10,315	10,470
<i>Growth in %</i>		<i>(0.4%)</i>	<i>(27.4%)</i>	<i>11.4%</i>	<i>0.5%</i>	<i>3.3%</i>	<i>13.5%</i>	<i>6.0%</i>	<i>5.0%</i>	<i>4.0%</i>	<i>3.0%</i>	<i>2.0%</i>	<i>1.5%</i>
Cargo Yield (€)	0.30	0.27	0.42	0.52	0.63	0.39	0.38	0.38	0.37	0.37	0.38	0.38	0.38
<i>Growth in %</i>		<i>(8.7%)</i>	<i>54.5%</i>	<i>23.8%</i>	<i>21.0%</i>	<i>(38.2%)</i>	<i>(3.3%)</i>	<i>(1.0%)</i>	<i>(0.5%)</i>	<i>0.0%</i>	<i>0.5%</i>	<i>1.0%</i>	<i>1.0%</i>

Table 32: Logistics – Revenue Forecast; Source: Own Analysis

€m	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
MRO revenue Ambition 2030													10,000
CAGR FY24-FY30F													9.1%
Market forecasts FY25-FY35													2.0%
<i>Growth shift towards next years</i>								0.25	0.50	0.80	1.20	1.50	1.75
<i>Change in growth rate</i>								<i>(0.5%)</i>	<i>(1.1%)</i>	<i>(1.7%)</i>	<i>(2.6%)</i>	<i>(3.2%)</i>	<i>(3.7%)</i>
MRO revenue	3,812	4,378	2,724	3,117	4,004	4,389	5,036	5,752	6,507	7,252	7,896	8,344	8,507
<i>Growth in %</i>		<i>14.8%</i>	<i>(37.8%)</i>	<i>14.4%</i>	<i>28.5%</i>	<i>9.6%</i>	<i>14.7%</i>	<i>14.2%</i>	<i>13.1%</i>	<i>11.4%</i>	<i>8.9%</i>	<i>5.7%</i>	<i>2.0%</i>

Table 33: MRO – Revenue Forecast; Source: Own Analysis

€m	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
Fuel	(6,087)	(6,715)	(1,875)	(2,409)	(7,601)	(7,931)	(7,785)	(8,013)	(8,536)	(9,041)	(9,525)	(9,927)	(10,274)
<i>In % of total revenue</i>	<i>(17.0%)</i>	<i>(18.4%)</i>	<i>(13.8%)</i>	<i>(14.3%)</i>	<i>(23.2%)</i>	<i>(22.4%)</i>	<i>(20.7%)</i>	<i>(20.3%)</i>	<i>(20.6%)</i>	<i>(20.8%)</i>	<i>(21.0%)</i>	<i>(21.3%)</i>	<i>(21.5%)</i>
Fees & Charges	(4,457)	(4,523)	(1,796)	(2,155)	(3,730)	(4,487)	(5,020)	(5,239)	(5,494)	(5,729)	(5,943)	(6,099)	(6,217)
<i>In % of total revenue</i>	<i>(12.4%)</i>	<i>(12.4%)</i>	<i>(13.2%)</i>	<i>(12.8%)</i>	<i>(11.4%)</i>	<i>(12.7%)</i>	<i>(13.4%)</i>	<i>(13.3%)</i>	<i>(13.2%)</i>	<i>(13.2%)</i>	<i>(13.1%)</i>	<i>(13.1%)</i>	<i>(13.0%)</i>
Operating Lease/ Charter	(717)	(814)	(469)	(408)	(855)	(878)	(1,073)	(1,061)	(1,051)	(1,032)	(1,002)	(958)	(904)
<i>In % of total revenue</i>	<i>(2.0%)</i>	<i>(2.2%)</i>	<i>(3.5%)</i>	<i>(2.4%)</i>	<i>(2.6%)</i>	<i>(2.5%)</i>	<i>(2.9%)</i>	<i>(2.7%)</i>	<i>(2.5%)</i>	<i>(2.4%)</i>	<i>(2.2%)</i>	<i>(2.1%)</i>	<i>(1.9%)</i>
Other Material Costs	(7,408)	(7,775)	(4,313)	(3,974)	(6,448)	(7,067)	(8,515)	(8,843)	(9,227)	(9,574)	(9,880)	(10,087)	(10,228)
<i>In % of total revenue</i>	<i>(20.7%)</i>	<i>(21.3%)</i>	<i>(31.7%)</i>	<i>(23.6%)</i>	<i>(19.7%)</i>	<i>(19.9%)</i>	<i>(22.7%)</i>	<i>(22.4%)</i>	<i>(22.2%)</i>	<i>(22.0%)</i>	<i>(21.8%)</i>	<i>(21.6%)</i>	<i>(21.4%)</i>
Material Costs	(18,669)	(19,827)	(8,453)	(8,946)	(18,634)	(20,363)	(22,393)	(23,156)	(24,308)	(25,376)	(26,350)	(27,071)	(27,622)
<i>In % of total revenue</i>	<i>(52.1%)</i>	<i>(54.4%)</i>	<i>(62.2%)</i>	<i>(53.2%)</i>	<i>(56.9%)</i>	<i>(57.5%)</i>	<i>(59.6%)</i>	<i>(58.8%)</i>	<i>(58.6%)</i>	<i>(58.4%)</i>	<i>(58.5%)</i>	<i>(58.0%)</i>	<i>(57.8%)</i>

Table 34: Lufthansa – Material Cost Forecast; Source: Source: Own Analysis

in €m	FY25F	FY26F	FY27F	FY28F	FY29F	FY30Y
Tax payment	(202)	(251)	(305)	(362)	(418)	(477)
<i>Tax rate</i>	<i>(13%)</i>	<i>(16%)</i>	<i>(18%)</i>	<i>(20%)</i>	<i>(23%)</i>	<i>(25%)</i>
Pre-tax income	1,503	1,595	1,692	1,781	1,849	1,916
<i>Marginal tax rate</i>	<i>(25%)</i>	<i>(25%)</i>	<i>(25%)</i>	<i>(25%)</i>	<i>(25%)</i>	<i>(25%)</i>
Marginal Tax payment	(374)	(397)	(421)	(443)	(460)	(477)
Change deferred taxes	(172)	(146)	(116)	(81)	(42)	-
Deferred income tax asset/(liability)	1,951	1,805	1,689	1,608	1,566	1,566

Table 35: Lufthansa – Deferred Tax Forecast; Source: Source: Own Analysis

APPENDIX 9: LUFTHANSA – SENSITIVITY ANALYSIS

		Terminal growth rate						
		1.7%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%
WACC	7.0%	4.31	4.48	4.66	4.84	5.03	5.23	5.43
	6.8%	4.83	5.02	5.22	5.42	5.63	5.85	6.08
	6.5%	5.41	5.62	5.84	6.06	6.30	6.55	6.81
	6.3%	6.05	6.28	6.53	6.78	7.05	7.34	7.63
	6.0%	6.76	7.02	7.30	7.59	7.90	8.22	8.56
	5.8%	7.55	7.86	8.17	8.51	8.86	9.23	9.62
	5.5%	8.46	8.80	9.17	9.55	9.96	10.39	10.85

Table 36: Lufthansa – Share Price Sensitivity; Source: Own Analysis

APPENDIX 10: TAP – WACC COMPONENTS

	Market Cap. (\$m)	5Y Rev. Growth	LTM Revenue	Load Factor	3Y Oper. Margin	Passen- gers	Beta	Bonds Outst. (\$)	Debt-to Equity Ratio
TAP	n/a	29%	4,220	82%	8%	16.1	n/a	759	0.91
Finnair	553	30%	3,328	76%	-2%	11.7	1.72	565	1.02
Aegean Airlines	1,211	29%	1,888	83%	13%	16.3	1.79	226	0.19
Easyjet PLC	5,036	0%	11,798	89%	2%	89.7	3.07	2883	0.57
Turkish Airlines	10,207	29%	21,863	82%	12%	85.2	1.21	89	0.01

Table 37: TAP – Peer Comparison; Source: Refinitiv Workspace

Peer	Levered beta	Debt-to- equity ratio	Tax rate	Unlevered beta
Finnair	1.72	102%	20%	0.94
Aegean Airlines	1.79	19%	22%	1.56
EasyJet	3.07	57%	25%	2.15
Turkish Airlines	1.21	1%	25%	1.20
Average				1.46
Indirect beta TAP	2.37	91%	32%	1.46
Direct beta TAP	n/a			
Raw beta	2.37			
Adjusted beta	1.92			

Table 38: TAP – Beta Computation; Source: Own Computation

Cost of Equity	
Average return EuroStoxx (annualized)	8.77%
Beta	1.92
German Government Bond 10Y Yield	2.84%
CAPM - Cost of Equity	14.20%

Table 39: TAP – Cost of Equity; Source: Own Computation

APPENDIX 11: TAP – FORECASTED FINANCIALS

€m	FY24	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
Passenger Airline	3,821	3,940	4,134	4,382	4,625	4,834	5,004
<i>Growth in %</i>	(0.8%)	3.1%	4.9%	6.0%	5.5%	4.5%	3.5%
Cargo and Mail	163	166	173	181	189	195	200
<i>Growth in %</i>	(6.0%)	2.1%	3.9%	4.9%	4.4%	3.4%	2.4%
Maintenance & Engineering	237	284	312	337	354	361	368
<i>Growth in %</i>	44.6%	20.0%	10.0%	8.0%	5.0%	2.0%	2.0%
Total revenue	4,220	4,390	4,619	4,901	5,168	5,390	5,572
<i>Growth in %</i>	0.8%	4.0%	5.2%	6.1%	5.4%	4.3%	3.4%
Other operating income	22	26	28	29	31	32	33
<i>In % of total revenue</i>	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Total operating Income	4,242	4,416	4,647	4,930	5,199	5,423	5,606
Material Cost	(2,148)	(2,221)	(2,339)	(2,483)	(2,620)	(2,735)	(2,830)
<i>In % of total revenue</i>	(50.9%)	(50.6%)	(50.6%)	(50.7%)	(50.7%)	(50.7%)	(50.8%)
Staff Cost	(817)	(852)	(899)	(956)	(1,011)	(1,057)	(1,096)
<i>In % of total revenue</i>	(19.4%)	(19.4%)	(19.5%)	(19.5%)	(19.6%)	(19.6%)	(19.7%)
Other operating expenses	(379)	(417)	(434)	(456)	(475)	(491)	(502)
<i>In % of total revenue</i>	(9.0%)	(9.5%)	(9.4%)	(9.3%)	(9.2%)	(9.1%)	(9.0%)
Non-recurring items	(91)	-	-	-	-	-	-
Total operating cost	(3,435)	(3,490)	(3,672)	(3,895)	(4,107)	(4,283)	(4,427)
EBITDA	807	926	975	1,035	1,092	1,140	1,179
Depreciation & Amortization	(493)	(522)	(572)	(602)	(629)	(651)	(667)
<i>In % of fixed assets</i>	(14.6%)	(14.6%)	(14.7%)	(14.7%)	(14.8%)	(14.8%)	(14.9%)
EBIT	314	404	403	433	463	489	512
Interest and similar income	80	46	54	57	54	57	32
<i>In % of cash and fin. investments</i>	10.1%	7.1%	6.5%	6.0%	5.4%	4.8%	2.8%
Interest and similar expenses	(250)	(227)	(218)	(206)	(188)	(175)	(147)
<i>In % of prev. year financial liabilities</i>	7.7%	7.1%	6.5%	6.0%	5.4%	4.8%	4.2%
Overhedge Gains / Losses	-	-	-	-	-	-	-
Net currency exchange	(49)	-	-	-	-	-	-
Earnings before taxes	96	223	239	284	328	371	397
Income tax	(42)	(70)	(75)	(89)	(103)	(117)	(125)
Effective tax rate	43.7%	31.5%	31.5%	31.5%	31.5%	31.5%	31.5%
Net profit/ (loss)	54	153	164	194	225	254	272

Table 40: TAP – Income Statement Forecast; Source: Own Analysis

€m	FY24	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
EBT	96	223	239	284	328	371	397
D&A	493	522	572	602	629	651	667
Interest expenses (net)	170	181	164	149	134	118	116
Taxes on Income	(42)	(70)	(75)	(89)	(103)	(117)	(125)
Change in TWC	305	2	16	20	19	15	12
Other items	(372)	7	12	16	13	7	2
Cash Flow from Operations	649	864	928	981	1,020	1,045	1,068
CapEx	(652)	(646)	(749)	(768)	(781)	(785)	(780)
<i>In % of total revenue</i>	(15.5%)	(14.7%)	(16.2%)	(15.7%)	(15.1%)	(14.6%)	(14.0%)
Interest income	80	46	54	57	54	57	32
Other investing cash flow	184	-	-	-	-	-	-
<i>In % of total revenue</i>	4.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investing Cash Flow	(388)	(600)	(695)	(711)	(727)	(727)	(748)
Capital increase/decrease	343	-	-	-	-	-	-
Change in financial debt	(686)	136	110	31	125	(161)	74
Profit distribution	-	-	-	(39)	(45)	(51)	(54)
Interests and similar costs	(250)	(227)	(218)	(206)	(188)	(175)	(147)
Overhedge fuel derivatives	-	-	-	-	-	-	-
Other financing items	212	-	-	-	-	-	-
<i>In % of total revenue</i>	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financing Cash Flow	(380)	(91)	(109)	(214)	(108)	(386)	(127)
Total Cash Flow	(119)	173	124	57	185	(69)	192

Table 41: TAP – Cash Flow Statement Forecast; Source: Own Analysis

€m	Dec24	Dec25F	Dec26F	Dec27F	Dec28F	Dec29F	Dec30F
Tangible assets	3,153	3,336	3,649	3,823	3,979	4,097	4,179
<i>In % of total revenue</i>	74.7%	76.0%	79.0%	78.0%	77.0%	76.0%	75.0%
Intangible assets	31	28	30	32	34	35	36
<i>In % of total revenue</i>	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Financial assets	196	204	215	228	240	251	259
<i>In % of total revenue</i>	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Fixed assets	3,381	3,569	3,894	4,082	4,253	4,382	4,475
Inventories	98	105	113	124	134	144	153
DIO	8	9	9	9	9	10	10
Clients and other receivables	877	920	977	1,046	1,113	1,171	1,221
DSO	76	77	77	78	79	79	80
Liabilities from unused flight documents	(699)	(722)	(759)	(806)	(850)	(886)	(916)
<i>In % of total revenue</i>	(16.6%)	(16.4%)	(16.4%)	(16.4%)	(16.4%)	(16.4%)	(16.4%)
Suppliers and Other payables	(625)	(655)	(699)	(752)	(804)	(851)	(892)
DPO	106	108	109	111	112	114	115
Trade Working Capital	(350)	(352)	(368)	(388)	(407)	(422)	(434)
Other Working Capital	(461)	(468)	(480)	(496)	(509)	(516)	(518)
<i>In % of total Revenue</i>	(10.9%)	(10.7%)	(10.4%)	(10.1%)	(9.8%)	(9.6%)	(9.3%)
Net Working Capital	(811)	(820)	(848)	(884)	(916)	(938)	(952)
Financial liabilities	(3,001)	(3,137)	(3,247)	(3,278)	(3,403)	(3,242)	(3,316)
<i>In % of total equity</i>	(512.7%)	(425.0%)	(360.0%)	(310.0%)	(275.0%)	(225.0%)	(200.0%)
Pension liability	(187)	(197)	(210)	(226)	(241)	(255)	(267)
<i>In % of personell cost</i>	22.8%	23.1%	23.4%	23.6%	23.9%	24.1%	24.4%
Cash and cash equivalents	652	825	949	1,005	1,190	1,121	1,313
Financial Debt	(2,536)	(2,509)	(2,508)	(2,498)	(2,454)	(2,376)	(2,271)
Cash-/Debt-like items	165	111	(23)	(30)	(33)	(14)	19
Net debt	(2,372)	(2,398)	(2,531)	(2,528)	(2,487)	(2,390)	(2,251)
Deferred tax assets (net)	387	387	387	387	387	387	387
Net assets	585	738	902	1,057	1,237	1,441	1,658
Share Capital	314	657	657	657	657	657	657
Supplementary contributions and other capital insti	343	-	-	-	-	-	-
Legal and other reserves	(102)	21	21	21	21	21	21
Retained earnings	(23)	(92)	60	185	335	509	709
Net income/ loss for the year	54	153	164	194	225	254	272
Total Equity	585	738	902	1,057	1,237	1,441	1,658

Table 42: TAP – Balance Sheet Forecast; Source: Own Analysis

APPENDIX 12: TAP – FORECAST DETAILS

€m	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
Aircraft fuel	(799)	(790)	(261)	(341)	(1,097)	(1,115)	(1,046)	(1,073)	(1,133)	(1,207)	(1,278)	(1,339)	(1,389)
<i>In % of total revenue</i>	(25.4%)	(24.2%)	(25.0%)	(25.1%)	(31.7%)	(26.6%)	(24.8%)	(24.4%)	(24.5%)	(24.6%)	(24.7%)	(24.8%)	(24.9%)
Traffic operating costs	(940)	(807)	(351)	(372)	(699)	(907)	(870)	(905)	(949)	(1,004)	(1,056)	(1,098)	(1,131)
<i>In % of total revenue</i>	(29.9%)	(24.7%)	(33.7%)	(27.4%)	(20.2%)	(21.6%)	(20.6%)	(20.6%)	(20.6%)	(20.5%)	(20.4%)	(20.4%)	(20.3%)
Aircraft rentals	(152)	-	-	-	-	-	-	-	-	-	-	-	-
Aircraft maintenance costs	(90)	(56)	(24)	(19)	(33)	(56)	(61)	(55)	(58)	(61)	(65)	(67)	(70)
<i>In % of total revenue</i>	(2.9%)	(1.7%)	(2.3%)	(1.4%)	(1.0%)	(1.3%)	(1.4%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)	(1.2%)
Cost of materials consumed	(166)	(141)	(40)	(30)	(102)	(128)	(172)	(189)	(199)	(211)	(222)	(232)	(240)
<i>In % of total revenue</i>	(5.3%)	(4.3%)	(3.9%)	(2.2%)	(2.9%)	(3.0%)	(4.1%)	(4.3%)	(4.3%)	(4.3%)	(4.3%)	(4.3%)	(4.3%)
Material Cost	(2,146)	(1,794)	(676)	(762)	(1,931)	(2,205)	(2,148)	(2,221)	(2,339)	(2,483)	(2,620)	(2,735)	(2,830)
<i>In % of total revenue</i>	(68.2%)	(55.0%)	(64.9%)	(56.2%)	(55.8%)	(52.6%)	(50.9%)	(50.6%)	(50.6%)	(50.7%)	(50.7%)	(50.7%)	(50.8%)

Table 43: TAP – Material Cost Forecast; Source: Own Analysis

APPENDIX 13: TAP – SENSITIVITY ANALYSIS

		Terminal growth rate						
		1.5%	1.8%	2.0%	2.3%	2.5%	2.8%	3.0%
WACC	9.6%	1.63	1.81	2.00	2.20	2.41	2.64	2.89
	9.3%	1.86	2.05	2.25	2.47	2.70	2.95	3.23
	9.1%	2.10	2.31	2.53	2.76	3.02	3.29	3.59
	8.8%	2.37	2.59	2.82	3.08	3.35	3.65	3.98
	8.6%	2.65	2.89	3.14	3.42	3.72	4.05	4.40
	8.3%	2.95	3.21	3.49	3.79	4.12	4.48	4.87
	8.1%	3.27	3.55	3.86	4.19	4.55	4.95	5.38

Table 44: TAP – Share Price Sensitivity; Source: Own Analysis

APPENDIX 14: TRANSACTION CASE – TRANSACTION DETAILS

in €m	Dec25F	Transaction	Elimination	Consolidation		Dec25F*
				Net assets	Goodwill	
Intangible assets	1,299	-	-	28	1,066	2,394
Tangible assets	25,211	-	-	3,336	-	28,547
Financial assets	1,694	1,714	(1,714)	204	-	1,898
Fixed assets	28,204	1,714	(1,714)	3,569	1,066	32,839
Inventories	1,619	-	-	105	-	1,723
Trade receivables	2,554	-	-	920	-	3,475
Trade liabilities	(4,646)	-	-	(655)	-	(5,301)
Contract assets	346	-	-	-	-	346
Contract liabilities	(8,470)	-	-	(722)	-	(9,192)
Trade working capital	(8,597)	-	-	(352)	-	(8,949)
Other working capital	21	-	-	(468)	-	(446)
Net working capital	(8,576)	-	-	(820)	-	(9,395)
Financial liabilities	(14,674)	(1,100)	-	(3,137)	-	(18,911)
Cash and cash equivalents	8,957	(614)	-	825	-	9,168
Pension liability (net)	(2,804)	-	-	(197)	-	(3,001)
Net debt (reported)	(8,521)	(1,714)	-	(2,509)	-	(12,744)
Cash/(Debt)-like items	(548)	-	-	111	-	(437)
Net debt (adjusted)	(9,069)	(1,714)	-	(2,398)	-	(13,181)
Deferred income tax asset/(liability)	1,951	-	-	387	-	2,338
Net assets	12,510	-	(1,714)	738	1,066	12,601
Equity attributable to LH Shareholders	12,439	-	-	-	-	12,439
Minority interest	72	-	-	90	-	162
Total Equity	12,510	-	-	90	-	12,601

Table 45: Transaction Case – Purchase Price Allocation; Source: Own Analysis

APPENDIX 15: TRANSACTION CASE – FORECASTED FINANCIALS

€m	FY24	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
Total Revenue	37,581	39,392	46,086	48,407	50,523	52,168	53,466
<i>Growth in %</i>	<i>6.0%</i>	<i>4.8%</i>	<i>17.0%</i>	<i>5.0%</i>	<i>4.4%</i>	<i>3.3%</i>	<i>2.5%</i>
Other Operating Income	2,961	2,904	3,085	3,237	3,374	3,480	3,564
<i>In % of total revenue</i>	<i>7.9%</i>	<i>7.4%</i>	<i>6.7%</i>	<i>6.7%</i>	<i>6.7%</i>	<i>6.7%</i>	<i>6.7%</i>
Total Operating Income	40,542	42,296	49,171	51,644	53,897	55,648	57,029
Material Costs	(22,393)	(23,156)	(26,634)	(27,887)	(29,000)	(29,776)	(30,406)
<i>In % of total revenue</i>	<i>(59.6%)</i>	<i>(58.8%)</i>	<i>(57.8%)</i>	<i>(57.6%)</i>	<i>(57.4%)</i>	<i>(57.1%)</i>	<i>(56.9%)</i>
Staff Costs	(8,992)	(9,469)	(10,913)	(11,509)	(12,058)	(12,500)	(12,864)
<i>In % of total revenue</i>	<i>(23.9%)</i>	<i>(24.0%)</i>	<i>(23.7%)</i>	<i>(23.8%)</i>	<i>(23.9%)</i>	<i>(24.0%)</i>	<i>(24.1%)</i>
D&A	(2,337)	(2,574)	(3,285)	(3,448)	(3,581)	(3,687)	(3,754)
<i>In % of fixed assets</i>	<i>(8.8%)</i>	<i>(9.1%)</i>	<i>(9.8%)</i>	<i>(9.8%)</i>	<i>(9.8%)</i>	<i>(9.8%)</i>	<i>(9.8%)</i>
Other Operating Expenses	(5,375)	(5,635)	(6,557)	(6,746)	(6,998)	(7,174)	(7,337)
<i>In % of total revenue</i>	<i>(14.3%)</i>	<i>(14.3%)</i>	<i>(14.2%)</i>	<i>(13.9%)</i>	<i>(13.9%)</i>	<i>(13.8%)</i>	<i>(13.7%)</i>
Operating Expenses	(39,097)	(40,834)	(47,389)	(49,590)	(51,636)	(53,137)	(54,361)
Result of equity investment	200	204	208	212	216	221	225
<i>Growth in %</i>	<i>(6.1%)</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>	<i>2.0%</i>
Adjusted EBIT	1,645	1,665	1,991	2,266	2,477	2,732	2,894
Adjustments	86	-	-	-	-	-	-
EBIT	1,731	1,665	1,991	2,266	2,477	2,732	2,894
Interest Income	441	418	429	396	364	329	273
<i>In % of financial assets</i>	<i>5.3%</i>	<i>4.9%</i>	<i>4.7%</i>	<i>4.3%</i>	<i>3.8%</i>	<i>3.4%</i>	<i>2.8%</i>
Interest Expenses	(590)	(580)	(848)	(821)	(792)	(760)	(721)
<i>In % of prev. year financial liabilities</i>	<i>3.5%</i>	<i>3.5%</i>	<i>3.9%</i>	<i>3.7%</i>	<i>3.5%</i>	<i>3.4%</i>	<i>3.2%</i>
Other Financial Items	(6)	-	-	-	-	-	-
Financial Result	(155)	(163)	(419)	(425)	(427)	(431)	(448)
EBT	1,576	1,503	1,571	1,842	2,050	2,301	2,446
Taxes on Income	(176)	(202)	(280)	(368)	(452)	(554)	(637)
<i>Tax rate</i>	<i>11.2%</i>	<i>13.5%</i>	<i>17.8%</i>	<i>20.0%</i>	<i>22.1%</i>	<i>24.1%</i>	<i>26.0%</i>
Result from Discontinued Businesses	(7)	-	-	-	-	-	-
Net Profit Group	1,393	1,301	1,292	1,474	1,598	1,747	1,810
Minorities	(13)	(20)	(24)	(29)	(32)	(36)	(37)
<i>In % of Net Profit</i>	<i>(0.9%)</i>	<i>(1.5%)</i>	<i>(1.9%)</i>	<i>(1.9%)</i>	<i>(2.0%)</i>	<i>(2.0%)</i>	<i>(2.1%)</i>
Net Profit attributable to LH Shareholder	1,380	1,281	1,267	1,445	1,566	1,711	1,772

Table 46: Transaction Case – Forecasted Income Statement; Source: Own Analysis

in €m	FY24	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
EBT	1,576	1,503	1,571	1,842	2,050	2,301	2,446
D&A	2,337	2,574	3,285	3,448	3,581	3,687	3,754
Interest expenses (net)	149	163	419	425	427	431	448
Taxes on Income	(176)	(202)	(280)	(368)	(452)	(554)	(637)
Change in NWC	476	418	405	393	342	229	248
Other items	(470)	58	11	16	12	7	2
Cash Flow from Operations	3,892	4,513	5,412	5,756	5,960	6,101	6,261
CapEx	(2,800)	(5,653)	(4,481)	(4,684)	(4,851)	(4,969)	(5,035)
<i>In % of total revenue</i>	<i>(7.5%)</i>	<i>(10.0%)</i>	<i>(9.7%)</i>	<i>(9.7%)</i>	<i>(9.6%)</i>	<i>(9.5%)</i>	<i>(9.4%)</i>
Interest Income	441	418	429	396	364	329	273
Other investing cash flow	34	-	-	-	-	-	-
<i>In % of total revenue</i>	<i>0.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Investing Cash Flow	(2,325)	(5,236)	(4,053)	(4,287)	(4,486)	(4,640)	(4,762)
Capital increase/decrease	-	-	-	-	-	-	-
Change in Financial debt	(520)	1,542	15	(0)	(104)	(214)	(416)
Profit distribution	(372)	(384)	(380)	(434)	(470)	(513)	(532)
<i>In % of Net Profit</i>	<i>(27.0%)</i>	<i>(30.0%)</i>	<i>(30.0%)</i>	<i>(30.0%)</i>	<i>(30.0%)</i>	<i>(30.0%)</i>	<i>(30.0%)</i>
Interest expenses	(590)	(580)	(848)	(821)	(792)	(760)	(721)
Other financing items	32	-	-	-	-	-	-
<i>In % of total revenue</i>	<i>0.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Financing Cash Flow	(1,450)	577	(1,213)	(1,255)	(1,365)	(1,487)	(1,668)
Total Cash Flow	117	(145)	146	214	109	(27)	(170)

Table 47: Transaction Case – Forecasted Cash Flow Statement; Source: Own Analysis

in €m	Dec24	Dec25F	Dec26F	Dec27F	Dec28F	Dec29F	Dec30F
Intangible assets	1,337	2,394	2,356	2,307	2,242	2,158	2,060
<i>In % of total revenue</i>	3.6%	n/a	5.1%	4.8%	4.4%	4.1%	3.9%
Tangible assets	23,940	28,547	30,337	31,932	33,244	34,317	35,016
<i>In % of total revenue</i>	63.7%	n/a	65.8%	66.0%	65.8%	65.8%	65.5%
Financial assets	1,373	1,898	1,998	2,099	2,191	2,262	2,319
<i>In % of total revenue</i>	3.7%	n/a	4.3%	4.3%	4.3%	4.3%	4.3%
Fixed assets	26,650	32,839	34,691	36,337	37,677	38,737	39,395
Inventories	1,606	1,723	1,818	1,912	1,998	2,066	2,121
DIO	16	n/a	14	14	14	14	14
Trade receivables	2,437	3,475	3,666	3,868	4,055	4,206	4,329
DSO	24	n/a	29	29	29	29	30
Trade liabilities	(4,472)	(5,301)	(5,597)	(5,898)	(6,172)	(6,378)	(6,633)
DPO	73	n/a	77	77	78	78	80
Contract assets	395	346	364	382	398	410	420
<i>In % of total revenue</i>	1.1%	n/a	0.8%	0.8%	0.8%	0.8%	0.8%
Contract liabilities	(8,145)	(9,192)	(9,605)	(10,011)	(10,369)	(10,624)	(10,804)
<i>In % of total revenue</i>	(21.7%)	n/a	(20.8%)	(20.7%)	(20.5%)	(20.4%)	(20.2%)
Trade working capital	(8,179)	(8,949)	(9,354)	(9,747)	(10,090)	(10,319)	(10,567)
Other working capital	79	(446)	(457)	(473)	(485)	(491)	(493)
<i>In % of total revenue</i>	0.2%	n/a	(1.0%)	(1.0%)	(1.0%)	(0.9%)	(0.9%)
Net working capital	(8,100)	(9,395)	(9,811)	(10,220)	(10,574)	(10,810)	(11,061)
Financial liabilities	(14,232)	(18,911)	(18,926)	(18,925)	(18,822)	(18,608)	(18,192)
<i>In % of total equity</i>	(122.8%)	(150.1%)	(140.1%)	(130.0%)	(120.0%)	(110.0%)	(100.0%)
Cash and cash equivalents	8,488	9,168	9,314	9,527	9,636	9,609	9,440
Pension liability (net)	(2,566)	(3,001)	(3,283)	(3,578)	(3,870)	(4,137)	(4,386)
<i>In % of personnel cost</i>	28.5%	n/a	30.1%	31.1%	32.1%	33.1%	34.1%
Net debt (reported)	(8,310)	(12,744)	(12,895)	(12,976)	(13,055)	(13,135)	(13,138)
Cash/(Debt)-like items	(769)	(437)	(310)	(333)	(50)	461	1,310
Net debt (adjusted)	(9,079)	(13,181)	(13,205)	(13,309)	(13,105)	(12,674)	(11,828)
Deferred income tax asset/(liability)	2,123	2,338	1,837	1,744	1,683	1,661	1,685
Net assets	11,594	12,601	13,512	14,553	15,680	16,914	18,192
Capital	3,068	3,068	3,068	3,068	3,068	3,068	3,068
Reserve	265	265	265	265	265	265	265
Retained earnings	5,477	5,093	5,993	6,827	7,803	8,855	10,035
Other non-operating reserves	2,732	2,732	2,732	2,732	2,732	2,732	2,732
Net income	-	1,281	1,267	1,445	1,566	1,711	1,772
Equity attributable to LH Shareholders	11,542	12,439	13,326	14,338	15,434	16,631	17,872
Minority interest	52	162	186	215	247	282	320
Total Equity	11,594	12,601	13,512	14,553	15,680	16,914	18,192

Table 48: Transaction Case – Forecasted Balance Sheet; Source: Own Analysis

APPENDIX 16: TRANSACTION CASE – SYNERGY ASSUMPTIONS

€m	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
Revenue pre-synergies	39,392	46,110	48,359	50,447	52,064	53,359
<i>Growth in %</i>	<i>n/a</i>	<i>17.1%</i>	<i>4.9%</i>	<i>4.3%</i>	<i>3.2%</i>	<i>2.5%</i>
<i>Expected synergies in %</i>		<i>(0.05%)</i>	<i>0.10%</i>	<i>0.15%</i>	<i>0.20%</i>	<i>0.20%</i>
Expected synergies		(23)	48	76	104	107
Revenue incl. synergies	39,392	46,086	48,407	50,523	52,168	53,466
<i>Growth in %</i>	<i>n/a</i>	<i>17.0%</i>	<i>5.0%</i>	<i>4.4%</i>	<i>3.3%</i>	<i>2.5%</i>
Material Cost pre-synergies	(23,156)	(26,634)	(27,887)	(29,014)	(29,865)	(30,513)
<i>In % of total revenue</i>	<i>(58.8%)</i>	<i>(57.8%)</i>	<i>(57.6%)</i>	<i>(57.4%)</i>	<i>(57.2%)</i>	<i>(57.1%)</i>
<i>Expected synergies in %</i>		<i>0.00%</i>	<i>0.00%</i>	<i>(0.05%)</i>	<i>(0.30%)</i>	<i>(0.35%)</i>
Expected synergies		-	-	15	90	107
Material Cost incl. Synergies	(23,156)	(26,634)	(27,887)	(29,000)	(29,776)	(30,406)
<i>In % of total revenue</i>	<i>(58.8%)</i>	<i>(57.8%)</i>	<i>(57.6%)</i>	<i>(57.4%)</i>	<i>(57.1%)</i>	<i>(56.9%)</i>
Staff Cost pre-synergies	(9,469)	(10,914)	(11,512)	(12,066)	(12,512)	(12,877)
<i>In % of total revenue</i>	<i>(24.0%)</i>	<i>(23.7%)</i>	<i>(23.8%)</i>	<i>(23.9%)</i>	<i>(24.0%)</i>	<i>(24.1%)</i>
<i>Expected synergies in %</i>		<i>(0.01%)</i>	<i>(0.03%)</i>	<i>(0.07%)</i>	<i>(0.09%)</i>	<i>(0.10%)</i>
Expected synergies		1	3	8	11	13
Staff incl. Synergies	(9,469)	(10,913)	(11,509)	(12,058)	(12,500)	(12,864)
<i>In % of total revenue</i>	<i>(24.0%)</i>	<i>(23.7%)</i>	<i>(23.8%)</i>	<i>(23.9%)</i>	<i>(24.0%)</i>	<i>(24.1%)</i>
D&A pre-synergies	(2,574)	(3,287)	(3,449)	(3,600)	(3,718)	(3,798)
<i>In % of total revenue</i>	<i>(6.5%)</i>	<i>(7.1%)</i>	<i>(7.1%)</i>	<i>(7.1%)</i>	<i>(7.1%)</i>	<i>(7.1%)</i>
<i>Expected synergies in %</i>		<i>0.05%</i>	<i>0.04%</i>	<i>0.54%</i>	<i>0.83%</i>	<i>1.18%</i>
Expected synergies		2	1	19	31	45
D&A incl. Synergies	(2,574)	(3,285)	(3,448)	(3,581)	(3,687)	(3,754)
<i>In % of total revenue</i>	<i>(6.5%)</i>	<i>(7.1%)</i>	<i>(7.1%)</i>	<i>(7.1%)</i>	<i>(7.1%)</i>	<i>(7.0%)</i>
Other Operating Expenses pre-synergie:	(5,635)	(6,366)	(6,679)	(6,963)	(7,181)	(7,352)
<i>In % of total revenue</i>	<i>(14.3%)</i>	<i>(13.8%)</i>	<i>(13.8%)</i>	<i>(13.8%)</i>	<i>(13.8%)</i>	<i>(13.8%)</i>
<i>Expected synergies in %</i>		<i>3.00%</i>	<i>1.00%</i>	<i>0.50%</i>	<i>(0.10%)</i>	<i>(0.20%)</i>
Expected synergies		(191)	(67)	(35)	7	15
Other Operating Expenses incl. Syn	(5,635)	(6,557)	(6,746)	(6,998)	(7,174)	(7,337)
<i>In % of total revenue</i>	<i>(14.3%)</i>	<i>(14.2%)</i>	<i>(13.9%)</i>	<i>(13.9%)</i>	<i>(13.8%)</i>	<i>(13.7%)</i>
EBIT pre-synergies		2,181	2,323	2,461	2,581	2,702
EBIT incl. synergies		1,991	2,266	2,477	2,732	2,894
Difference		(191)	(56)	16	151	192

Table 49: Transaction Case – Synergy Assumptions; Source: Own Analysis

APPENDIX 17: TRANSACTION CASE – DCF VALUATION

€m		FY26F	FY27F	FY28F	FY29F	FY30F
LUFTHANSA STAND-ALONE	EBIT	1,778	1,890	1,998	2,092	2,190
	Tax rate	15.7%	18.0%	20.3%	22.6%	24.9%
	Taxes	(280)	(341)	(406)	(473)	(545)
	NOPAT	1,498	1,549	1,592	1,619	1,645
	CapEx	(3,734)	(3,911)	(4,075)	(4,201)	(4,298)
	Depreciation	2,715	2,848	2,971	3,067	3,132
	Change in Working Capital	392	358	320	224	240
	Free Cash Flow to Firm	872	843	808	710	718
TAP STAND-ALONE	EBIT	403	433	463	489	512
	Tax rate	31.5%	31.5%	31.5%	31.5%	31.5%
	Taxes	(127)	(136)	(146)	(154)	(161)
	NOPAT	276	297	317	335	351
	CapEx	(749)	(768)	(781)	(785)	(780)
	Depreciation	572	602	629	651	667
	Change in Working Capital	28	36	32	22	14
	Free Cash Flow to Firm	127	167	197	223	251
TRANSACTION CASE WITHOUT SYNERGIES	EBIT	2,181	2,323	2,461	2,581	2,702
	Tax rate	17.8%	20.0%	22.1%	24.1%	26.0%
	Taxes	(407)	(477)	(552)	(627)	(706)
	NOPAT	1,775	1,846	1,909	1,954	1,996
	CapEx	(4,483)	(4,679)	(4,856)	(4,985)	(5,079)
	Depreciation	3,287	3,449	3,600	3,718	3,798
	Change in Working Capital	421	394	352	246	254
	Free Cash Flow to Firm	999	1,010	1,005	933	969
SYNERGY IMPACT	EBIT	(191)	(56)	16	151	192
	Tax rate	n/a	n/a	n/a	n/a	n/a
	Taxes	53	25	5	(31)	(47)
	NOPAT	(138)	(32)	22	120	145
	CapEx	2	(5)	5	16	43
	Depreciation	(2)	(1)	(19)	(31)	(45)
	Change in Working Capital	(5)	15	3	(10)	(4)
	Free Cash Flow to Firm	(143)	(23)	10	95	140
TRANSACTION CASE INCLUDING SYNERGIES	EBIT	1,991	2,266	2,477	2,732	2,894
	Tax rate	17.8%	20.0%	22.1%	24.1%	26.0%
	Taxes	(354)	(452)	(546)	(658)	(753)
	NOPAT	1,636	1,814	1,931	2,074	2,141
	CapEx	(4,481)	(4,684)	(4,851)	(4,969)	(5,035)
	Depreciation	3,285	3,448	3,581	3,687	3,754
	Change in Working Capital	416	409	354	236	250
	Free Cash Flow to Firm	856	987	1,016	1,028	1,109
	Discount Factor	0.97	0.91	0.85	0.79	0.74
	Discounted Cash Flow	828	895	862	817	826

Table 50: Transaction Case – Free Cash Flow Projection; Source: Own Analysis

Valuation as of 31. Dec 2025	
Sum PV FCFF	4,228
PV Terminal Value	17,824
Enterprise Value	22,052

Table 51: Transaction Case – Enterprise Value; Source: Own Analysis

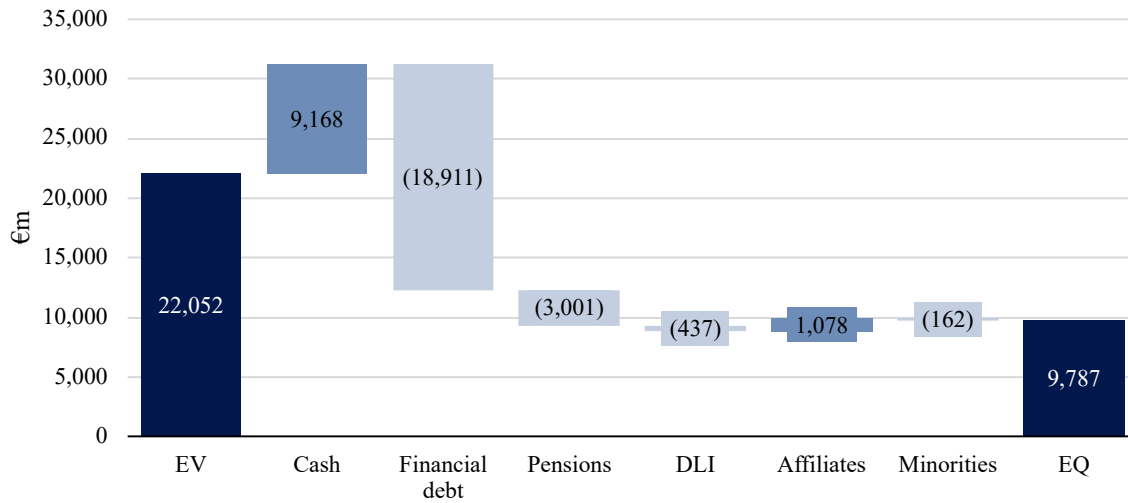


Figure 27: Transaction Case – EV-to-Equity Bridge; Source: Own Analysis

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DECLARATION

I acknowledge the use of Artificial Intelligence to improve the text quality and reduce the word count. The AI tool was employed for language refinement, including improving clarity as well as for translation purposes. All content was reviewed and edited to ensure accuracy and adherence to academic standards.