



AVIATION



Air travel: a growth market

The aviation industry has developed well in the recent past. The growth rates of passenger air traffic were significantly above the long-term average - a doubling of the world fleet in the next 20 years is forecast. Efficiency enhancement and fleet renewal programs have helped to further improve the profitability of the industry. With an average return on investment of around 9%, many

companies have the opportunity to increase the share of energy-efficient air-craft models in their fleets and thus be better prepared for the challenges of the future. The responsible use of scarce resources pays off, ecologically and economically. The asset class Aviation is therefore perfectly compatible with institutional sustainability strategies and also attractive to conservative investors. ■

>800

transactions

3

 portfolio funds for institutional investors

>140

aviation funds

Expertise

The KGAL aircraft strategy is built from four components: asset expertise, active management, financing skills, and leasing skills. With products which unite a range of aircraft types that are established in the market, as well as a variety of lease holders in one fund, KGAL makes it possible to hold well-diversified investments in the aircraft asset class.

- Active in the aircraft segment since 1979
- Two joint ventures with Deutsche Lufthansa AG
- three aviation portfolio funds for institutional investors
- 81 private placements
- 58 public funds in the aviation segment
- Accumulated fund investment volume of over € 7.4 billion ■

Investment focus

The Aviation Portfolio Funds (APF) are widely diversified aircraft funds operated by KGAL for institutional investors. The target objects are highly fungible passenger aircraft, which are also highly stable in terms of value.

Diversification is achieved through a variety of aircraft types and a range of international airlines. GOAL functions as a renowned asset manager. ■

Lufthansa Leasing and GOAL joint ventures

Lufthansa Leasing GmbH and GOAL German Operating Aircraft Leasing GmbH & Co. KG were founded in 1989 and 1998 respectively, as joint ventures between KGAL and Deutsche Lufthansa. In GOAL, both partners bring together their many years of expertise in the areas of aircraft leasing, financing, aircraft asset management, and aircraft remarketing. Since its establishment, GOAL has implemented more than 250 aircraft and jet

engine transactions in its role as exclusive technical asset manager for KGAL. The joint venture has evolved to become the largest operating lessor for aircraft in Germany, and is one of the top 40 lessors worldwide. Customers of GOAL value its range of services, in particular the quality of the technical support, and the active asset management which secures both value retention and marketing potential for the supported aircraft. ■





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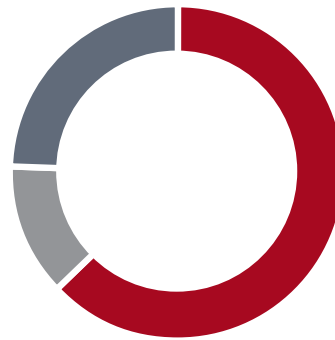
Overall aircraft portfolio of KGAL Group



- Assets under management €1.9 billion
- Assets under administration €0.1 billion

Active investment volume in aircraft as at December 31, 2017

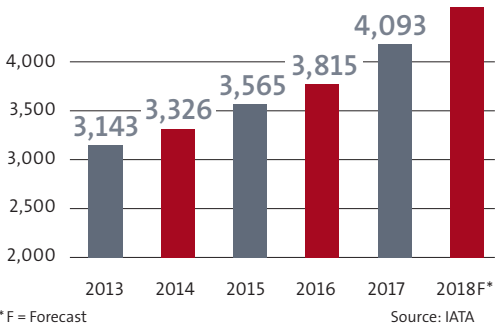
aircraft classes in the portfolio, by total investment costs



- Narrow body 62,9%
- Wide body 12,7%
- Regional aircraft 24,4%

Passenger figures

Passenger numbers in millions (2013 – 2018F)



IATA (International Air Transport Association) records global growth of 7.5% in passenger traffic (passenger kilometres sold) in 2017. In 2018, a healthy growth rate of approx. 6.0% is still expected.

€7.4 billion

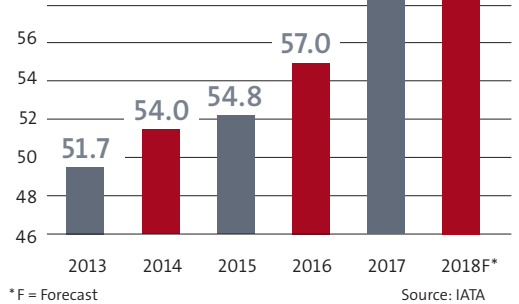
Accumulated investment volume

“Today, transport is significantly better equipped for future challenges than was previously the case.”

Jochen Hörger

Freight volume

Air freight in millions of tonnes (2013 – 2018F)



At 9.7%, the increase in freight volume (transported tonne kilometres) in 2017 was significantly stronger than was expected. For the year 2018, a moderate growth of 4.0% is expected.

References

Fully allocated (institutional investors):

APF 1 €800 million*

APF 4 €600 million*

In placement (institutional investors):

APF 3 up to €800 million*

*Total investment costs

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