Ladies and Gentlemen,
Welcome to our conference!

The year 2009 is history. The conclusion in the aviation industry is similar to the conclusion in other industries – it was economically the most challenging year for airlines worldwide to date.

One could say, the Wright brothers taught us flying and the Lehman brothers taught us fear. And now to the question – how did Lufthansa do in this environment? We too were not spared the consequences of the financial and economic crisis and we had to ‘fight hard’ to achieve our aim – which was to present a result that was at least in the black. And, in that, we succeeded.

Let me begin with the most important key figures.

- Lufthansa has recorded an operating profit of 130 million euros despite a market-related decline in revenue of 2.56 billion euros. That may have been a positive surprise to some looking at our traditional competitors and the credit for that goes to our staff; however, the result naturally cannot be a satisfactory one for Lufthansa.

- We recorded a Group result of - 112 million euros.

- The market has shrunk and the number of passengers has dropped. However, the figure is higher than the previous year due to consolidation effects. Our customers were loyal and also assured us top results in customer satisfaction ratings.

- And we again made some major investments in the future in 2009 with investments totalling 2.4 billion euros. That is an increase of 11 % compared to the year before. Thereby, the largest share of 1.9 billion euros was invested in the Passenger Airlines Group, and there mainly in new aircraft or down payments for aircraft.

Therefore as you can see, we are also maintaining the course through turbulent times and are not questioning our fleet modernization strategy. This course will also give us immediate growth flexibility where necessary.

On the whole, the Lufthansa share did relatively well in a highly turbulent and volatile year at the stock markets – nevertheless we cannot be satisfied. It initially succumbed to the general downward spiral of the first quarter, eventually bottoming out at 7.86 euros; however, it recovered well and ended the year at 11.75 euros, 5 % above the share price at the close of
2008. If one includes the dividend that we paid out in 2009, as the only European airline to do so, then we are even talking about an increase of 11.3 % for our shareholders.

However, in view of the negative net result and the continued uncertainty in economic developments, we will unfortunately not be proposing a dividend for the past business year as it would be economically unjustifiable. The winner of the crisis is therefore definitely the customer, because prices have plummeted.

Ladies and Gentlemen,

During times of crisis, there is always the risk that companies implement short-term measures to safeguard earnings at the expense of the future; that does not happen at Lufthansa:

- We have maintained our course;
- We have invested in the future, also during difficult times and -
- We have implemented or continued to pursue targeted strategic projects.

We have done all of this despite the fact that we had significant declines in revenue and despite the fact that we had some burdens to shoulder due to the newly consolidated companies. In that respect, our modest operating result of 130 million euros is quite a remarkable one.

And by the way, we still remain the only European airline with an Investment Grade Rating.

Yet in spite of all of these things, I say to you quite candidly: We would be poor management if we would not have hoped for more at the beginning of last year, but unfortunately this was the best result possible given the current circumstances. The Lehman brothers really made a complete mess of things and our industry is going to be busy cleaning up the mess for quite a while.

Ladies and Gentlemen,

Three things became especially clear during the past year of crisis:

1. It has paid off that we have never sailed on the edge and that we made provisions for the balance sheet when the going was good. We set the necessary resources aside in good time. We launched or intensified a wide range of operational programmes in the business segments and made targeted investments. All of the business segments have successfully demonstrated that they can adjust their growth and investments, and improve cost-effectiveness – and there is still room for improvement with the latter. They all also kept their sights on their perspectives for the future while doing so.
2. The value of the Aviation Group with its various different business segments and the Airline Group became especially clear during the year of crisis that was 2009. Our business segments have their own economic cycles and this has had an altogether stabilizing effect on the Group’s operating result. The Airline Group adds customer advantages and synergies.

3. All of the business segments distinguish themselves through high standards of quality, reliability and stability, innovative spirit, expertise and service orientation. Our aim remains to offer the best possible quality and be profitable in every segment and with every product. Within this context: There is absolutely no contradiction in saving costs and improving quality – quite the contrary! The combination of the two ensures profitability and sustainable growth.

The crisis has made stop at all the business segments of the Lufthansa Group; however, at different times and with varying degrees of intensity. Despite an increase in passenger figures due to consolidation effects the Passenger Airlines Group was confronted by a major decline in demand and unprecedentedly high declines in revenue. Therein lies and remains the challenge that we are currently faced with. There has been a considerable decline in the operating result and the targeted operating profit was missed, even if only just. Thus as a whole, our airlines were able to succeed relatively well in a highly challenging environment; SWISS and Germanwings made positive contributions to the result; however, Lufthansa Passenger Airlines had to sustain a substantial operating loss.

No one can say how long it will take us to make up for the current losses. It took three years to recover after 9/11. Therefore a solid balance sheet, efficient capacity adjustments and the reduction of costs remain, and will remain, the decisive factors for success.

However, Lufthansa is prepared and that is why we have projects like Climb 2011. As of the end of 2011, the project plans to achieve an improvement in earnings of one billion euros per year at Lufthansa Passenger Airlines alone. Besides capacity adjustments with the optimization of daily fleet utilization, the restructuring of short-haul routes, the halt in the employment of new staff and the reduction of staff, and the reviewing of investments – external and internal suppliers will also have to make their contributions to Climb 2011 – and this will be a major challenge. This may also be painful, but all companies in the aviation companies will have to implement these processes if they intend to survive the crisis without any lasting damage and prosper in the future.

We all know the meaning of the word "climb": it means hard work and a lot of thrust and there can only be one direction: up!

In order to avoid any misunderstandings, I would like to take this opportunity to make one thing perfectly clear: Despite our increased focus on cost efficiency, our positioning as a quality carrier remains an elementary component of the Lufthansa strategy.
Lufthansa will remain a reliable airline.

Lufthansa will remain a quality carrier and

Lufthansa will remain an airline that offers its customers the full range of services from the cheapest eco ticket and flexible Business Class tariffs all the way to First Class services and the Lufthansa Private Jet service for customers who sometimes need to set their own flight schedules.

We will not save on quality in any of our companies; on the contrary, we will find intelligent ways to sustainably improve competitiveness. Large companies that have reeled in great results year after year tend to put on a couple of extra pounds around the hips; the time has come for these pounds to go! It is something that has to be done, but that should not be felt by the customer. Others have to seize the opportunity to achieve synergies within the Group and gain strength. Synergies in the Group are not a one-way street, they benefit all involved.

Cost management remains an ongoing task and a tradition at Lufthansa – we also launched such programmes during the good times, for example, the Group’s ‘Upgrade to Industry Leadership’ initiative. However, in the crisis, the cuts will be deeper and we will have to heal faster. The Upgrade initiative was completed at the end of 2009. A total of 140 projects were implemented within the framework of the initiative and these will continue to be pursued and implemented in the companies in the line organization.

Lufthansa will continue to focus on the ability to forge partnerships. We believe that Europe needs competitive connections. The current fragmentation destroys value. That is why we are committed to the Star Alliance and the European consolidation process. We have continued to expand our Airline Group during the past year of crisis:

- Last July, following the endorsement by the Competition Directorate of the European Commission, we acquired 45 % of the shares in the parent company of Brussels Airlines.

- Austrian Airlines has been part of the Lufthansa Group since September.

- Following Sir Michael Bishop’s exercising of the put option (50 % + one share), we also acquired the 20 % in shares held by the SAS Group. The Lufthansa subsidiary LHBD has been the 100 % shareholder of bmi since November.

These new family members of the Lufthansa Group, will also retain their own profiles and identities. As in the case of SWISS, we will only consolidate processes where it makes economic sense for the Group. We create synergies, optimize the network offer and learn from each other. Thereby, the customer is always the focus of all of our considerations and decisions. We are expanding our network in regions, where Lufthansa was not so strong in the past, such as Africa, south-east Europe and north-west Europe. We are specializing, making
costs flexible and forcing our way into new markets – and that despite and in the crisis – always with an eye to the future!

That is also why we founded ‘Lufthansa Italia’, which began operations in February 2009. The timing for the launch could not have been more unfavourable; however, both the feedback from the customers and the medium-term perspectives for the economic region are very good.

Germanwings also remains successful in the crisis and has established itself in the no frills segment. The airline delivered a positive result for the 2009 business year and one that was above that of the previous year. The investments in JetBlue and SunExpress are also developing well.

We are cautiously optimistic in our outlook for the Airlines segment. Improving economic growth, which may vary from region to region, will also offer opportunities for our airlines to profit, particularly in intercontinental traffic. The extremely fierce competition in Europe will continue, but we are in a position to react very flexibly, we have options to choose from and we are well-prepared. At the end of May, we will be entering a new dimension in flying with our 3-litre flagship, the A380. And the planned intensified cooperation with our Star Alliance partners, Continental Airlines, United Airlines and Air Canada, in the A++ transatlantic joint venture will also contribute to strengthening the Lufthansa network.

Ladies and Gentlemen,

We are still fighting to overcome the consequences of the crisis. The major decline in revenues and volumes in 2009 did not only hit the airlines; it also hit the Logistics business segment and it had a massive impact on profits. Lufthansa Cargo was forced to deal with a major slump in revenue during the 2009 business year and posted a significant operating loss. However, we were at least able to cushion some of the impact from the crisis as Lufthansa Cargo had already established measures to safeguard earnings at a very early stage. These measures were then intensified on several occasions during the past year. The measures ranged from a halt in the employment of new staff and reduced working hours to the decommissioning of freighters and reduced fleet utilization, as well as many other measures. At the moment, the indications are there for a recovery and Lufthansa Cargo is cautiously optimistic for the current business year.

Lufthansa MRO is also distinguishing itself in the crisis. Capacity utilization was high during the past year and the company even grew against the market trend. We were able to increase revenue and the operating result. A truly strong performance that deserves praise!

Our IT services business segment, Lufthansa Systems, was again in the black in 2009, but unable to match the previous year’s figures. The decline in passenger figures has seen many airlines reduce or postpone their investments and that has affected the result of Lufthansa
Systems. The positive effects from the timely introduction of the cost-reduction measures were especially noticed during the second half of the year.

In 2009, LSG Sky Chefs was able to improve again and post a positive operating result – despite the challenging market conditions and major decline in revenue. However, this good result too would also not have been possible without the stringent cost reduction measures and efficiency increasing programmes at LSG Sky Chefs.

Ladies and Gentlemen,

On the whole we remain confident that the outlook for the Lufthansa Group during the coming years is a positive one. We are consolidating our strengths and working on our weaknesses. A worldwide economic recovery is being forecast for 2010 and it should be accompanied by slight growth in the aviation industry. I remain cautiously optimistic – at least until the middle of the year.

The start into the current year was filled with many obstacles. The effects of the weather on flight operations reached unprecedented dimensions.

We owe our staff a major compliment. The customers acknowledged the outstanding performance of our employees in the face of adverse weather conditions throughout Germany. Here too, we will have to draw the right conclusions from our analyses with our system partners. The philosophy must be – everything can be improved.

And last but not least, the pay dispute with "Vereinigung Cockpit", which cannot go unmentioned. The negotiators were all quick to return to the negotiating table after the call for a strike and the negotiations still going on. Lufthansa is and remains an exemplary company with exemplary products and exemplary conditions, that also applies for work and pay conditions. There can be no doubt there. We will continue to negotiate and act in a calm manner and with foresight. We therefore hope that we shall arrive at an acceptable solution without conflicts. Sustainability is thereby one of our priorities, as is the acknowledgment of our economic system and the need for a business focused approach in the interest of solidarity.

Ladies and Gentlemen,

Especially Lufthansa, with it strategic orientation, will be able to benefit from the long-term growth in the aviation industry that all of the experts are forecasting. In that respect we have paved the way for success. We have also adjusted the structure of our Group to the new dimensions and made it future-oriented – with the corresponding changes to the Executive Board. We will fly through this crisis successfully and the improving economy will allow us to soon fly high again. Doubling the volume of passengers by 2030 is not a utopian fantasy, as recent studies have again showed. And soon not only the airlines, but also our other business segments, will benefit.
Our path to growth is clearly orientated towards sustainability. And as in the past, our customers, shareholders and staff will soon profit again. Accompany us – come on board – and stay with us, we still merit your trust!