



LOT Polish Airlines

COMPANY SITUATION AND STRATEGY ANALYSIS 2024-2028

FROM THE PUBLISHER

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LOT Polish Airlines S.A. has been established in 1929 and is one of the oldest continuously operating carriers in the world. Today, it is a major player in the passenger and cargo transport market. It operates in the medium-sized airline segment and aspires to the 4-star standard.

The company offers a wide range of services, including both domestic and international short and long-haul routes. Besides its core business of transport, the Polish carrier also operates in the area of flight training and aircraft charter. However, it is passenger transport that is the dominant source of revenue.

On October 5, 2023, the management board of LOT Polish Airlines presented a new strategy for the years 2024-2028. The company has shown its growth plans which are intended to strengthen its position in Central and Eastern Europe as well as in new, previously absent markets such as Azerbaijan, Uzbekistan and Saudi Arabia. This publication analyses the assumptions of the said document. The authors aim to show the evolution that Polish airlines have undergone, the current situation of the company and to analyse the possibilities of actual implementation of the strategy developed by the company.

The text was prepared on the basis of publicly available sources and materials of LOT Polish Airlines. We express our gratitude to all those who have contributed to this study

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1 Before PANDEMIC

PLL LOT S.A. is a state-owned company. After 2010, in pursuit of its fleet modernisation strategy, the company invested in modern aircraft, including eight Boeing 787 Dreamliners which were successively delivered between 2012 and 2017. The first Dreamliner in LOT's colours flew from Seattle to Warsaw on December 15, 2012. At the time, Polish airports served a total of 17.7 million passengers, and LOT had 28% of the market, competing primarily with Lufthansa (23%) and Wizz Air (20%).¹

In 2012, with over 2,000 employees and almost PLN 3.5 billion in revenue, the company was at risk of losing its liquidity. Among the reasons for such situation were market stagnation, a lack of a clear strategy and the companies – management mistakes. At the time, state aid of PLN 400 million was launched by the government. Almost 80 per cent of this amount was transferred to pay off overdue liabilities and cover operating losses. The funds allowed the company to stabilise its finances in the short term and allowed for the commencement of a legally required in-depth restructuring process. The state aid had to be reported to the European Commission, which accepted the restructuring plan presented and enabled the debt-to-equity swap. At the same time, the possibility was given to release the second tranche of the loan in the amount of PLN 127 million. However, the real aid to the company was much larger thanks to, inter alia, tax exemptions and several months of deferred payments.

In 2013, LOT showed an operating profit of PLN 26 million, which, though, was mainly due to financial engineering. In addition, the company's capital was significantly increased through write-downs amounting to PLN 479.5 million. Nevertheless, the restructuring plan finally started to yield results. In 2014, for the first time in seven years, the company generated a profit from its core business of PLN 99 million.

The Polish government was considering selling LOT. Wizz Air and Turkish Airlines, among others, were taken into consideration. Ultimately, such a step was not taken, also due to the low valuation of the company reflecting its condition at the time.

In 2015, LOT carried 4.3 million passengers with 45 aircraft². The approach was then changed – the carriage potential was analysed again and the development strategies were redefined. LOT Polish Airlines focused on expansion and using the market potential of Central and Eastern Europe and competitive advantages such as a favourable geographical location and relatively low unit costs compared to other network carriers.

The network of long-haul routes and between the central hub in Warsaw and cities in Central and Eastern Europe started to be developed. Adding new destinations such as Seoul, Tokyo, Miami and Los Angeles significantly expanded the company's reach.³ In 2014,

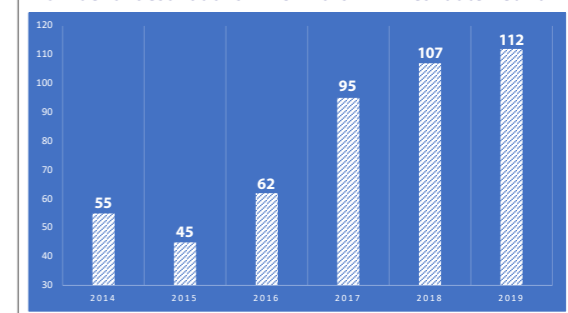
the airline operated 55 routes. Just three years later - in 2017 – there were already 95, and a year later, with the opening of the Warsaw-London City route, it exceeded 100 destinations in its route network. The year 2019 ended with 112 routes in its route network. Worth noting is that LOT has also developed a network of short connections to Ukraine. In 2019, the Polish carrier already had a virtual monopoly on routes from Warsaw to Lviv, Odessa, Zaporizhzhya and Kharkiv, and held a share of around 20 per cent in Warsaw-Kiev flights, with a total of around 850,000 passengers.

The purchase plan continued, expanding the fleet with, among others, Boeing 737 MAX-8s (from December 2017), considered to be one of the most efficient and environmentally friendly aircraft in their class.⁴ In 2019, LOT Polish Airlines already had 80 aircraft at its disposal. In 2016, LOT carried more than 5 million passengers and in the following years increased this number to 7 million in 2017, 9 million in 2018 and as many as 10.4 million in 2019. In the same year on long-haul routes, the company recorded a 28.6% increase in passengers compared to the previous year.⁵

Contributing to this effect were, among others, visa waiver to the USA for Polish citizens, the opening of new connections to Asia (including South Korea, Singapore, India, China and Japan) and the launch of direct flights to slightly closer distances such as Kazakhstan, Azerbaijan, Georgia and Armenia. Polish airports handled almost 49 million passengers in 2019 (7% more than in the previous year). LOT still accounted for the largest share of the market (24.6%), but faced strong competition in the form of Ireland's Ryanair (24.4%). All airlines recorded growth, however, Polish airlines had the largest number of passengers – 1.4 million compared to 2018.⁶

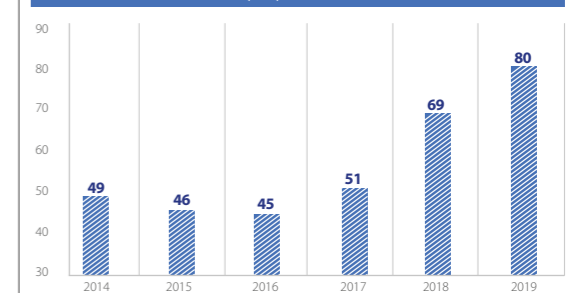
This was mainly due to the expansion of the route network, but also to effective fleet management, the application of well-thought-out sales and marketing strategies and investments in enhancing the quality of the offer for passengers.⁷ LOT then began to develop, inter alia, charter and cargo traffic. With a change in strategy and a good feel for the market, the company finally started to make profits, which allowed it to continue expanding its connections and modernising the aircraft.

Number of destinations in LOT Polish Airlines route network



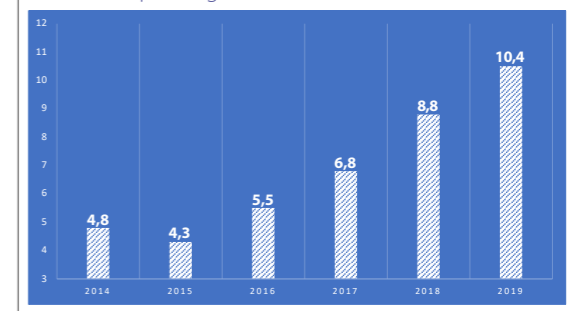
Number of destinations in LOT Polish Airlines' schedule network between 2014 and 2019 (Source: own study based on LOT data)

Evolution of the fleet (ex.)



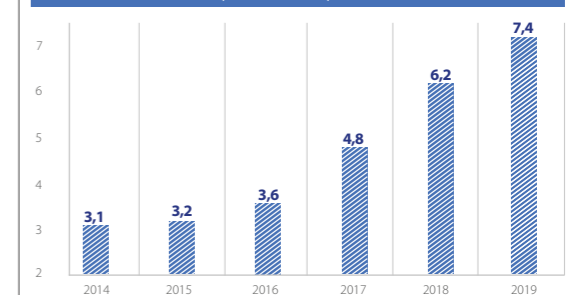
Fleet evolution 2014-2019 (Source: Own study based on LOT data)

Number of passengers (mln)



Fleet evolution 2014-2019 (Source: Own study based on LOT data)

Net sales revenue (PLN billion)



Net sales revenue 2014-2019 (Source: Own study based on LOT data)

¹ https://www.uic.gov.pl/_download/regulacja_rynku/analiza_rynku_2012.pdf

² <https://vn24.pl/biznes/z-kraju/lot-odbierze-osmego-boeinga-787-8-dreamliner-za-756607-44482739>

³ <https://finanse.wp.pl/dzis-pierwszy-lot-do-los-angeles-6111587834570369a>

⁴ <https://www.money.pl/gospodarka/lot-trzy-lata-temu-odebral-pierwszego-boeinga-737-max-teraz-wylicza-oszczednosci-6717426250492800a.html>

⁵ https://dlc.gov.pl/_download/statystyki/2019/analiza_4_kwartal_2019.pdf

⁶ https://dlc.gov.pl/_download/statystyki/2019/analiza_4_kwartal_2019.pdf

⁷ <https://www.lot.com.pl/pl/biuro-prasowe/informacje-prasowe/lot-z-zykiem-i-rekordowa-liczba-pasazerow-w-2019-r>

2 Pandemic COVID 19

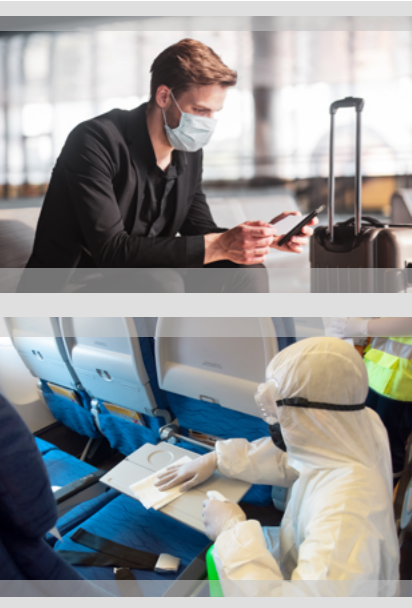
The pandemic has reduced air traffic to virtually none. In 2020, global passenger traffic was just 34% of 2019 levels, according to IATA. More than 40 airlines collapsed in 2020 alone. This number rose to more than 150 in the three pandemic years.⁸

In 2020, the Polish carrier launched Operation #LOTdoDomu, helping 54,000 Poles who were stranded abroad to return home. The operation included 388 flights from 6 continents. It was carried out in March and April 2020 over a period of 22 days.⁹ It was one of the most organisationally and logistically complex flight operations in the over 100-year history of Polish and global civil aviation. In the following months, LOT carried out the #CargodlaPolska programme, as part of which it delivered over 9,700 m³ of protective materials and medical equipment to the Polish healthcare service using both the baggage space and the passenger deck of Boeing 787 Dreamliner aircraft.

The pandemic created a very serious crisis for the company, as passenger traffic virtually froze. By the end of 2020, passenger numbers had fallen by as much as 63.2 per cent, with only 2.38 million passengers carried at the time. Sales revenue was reduced by 42.1%, to just under PLN 2.6 billion, and EBITDA dropped from 0.2% to -3.9%. LOT then recorded a net loss of over PLN 1 billion. A year later, it was as high as PLN 1.3 billion net.¹⁰ The company's main assets, including aircraft, were financed primarily through borrowed capital.

Forecasts showed that the introduction of vaccines would contribute to a gradual improvement in the aviation market. It was estimated that 51% of the 2019 turnover level would not be reached until 2021, with a full recovery after 2024 at the earliest.

In response to the crisis, LOT Polish Airlines received state aid. The capital injection from the state budget amounted to EUR 250 million and the loan from the Polish Development Fund to PLN 1.8 billion.¹¹ The loan is due to be repaid by 2027.



⁸ <https://businessinsider.com.pl/iata/>
⁹ <https://www.lot.com.pl/pl/biuro-prasowe/informacje-prasowe/54-tys-polakow-wrocilo-do-kraju-w-ramach-operacji-lotdomu>
¹⁰ <https://diagpilota.pl/wiadomosci/pli-lot-ponad-13-mln-dl-straty-za-2021-r>
¹¹ <https://www.lot.com.pl/pl/pl/corporate/pomoc-publiczna>

3 RECOVERY after the pandemic

LOT used the state aid not only to cover the costs of its current operations but also to adapt to the new market conditions. Anticipating a faster recovery on long-haul routes than on short European routes, the company made a much stronger entry into the tourist and charter segments and further developed the cargo branch between 2022 and 2023.¹² Obtaining pharmaceutical certification enabled the Company to compete in the transport of medicines. LOT took advantage of the time of the pandemic to carry out a technological transformation (which had already started in 2019) in the areas of sales, revenue management and passenger service.

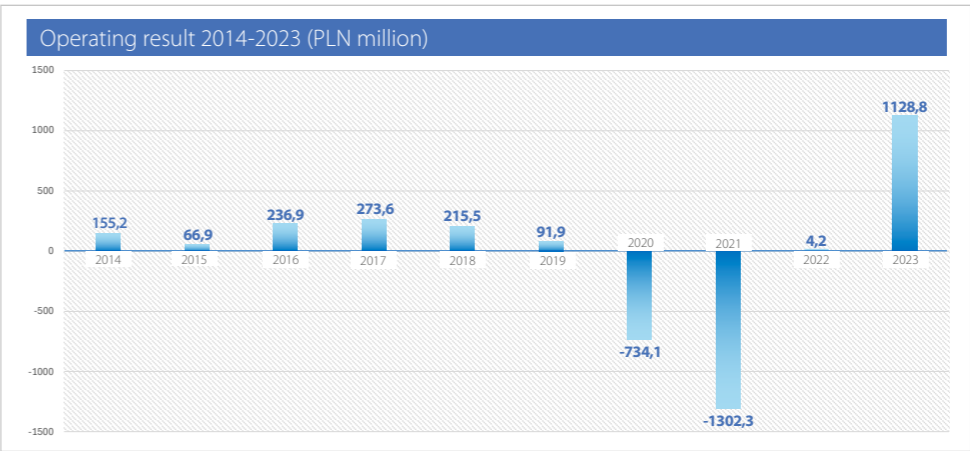
After the pandemic, LOT Polish Airlines continued to expand its fleet. In mid-2022, the company took over 6 Boeing 737 Max 8 from the bankrupt Romanian airline Blue Air.¹³ It also ordered further three aircraft of this type with a planned delivery date of the first quarter of 2025 and further eight Boeing 737 Max 8s for the first half of 2025.¹⁴ Currently, the Polish national carrier has almost 80 aircraft.¹⁵ In 2021, LOT had the largest share of the Polish aviation market (25.2%). Just behind it came Ryanair (25.1%), followed by Wizz Air (16.1%), Enter Air (11.0%), Ryanair Sun (3.9%), Lufthansa (3.5%), Smartwings (3.5%) and the rest of the airlines (11.8%).¹⁶

In 2022, Polish airports handled almost 41 million passengers - 16.4% less than in 2019, but as much as 108.6% more than in 2021. The largest number of passengers was carried by: Ryanair (13.3 million), PLL LOT (8.5 million) and Wizz Air (7.6 million), which translated into market shares of 32.5%, 22.6% and 18.6% respectively. Compared to 2021, the Irish airline increased passenger numbers by 7.6 million, LOT by 4.5 million and the Hungarian carrier by 4.3 million.¹⁷

According to the company's calculations, LOT's planes made more than 90,000 flights in 2022, recording a seat fill rate of more than 80 per cent.¹⁸

In 2022, LOT generated revenues of PLN 8.3 billion.¹⁹ On cargo flights alone, the company earned revenue of PLN 755 million. In 2023, operating income was PLN 1.1 billion. This recovery was mainly the result of dynamic revenue growth with a rational cost policy. Sales revenue increased from PLN 8.3bn to PLN 10.1bn.

With an EBIT margin of 11% in 2023, LOT Polish Airlines was one of the most profitable airlines in Europe (ahead of carriers such as Lufthansa, Austrian, Eurowings, Air France, KLM and Wizz Air).



(Source: Own study based on financial data)

¹² <https://www.rynek-lotniczy.pl/wiadomosci/lot-cargo-duzy-wzrost-w-dobie-swiatowego-spadku-6814.html>
¹³ PLL LOT, sprawozdanie finansowe za rok 2022
¹⁴ <https://www.fly4free.pl/lot-zwieksza-flete-dostanie-3-nowe-boeingi-737-max-8/>
¹⁵ Stan na 1 lipca 2023, <https://www.lot.com.pl/pl/pl/odkrywaj-o-lot/flota>
¹⁶ <https://markethub.pl/rynek-lotniczy-w-polsce/>

¹⁷ https://uk.gov.pl/_download/statystyki/2022/analiza_4_kwartal_2022_final_002.pdf
¹⁸ LOT, komunikat spółki, 2022
¹⁹ <https://www.money.pl/gospodarka/pli-lot-chwala-sie-zyskiem-114-mln-zi-nad-kreska-w-2022-roku-6916422535076608a.html>

2 Higher STANDARDS

LOT Polish Airlines' strategy envisages further substantial investment in fleet development. LOT intends to procure around 40 new aircraft and carry out a modernisation of the Boeing 787-8 Dreamliner cabins.²⁴

The choice of larger-capacity aircraft will enable the average number of seats on board each flight to be increased by more than 30%, and thanks to modern engines, the machines will require less fuel. Therefore, the strategy envisages a reduction in unit operating costs. This seems challenging, however, given LOT Polish Airlines' plans to increase its workforce by 530 new pilots and 1,100 cabin crew and its ambitions to achieve Premium standards.

LOT intends to focus on enhancing the quality of customer service and positioning the LOT brand in Europe as an airline that meets the needs of passengers expecting a more personalised service. It is planning to introduce a new standard of in-flight service (including, specifically, internet access on long-haul flights).

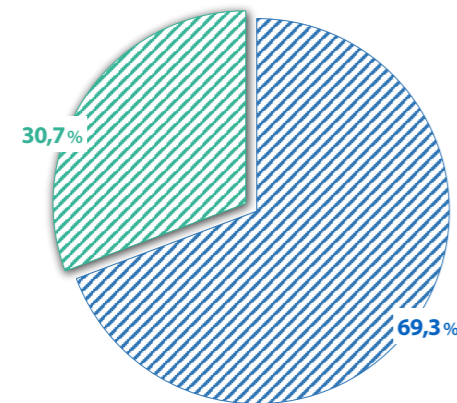
LOT Polish Airlines wishes to make the planes in its fleet more economical and environmentally friendly. While looking for optimum solutions in terms of on-board product, it also intends to reduce the amount of waste and use less environmentally harmful products.²⁵

These initiatives are part of a larger plan to reduce the negative environmental impact of operations and increase operational efficiency. The company plans to introduce special ticket prices to encourage travelers to choose more environmentally friendly travel options.



²⁴ <https://www.pasazer.com/news/464037/lot-oglosil-piecioletnia-strategie-2024-2028.html>
²⁵ <https://www.lot.com/pl/pl/biuro-prasowe/informacje-prasowe/nowa-strategia-lotu-na-lata-2024-do-2028>

LOT POLISH AIRLINES. Capital structure in 2023



LOT Polish Airlines' capital structure in 2023. (Source: LOT data)

LOT Polish Airlines' new strategy involves consistent growth in revenue and operating profit while providing funds for debt repayment. It will be crucial for the company's success to implement the assumptions of this strategy while struggling, as other airlines in Europe will, with the challenges of inflation and rising fuel costs as well as complying with climate requirements.

1 INCREASING the number of PASSENGERS

LOT is planning a major expansion in the aviation market, aiming to launch 20 additional routes.²⁰ The company is focusing on opening new routes, mainly in Asia and North America.²¹ The aim is to bring about a gradual increase in the passenger numbers – up to 17 million in 2028, almost 7 million more than today. It is worth noting that in September 2023 alone, LOT Polish Airlines carried around 1 million passengers, while for the year as a whole LOT Polish Airlines carried over 10 million people bringing it close to the historic result of 2019. In 2023, LOT also performed very well in terms of punctuality, ranking the carrier as the fourth most punctual European airline.²² The regularity index was 98.4 per cent and the on-time departure rate was 71.9 per cent, placing LOT among the most punctual European airlines.

Transit passengers already account for around 60 per cent of all passengers carried. The marker of success

will be increasing cost efficiency, which is essential to remain competitive on these routes.

LOT Polish Airlines's strategy is to attract an additional three million passengers to destinations outside Warsaw by 2028. It also plans to exploit niches for new routes from smaller cities, not served by low-cost airlines.

Anticipating intensified tourist traffic, the strategy draws attention to cooperation with travel agencies. LOT emphasises the importance of developing its charter business, which is expected to bring it an additional 1.5 million passengers a year.

An important element of the strategy is the cargo segment initiatives, including the development of wide-body aircraft capacity.²³

²⁰ <https://www.money.pl/gospodarka/lot-z-nowa-strategia-ma-rozpoczac-wyscig-z-najlepszymi-liniami-694894023859296a.html>
²¹ <https://www.pasazer.com/news/464037/lot-oglosil-piecioletnia-strategie-2024-2028.html>
²² <https://www.rynek-lotniczy.pl/wiadomosci/najpunktualniejsze-linie-w-2023-lot-czwarty-w-europie-19655.html>

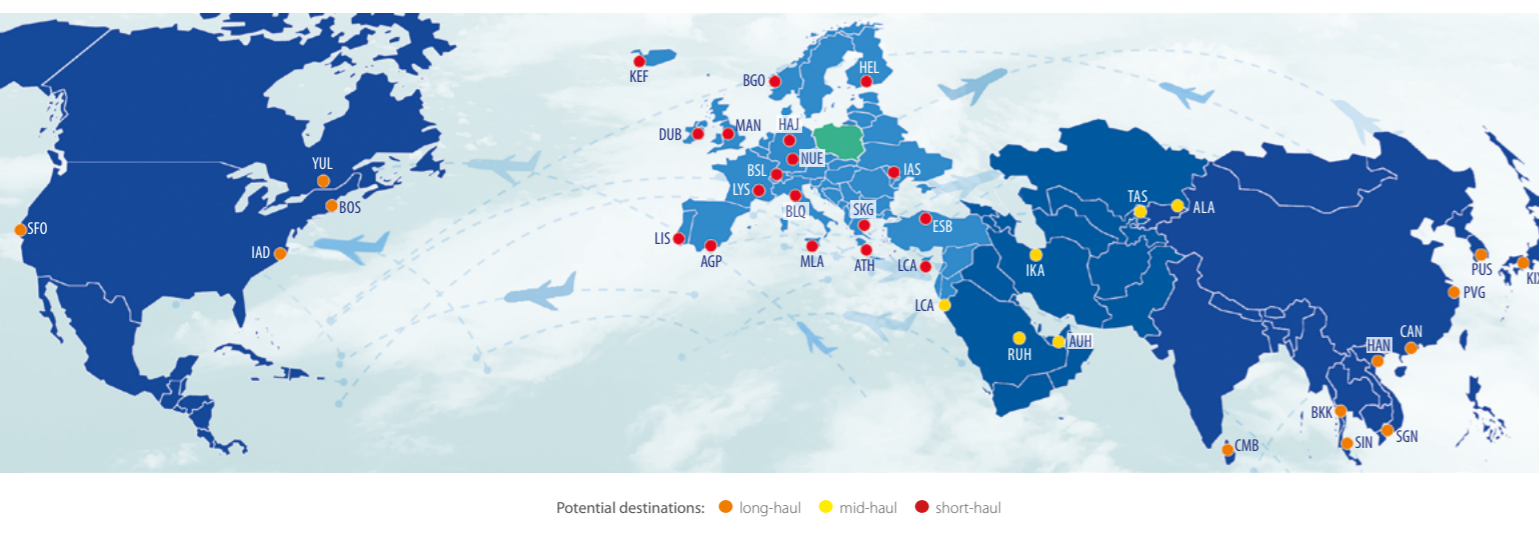
²³ <https://www.rynek-lotniczy.pl/wiadomosci/lot-cargo-waznym-elementem-strategii-rozwoju-lotu-19288.html>

3 OPENING new ROUTES

As part of its new strategy, LOT plans to further expand its route network.²⁶ It envisages opening 20 new long- and short-haul routes. Potential destinations include Boston, San Francisco, Washington, Montreal, Bangkok, Hanoi, Abu Dhabi, Tehran, Athens, Dublin, Nuremberg, Lisbon, Larnaca and Manchester. By doing so, the company wants to increase passenger numbers, especially in transit traffic.

LOT assesses that the post-war situation in Ukraine may create new opportunities for the airline, especially in the context of an increase in the number of Ukrainian citizens residing in Poland (approximately 2 million people in 2023). After the end of the armed conflict, the company plans to expand connections from regional airports in Poland to major Ukrainian cities, aiming to gain a 50-55% share on the more popular routes and to relaunch operations on less busy destinations.

Map of potential new LOT WORLD routes



(Map of potential new LOT WORLD routes (Source: Own study based on LOT data))

²⁶ <https://www.lot.com.pl/pl/biuro-prasowe/informacje-prasowe/nowa-strategia-lotu-na-lata-2024-do-2028>

4 EFFICIENT competing on the MARKET

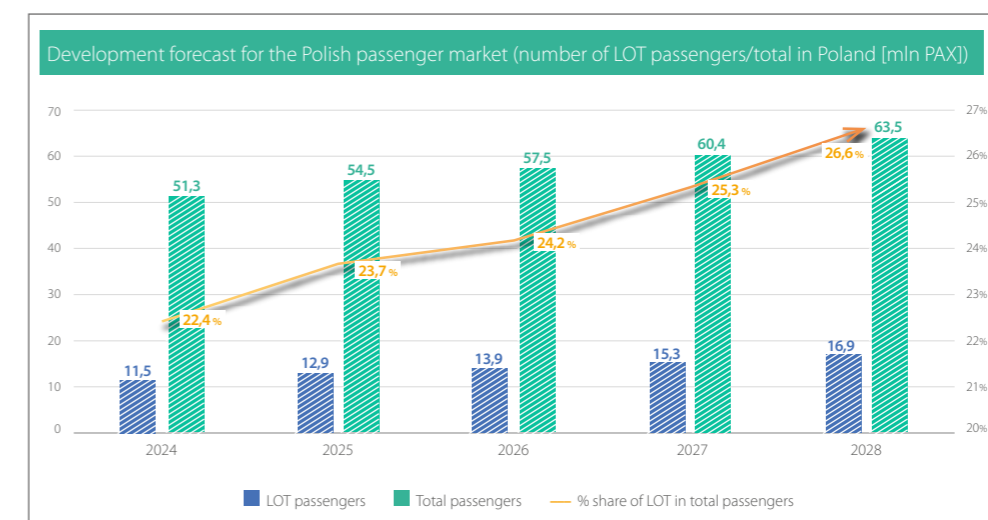
Comparing LOT's strategy with airlines it competes with in the same category, such as Austrian Airlines, reveals similar targets for passenger increase and fleet expansion.

In 2023, Austrian Airlines, like LOT, has seen a significant improvement in performance. Austrian managed to generate an operating profit of €127 million compared to €3 million in 2022. The airline's high punctuality and nearly 14 million passengers in 2023 represent important benchmarks for the Polish company.²⁷

On the other hand, LOT has to consider the dynamic development in the area of so-called low-cost lines. LOT's model is based on the development of long-haul and medium-range connections, so it differs significantly from the low-cost approach of Irish Ryanair²⁸ or Hungarian Wizz Air.²⁹ These carriers, however, deprive the Polish company of a large number of passengers.

Ryanair in particular is a challenge, having increased its share of the Polish market by 10 percentage points in 2022.³⁰ The Irish company operates more than 500 aircraft in Europe, flies to more than 35 countries via 2,100 routes and has an aircraft fill rate of 94 per cent.³¹

Aviation market participants are gearing up for dynamic development in the coming years by expanding their operational capacities and preparing for further significant growth in demand for air services. The forecast for the development of the Polish passenger market estimates an increase in the number of passengers from 41 million in 2022 to 63.5 million in 2028 (+32.1 per cent).³² The figures for 2023 confirm the upward trend, while indicating that LOT still carries fewer passengers than in the corresponding period of 2019 before the pandemic, i.e. it has the perspective of a better result in the following years.³³



²⁷ <https://www.austrianairlines.at/en/2023/11/02/austrian-airlines-financial-result-on-track-to-deliver-good-annual-results-with-strong-summer-quarter/>

²⁸ <https://www.pasazer.com/news/463183/ryanair-1,43-mld-euro-zytku-za-rok-obrotowy-2023.html>

²⁹ <https://turystyka.tp.pl/linie-lotnicze/art39291391-pojedynke-ryanair-a-wizz-aiorem-w-polsce-kazdy-ma-chrapke-na-ekspansje>

³⁰ <https://www.fly4free.pl/ryanair-bije-rywali-w-polsce-dane-ulc/>

³¹ <https://www.money.pl/gospodarka/zaczynali-od-jednego-samolotu-dzis-sa-najwieksza-linia-w-europie-za-sukcesem-stoi-czlowiek-z-kontrowersyjnymi-pomyslami-6837904861031104a.html>

³² Opracowanie własne na podstawie danych LOT (Strategia PLL LOT na lata 2024-2028)

³³ https://ulc.gov.pl/_download/statystyki/2023/01_kw_2023/analiza_2_kwartal_2023_final.pdf

³⁴ <https://www.ulc.gov.pl/pl/aktualnosci/6287-progniza-rochu-lotniczego-w-polsce-na-lata-2022-2040>

5 FINANCIAL forecast

LOT is going to review its pricing strategies. On short-haul flights, the company falls within the market average, and on long-haul flights, especially to North America, it can offer slightly higher prices thanks to its strong product offering. However, on Asia-Europe routes, competition is forcing LOT to offer lower prices. Currently, the majority of tickets for LOT flights are sold through indirect channels. However, the company has been focusing on the development of direct channels for quite some time now, and the changes introduced at the company in the area of e-commerce have been awarded several times in Poland and internationally.³⁵

By 2028, LOT expects revenue from its core business to increase to PLN 17.86 billion, EBITDA to reach approximately 4.7%³⁶ and net margin to reach approximately 3.6%. The company aims to achieve an operating profit of PLN 833 million and a net profit of PLN 639 million in 2028.



LOT Polish Airlines' development strategy for 2024-2028 focuses on transforming the company into an enterprise with greater reach and better financial standing, while engaging in social responsibility and improving the quality of service.³⁷ The company's main objective by 2028 is to increase the number of passengers to 16.9 million and expand the fleet to 110 aircraft (from less than 80 aircraft at the end of 2023). This is expected to translate into achieving a 30% share of the Polish aviation market and timely repayment of public aid received during the pandemic

1 THREATS

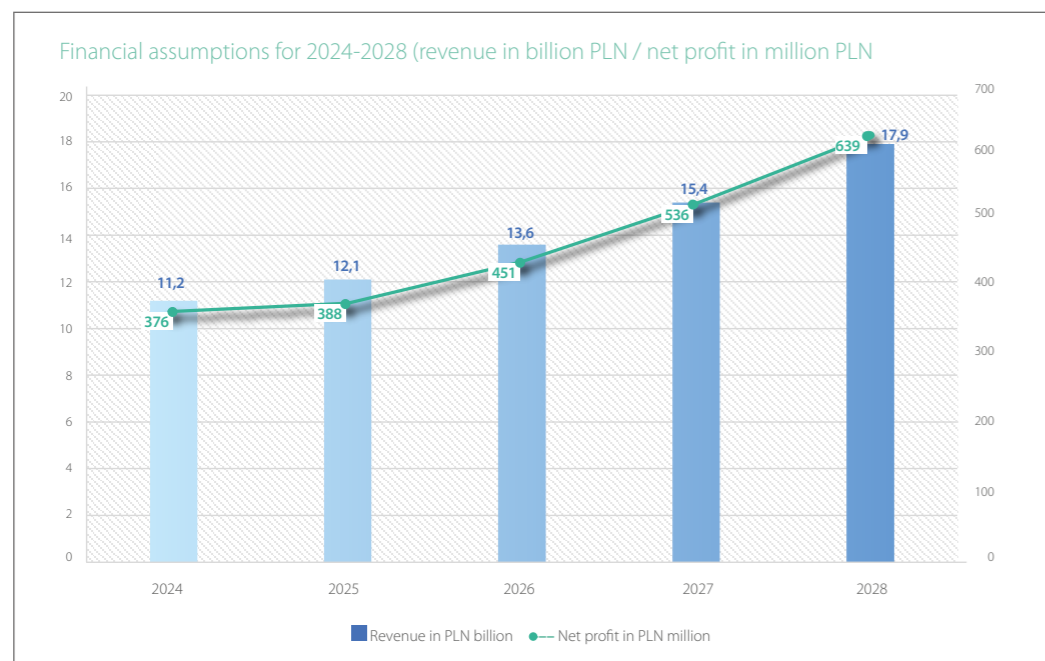
The greatest risks to the implementation of LOT's strategy arise from the unstable geopolitical situation and dynamically changing market conditions. Inflationary changes and rising fuel costs, as well as exchange rate fluctuations and climatic stresses pose a huge challenge.³⁸

A current challenge for the aviation industry as a whole is the lack of aircraft availability, which is due to the increasing number of orders and longer delivery times. For example, in 2023, Lufthansa ordered 80 single-aisle aircraft from Airbus and Boeing, while Turkish Airlines ordered 150 A321neo aircraft and 70 A350 aircraft. Airbus has announced that it has received more than 2,000 orders in 2023 and Boeing has received 1,085 orders. This means that the timely delivery of more aircraft for LOT is at risk and the company will have to engage in a battle for time with other airlines.³⁸ Another challenge for LOT is the market and marketing activities of direct competition - both from comparable network companies (e.g. Austrian Airlines) and from low-cost companies (Ryanair, Wizz Air). It is becoming increasingly difficult for the Polish carrier to compete with low-cost airlines, which in 2023 already had 61% of the market in Poland, twice as much as two years earlier.

Stricter environmental regulations for the airline industry may entail additional requirements, which is likely to increase operating costs. Moreover, the European Union's drive to replace short-haul air travel with rail connections will constrain LOT's plans to develop traffic between cities in Poland and to neighbouring countries.

The depletion of Chopin Airport's capacity also poses a real risk. The increasing number of direct air connections has an impact on tightening economic cooperation and the growth of export. Relations with South Korea are a good example of this dependency. Meanwhile, the Warsaw airport, being the main hub for LOT in the region, is reaching its capacity limits. Therefore, a question arises as to what should be done next.

³⁵ <https://www.lot.com/pl/en/explore/about-lot/lot-initiatives/ankiuz-gawryluk-the-winner-of-the-adobe-competition>
³⁶ <https://www.lot.com/pl/en/explore/about-lot/lot-initiatives/ankiuz-gawryluk-the-winner-of-the-adobe-competition>
³⁸ <https://www.msn.com/en-us/money/companies/airlines-are-rushing-to-order-airbus-and-boeing-aircraft-with-deliveries-tight/ar-AA1UHL>



Financial assumptions for 2024-2028 (Source: Own study based on LOT data)

Forecasts assume that LOT will be profitable throughout the period 2024-2028, which would be a significant achievement. This would also allow the timely repayment of the PLN 1.8 billion loan received from the Polish Development Fund.

³⁵ <https://www.lot.com/pl/en/explore/about-lot/lot-initiatives/ankiuz-gawryluk-the-winner-of-the-adobe-competition>
³⁶ <https://www.lot.com/pl/en/explore/about-lot/lot-initiatives/ankiuz-gawryluk-the-winner-of-the-adobe-competition>
³⁸ <https://www.pasazer.com/news/464037/lot-oglosil-piecioletnia-strategie-2024-2028.html>

2 OPPORTUNITIES

The implementation of LOT's strategy will depend not only on risks but also on many other variables, including evolving trends in the aviation industry.

Achieving the objectives set out in the strategy will demand that the company focus on a few key activities:



The right choice of new machinery - so as not to overestimate investments while meeting expectations



Further improving the quality of service – to maintain and develop customer loyalty, even though LOT is already in the world's top three in terms of its approach to passengers.³⁹



Optimum development of the route network, both on short and long-haul routes



Effective pricing strategies - to compete with other airlines

Human capital will be an important factor in the implementation of LOT's strategy. This concerns not only the qualifications of pilots, cabin crew and technical staff but also work atmosphere, relations between management and employees and the arrangement of pay spines. The internal situation within the company, resulting from these factors, will have a significant impact on the Polish carrier's development possibilities.

LOT's new competitive advantage may prove to be operating from Poland, which, in the context of the war in Ukraine and the start of the process of European Union enlargement, has positioned itself at the heart of an integrating Europe. Assuming there is no escalation of the conflict, Poland's experience of being a logistical hub for more than 50 countries directly supporting Ukraine, and the growing interest in the Central European region due to its strategic importance for the West in the face of Russia's operations, should bring new market opportunities for the Polish carrier. The critical importance of having its own airline for the Polish state in a situation of growing international instability is also not without significance.

³⁹ <https://wyborcza.biz/biznes/7,177151,30476497,lot-na-podum-swiatowego-rankingu.html?disableRedirects=true>

3 CONCLUSIONS

In global ranking, LOT scores differently, between 73rd or 86th place in the SkyTrack global ratings⁴⁰ and 3rd position (second in Europe) on the AirHelp list.⁴¹ The differences are due to the methodological assumptions adopted – the latter ranking highlights passenger opinions and approaches to solving problematic situations. In the ranking of the most valuable Polish brands, compiled by the 'Rzeczpospolita' daily newspaper, LOT climbed to 17th place in 2018 (from the end of the first hundred a few years earlier).⁴² According to the 'Lubię, bo polskie' ranking organised by the Polish Radio, LOT was recognised as the best domestic brand of 2023.⁴³ The trust that employees of the aviation sector in Poland enjoy⁴⁴ and the affection that Poles feel for their national carrier should be emphasised.

2023 may turn out to be the best year financially in the nearly 100-year history of our national carrier. However, it is important to bear in mind that the PLN 1 billion net profit expected by the market (on ca. PLN 10 billion revenue) is also an effect of external factors (including a strong zloty, low cost of aviation fuel) and the possibility to settle the company's loss from previous years (although the company paid income tax of ca. PLN 40 million in the first three quarters). Nevertheless, the fact remains that once these are removed, we will get one of the highest EBIT ever.

The positive result on the core business provides a real basis for the company's continued stabilisation. Improved operational efficiency (at least an increase in average annual seat occupancy to around 75%), cost optimisation, organic growth in revenue, number of passengers and fleet, and development of new flight destinations provide grounds for optimism and increase the likelihood of successful implementation of LOT's strategy for 2024-2028.

Further consistent development of LOT may allow it to consolidate its market position and to compete effectively with European carriers, which is of key importance in the context of the consolidation of the aviation market in this part of the world, observed for years. It may also make it possible to achieve the scale of operations necessary for the success of a new central airport project in Poland.

A key factor along the way will be an awareness of the opportunities and threats described above and the ability to navigate within the company's highly dynamic environment to minimise obstacles and maximise positive trends. It will be essential to manage wisely, relying on the need to adapt to changing external circumstances and to be flexible in responding to new market situations, while stabilising the internal challenges the company constantly faces.



⁴⁰ <https://www.worldairlineawards.com/world-top-100-airlines-2022/>

⁴¹ <https://www.airhelp.com/en/airhelp-score/airline-ranking/>

⁴² <https://bartoszgrzesik.pl/wp-content/uploads/2019/09/ranking-najcenniejszych-polskich-marek.pdf>, 73. pozycja w 2022 roku, 86. w 2023 roku.

⁴³ Ranking 'Lubię bo polskie', VII edycja, październik 2023 r., <https://dlaplota.pl/wiadomosci/ranking-pil-LOT-najlepsza-polska-marka-2023-r-w-rankingu-lubie-bo-polskie>

⁴⁴ <https://swresearch.pl/ranking-zawodow>

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