



News

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Christoph Franz: “Shape the industry before it shapes you.”

Lufthansa’s Executive Board presents shareholders at the Annual General Meeting with 2012 financial figures and progress made with the SCORE program

Christoph Franz, Chairman of the Executive Board and CEO of Deutsche Lufthansa AG, today presented a solid set of financial figures for 2012 and a positive interim assessment of the SCORE program to the shareholders attending the company’s Annual General Meeting in Cologne. Revenue of EUR 30.1bn, an operating profit of EUR 524m and over 103 million passengers transported: These were the figures which ensured that the Lufthansa Group was once again Europe’s number one aviation Group in 2012. The net profit of EUR 990m includes non-recurring items from the disposal of shares in Amadeus IT Holding, S.A.. The figures still leave Franz unsatisfied, however. “Our company is facing serious challenges. Global aviation has changed. Our industry is under pressure – especially in Europe. Competition is getting tougher and tougher. This can also be seen by looking at our company figures. Which is why I won’t even try to put a gloss on them: They are inadequate if we are serious about being profitable in the long term,” said Franz at the Annual General Meeting.

Yet the Lufthansa Group wants to achieve sustainable profitability levels by 2015 at the latest. By then, the Group aims to use the SCORE program to boost its operating profit to EUR 2.3bn. “Our industry is not only sensitive to crises, it’s also a high-cost sector: kerosene, fees and staff costs, investments in fleet, cabin and ground products – these are all major, fixed-size cost items. Few changes can be made here. So we will need to change ourselves, if we want to survive into the future,” stresses Franz. “We want to shape the industry before it shapes us.” To achieve this goal, more than 2,500 ideas for improving profitability have been generated by Group employees since SCORE was launched. Such suggestions include reorganization of the Group’s administrative processes, eliminating duplicate structures, improving fuel efficiency or the strategic restructuring of the intra-European business segment with the new Germanwings. Total SCORE contributions were EUR 618m, with the Lufthansa Group easily surpassing 2012’s budgeted figure of EUR 280m.

And yet the Lufthansa Group was still unable to improve profitability last year: “Numerous negative factors – including the high price for kerosene, which drove up expenses by some EUR 1.1bn – ate away at the SCORE successes. And yet without SCORE, we would have posted a negative result in 2012,” said Franz. This is one reason why a freeze on dividends has been recommended to the company’s shareholders for the previous financial year: “Following the persistent decline in operating result our company has

experienced in recent years, we have recommended not to pay a dividend to bolster our balance sheet and further strengthen the financial stability of your company,” explained Franz. He was keen to stress, however: “Once we have achieved a sustained reversal of this earnings trend, we will – as before – reinstate dividend payments to our shareholders. That is our objective and that is our promise.” According to Franz, the Members of the Executive Board themselves will make a contribution to the sustainability of the Lufthansa Group as well. For the duration of the SCORE program they have agreed to a salary reduction of five per cent of their base pay.

Although Franz states that 2013 and 2014 will be decisive for the successful implementation of SCORE activities and that their impact on profit will largely be visible only from 2013 onwards, there were signs of more positive business development in the first quarter of the current year. Franz: “Demand in passenger business is following a satisfactory trend. SCORE is on track. Overall, first-quarter earnings for the Lufthansa Group are stable – despite restructuring costs. This gives us cause for optimism.”

For Franz, the goals for the future are clear. The Group aims to expand its leading position in the market, enhance its enterprise value in the long term and further improve customer satisfaction – in short, to become the best Lufthansa in the company’s history. “We are a good team,” said the CEO: “We have great employees who give all that is asked from them and more. With their ideas, our SCORE program has really come a long way. It also shows creativity and the will to become part of change, part of driving it forward. They deserve the highest praise and my heartfelt thanks for everything that they have achieved last year.”

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