Lufthansa Group

Information for shareholders on the 2012 result

March 2013

Key figures Lufthansa Group

		2012	2011	Change in %
Revenue and result				
Total revenue	€m	30,135	28,734	4.9
of which traffic revenue	€m	24,793	23,779	4.3
Operating result	€m	524	820	−36.1
EBIT	€m	1,357	734	84.9
EBITDA	€m	3,270	2,546	28.4
Net profit/loss	€m	990	−13	
Key balance sheet and cash flow statement figures				
Total assets	€m	28,419	28,081	1.2
Equity ratio	%	29.2	28.6	0.6 pts
Net indebtedness	€m	1,953	2,328	−16.1
Cash flow from operating activities	€m	2,842	2,356	20.6
Capital expenditure (gross)	€m	2,359	2,566	−8.1
Key profitability and value creation figures				
Adjusted operating margin[1]	%	2.3	3.4	−1.1 pts
EBITDA margin	%	10.9	8.9	2.0 pts
CVA	€m	375	99	278.8
CFROI	%	9.2	8.0	1.2 pts
Lufthansa share				
Share price at year-end	€	14.24	9.19	55.0
Earnings per share	€	2.16	−0.03	
Suggested dividend per share	€	–	0.25	−100.0
Traffic figures				
Passengers	thousands	103,051	100,605	2.4
Freight and mail	thousand tonnes	1,972	2,120	−7.0
Passenger load factor	%	78.8	77.6	1.2 pts
Cargo load factor	%	66.9	66.8	0.1 pts
Flights	number	1,033,588	1,050,728	−1.6
Employees[2]				
Average number of employees	number	117,443	115,335	1.8
Employees as of 31.12.	number	116,957	116,365	0.5

[1] Performance indicator to enable comparison with other airlines: (operating result + write-backs of provisions) / revenue.
[2] Excluding bmi.

Business performance considerably depressed by financial crisis, exchange rates and fuel price In 2012, the course of business at the Lufthansa Group was severely affected by the consequences of the financial crisis in Europe and by persistently high fuel prices. This particularly affected the passenger and cargo businesses. In addition, the year 2012 was hit by a large number of strikes. The first quarter saw massive industrial action by German air traffic controllers, which had a direct impact on the Passenger Airline Group. In the third quarter, it was the cabin crew at Lufthansa Passenger Airlines who went on strike.

The profits from the service companies had a stabilising effect on the Group's business and earnings performance over the year as a whole. On revenue of EUR 30.1bn the Lufthansa Group achieved an operating result of EUR 524m. Cash value added (CVA), the figure used to measure value creation in the reporting period, came to EUR 375m (previous year: EUR 99m).

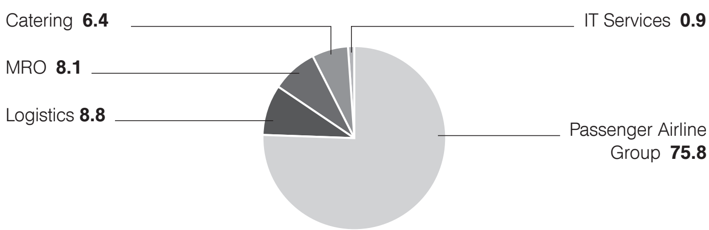
Revenue and income Operating income developed well in the 2012 financial year, rising by 5.9 per cent to EUR 33.0bn altogether. This increase is primarily due to the positive development of traffic revenue, which climbed by EUR 1.0bn (+4.3 per cent) to EUR 24.8bn as the result of higher traffic volumes. The stronger US dollar accounted for 2.7 per cent, volumes for 1.1 per cent and higher prices for 0.5 per cent of the revenue increase.

Other revenue stems primarily from the MRO, Catering and IT Services segments, and to a lesser extent from the Passenger Airline Group and Logistics as well. It increased by EUR 387m, or 7.8 per cent, to EUR 5.3bn in the reporting year.

The Lufthansa Group's external revenue went up by 4.9 per cent to EUR 30.1bn. The Passenger Airline Group segment's share of total revenue increased to 75.8 per cent (+0.8 percentage points), mainly because of higher traffic volumes. Thanks to strict capacity management, revenue in the Logistics segment fell to EUR 2.7bn (−8.7 per cent) and represents 8.8 per cent of total revenue. Lufthansa Technik increased its external revenue by 5.4 per cent to EUR 2.4bn. External revenue also rose sharply in both the Catering segment (+11.2 per cent to EUR 1.9bn) and in IT Services (+11.3 per cent to EUR 256m).

Other operating income rose by 19.8 per cent to EUR 2.8bn, largely as a result of book gains from the disposal of a stake in Amadeus IT Holding S.A. and the transfer of the remaining stake in Amadeus IT Holding S.A. to the Lufthansa Pension Trust.

External revenue share of the business segments in %



Operating expenses The rise in fuel prices dominated developments in operating expenses, which increased by 4.3 per cent to EUR 31.7bn altogether. The cost of materials and services increased by 7.3 per cent to EUR 18.0bn. This increase was primarily driven by the 17.8 per cent climb in fuel costs to EUR 7.4bn. Staff costs went up by 5.6 per cent to EUR 7.1bn in the reporting period. Depreciation, amortisation and impairment came to EUR 1.8bn (+6.8 per cent). Other operating expenses fell by 7.7 per cent.

Expenses

	2012 in €m	2011 in €m	Change in %
Cost of materials and services	17,946	16,731	7.3
of which fuel	7,392	6,276	17.8
Staff costs	7,052	6,678	5.6
Depreciation	1,839	1,722	6.8
Other operating expenses	4,885	5,293	−7.7
Total operating expenses	**31,722**	**30,424**	**4.3**

Earnings development The Lufthansa Group reported positive earnings figures throughout the entire 2012 financial year – partly thanks to non-recurring factors. All segments contributed operating profits. Increasingly difficult conditions nevertheless had an impact, especially on the airborne companies, where the performance indicators were down. Altogether the operating profit came to EUR 524m (previous year: EUR 820m). The adjusted operating margin was 2.3 per cent (previous year: 3.4 per cent).

External revenue and Operating result

2012	External revenue in €m	Change compared to previous year in %	Operating result in €m	Change compared to previous year in %
Lufthansa Group	30 135	4,9	524	–36,1
Passenger Airline Group	22 855	6,1	258	–26,1
Logistics	2 662	–8,7	104	–58,2
MRO	2 429	5,4	318	23,7
Catering	1 933	11,2	97	14,1
IT Services	256	11,3	21	10,5

The profit from operating activities as defined by IFRS rose sharply by EUR 538m year on year to EUR 1.3bn. This was largely a result of the above-mentioned Amadeus transactions. The financial result improved by EUR 55m to EUR –272m. The Lufthansa Group's profit from continuing operations was EUR 967m (previous year: EUR 289m). After deducting the result of discontinued operations of EUR 36m (previous year: EUR –285m) and profit attributable to minority interests of EUR 13m (previous year: EUR 17m), net profit of EUR 990m (previous year: EUR –13m) is attributable to shareholders of Deutsche Lufthansa AG.

Executive Board and Supervisory Board propose suspension of the dividend The Executive Board and Supervisory Board will propose the transfer of the entire distributable profit of EUR 296m to other retained earnings at the Annual General Meeting to be held on 7 May 2013. By retaining the total net profit for the year, the aim is to strengthen shareholders' equity to an extent that will enable the Lufthansa Group to continue the capital expenditure that is so important for the Company's continued viability at this challenging time, while maintaining its solid financial profile.

Capital expenditure / cash flow / assets and financial position While tightening its strict cost management even further compared with the previous year, the Lufthansa Group made more important investments in the financial year 2012 in order to open up additional prospects for the future. The extensive fleet renewal programme was pursued systematically in order to further improve the future cost basis by means of fuel-efficient aircraft. At EUR 2.4bn, capital expenditure for the Group was 7.9 per cent down on the previous year, however. Investment in down payments and final payments for aircraft and aircraft overhauls, equipment and reserve engines was down by 4.2 per cent to EUR 2.0bn. Total net cash used for investing activities came to EUR 1.4bn (previous year: EUR 1.6bn).

This capital expenditure contrasts with cash flow from operating activities of EUR 2.8bn, which was 20.6 per cent up on the year. This meant that substantial positive free cash flow of EUR 1.4bn was achieved again in the 2012 financial year.

The Group's balance sheet total rose by EUR 338m to EUR 28.4bn compared with year-end 2011. Whereas non-current assets only increased slightly by EUR 32m to EUR 18.6bn, current assets increased by EUR 306m to EUR 9.8bn. Shareholders' equity came to EUR 8.3bn as of the reporting date; an increase of 3.2 per cent. At the same time, the equity ratio improved to 29.2 per cent, coming very close to the previous target of 30 per cent. Net indebtedness fell to EUR 2.0bn (previous year: EUR 2.3bn). Gearing, at 48.6 per cent (previous year: 55.9 per cent), was still within the target corridor of 40 to 60 per cent.

Outlook for the Lufthansa Group In the first half of 2012, the efforts made in the course of SCORE were essentially devoted to building a suitable organisational structure for the earnings improvement programme and agreeing individual and collective targets. 2013 will now see the implementation of many projects that have already been prepared and adopted. Following the sale, closure and initial restructuring of loss-making subsidiaries in 2011 and 2012, the focus will now turn to the core business of the Passenger Airline Group and the main service companies. The Lufthansa Group remains particularly exposed to highly volatile market conditions in its core business segment, which the Company is only partially able to influence. They include wide swings in the oil price and exchange rates as well as political and economic developments.

If conditions otherwise remain stable, the Lufthansa Group is nonetheless currently assuming that revenue for 2013 will be higher than that of the previous year and that the operating result will be an improvement on the earnings reported for the financial year 2012. The main factors influencing earnings will again be the oil price and the jet fuel crack, as well as exchange rates, and, in particular, market developments, including the continuation of general capacity discipline in European competition.

Furthermore, earnings in 2013 will be significantly affected by restructuring expenses and project costs in connection with the implementation of SCORE and the ongoing programme of investment in the fleet and the product. SCORE activities should make a substantial gross contribution to earnings in 2013. These will be offset by the expenses mentioned above, as well as by general cost inflation, which is expected to be significant. In 2013, the Lufthansa Group expects to generate the larger part of the operating result for the year with the airlines, i.e. the Passenger Airline Group and Lufthansa Cargo.

Extract from the Annual Report 2012. For the complete Annual Report please visit our website at www.lufthansagroup.com/investor-relations or order the print version via internet service or by Fax +49 (0) 69 696 – 9 09 90. The print version will be available from 15 April 2013.