Ladies and gentlemen,

I am also very pleased to welcome you to the presentation of our annual figures for 2010.

As usual I would like to start with an overview of the key data for the financial year.
In 2010 we increased Group revenue by 22.6 per cent to EUR 27.3bn. Of course this is partly due to the fact that Austrian Airlines and bmi were consolidated for the whole year for the first time. Adjusted for this effect, growth nevertheless still came to 14.4 per cent. The real driver was traffic revenue in the passenger and freight business, which was up by 26.5 per cent. Adjusted for consolidation effects, the increase here was 16.2 per cent.

The Group generated an operating result of EUR 876m. The adjusted operating margin improved by 2.7 percentage points to 4.1 per cent.

Earnings before interest and taxes, EBIT, came to EUR 1.3bn, a sevenfold increase on the previous year.

The previous year’s net loss of EUR 34m was transformed into a net profit of EUR 1.1bn. This includes a positive one-off tax effect of around EUR 400m from the financial restructuring in the Catering segment.
Operating cash flow leapt by 54.4 per cent to a record EUR 3.1bn, which was well above gross capital expenditure of EUR 2.3bn despite the purchase of 47 new fuel-saving aircraft.

This surplus over capital expenditure and the very strong net profit had a positive impact on our balance sheet figures. It enabled us to reduce net debt even further. This currently stands at EUR 1.6bn compared with EUR 2.2bn at the end of the previous year. As a result, our gearing is now at 50 per cent – right in the middle of our target corridor of 40 to 60 per cent. The equity ratio climbed by a total of 4.9 percentage points to 28.4 per cent.

In the first year after the crisis Lufthansa created value again. The Cash value Added amounted to EUR 71m.
However, the Group’s great performance only becomes really visible when you see under what conditions it was achieved. This is because the year 2010 had two aspects. One was the exceptionally dynamic top-line recovery, with growth rates in passenger and freight that were well into the double digits. This began in the first half of the year already. Nevertheless, several unforeseen events meant that the potential of this market recovery is not fully reflected in the result. Christoph Franz has already discussed the individual factors. In total these sliced around EUR 340m off the bottom line. It should be added, that in 2010 we sustained considerable operating losses of EUR 211m from Austrian Airlines and bmi, which are still restructuring. This clearly shows how strong the annual result for 2010 really is. It manifests the structural improvements of all the business segments, which overcompensated the adverse events.
Since all business segments made a distinct contribution to this performance, it is clear that most of the momentum came from the Passenger Airline Group and the Logistics segment. But the service segments MRO, IT Services and Catering too contributed more than EUR 350m together to the operating result. This enabled the Lufthansa Group to extend its lead not only during the crisis, but also in the 2010 year of recovery. It shows that a stable, crisis-resistant business model and outstanding results do not rule each other out.
Let us return to the analysis of the annual financial statements. Revenue growth of 22.6 per cent stemmed largely from the airborne companies. Other revenue, mainly composed of external revenue from our MRO, IT Services and Catering segments, went up by 8.1 per cent to EUR 5.1bn, while traffic revenue from the passenger and freight businesses soared by EUR 4.7bn, or 26.5 per cent, to EUR 22.3bn.

Greater sales volumes accounted for EUR 1.3bn of the increase. At the same time our airlines were able to charge higher ticket prices and freight rates, which added revenue of EUR 761m. Exchange rate movements were also in our favour, accounting for another EUR 808m. A further EUR 1.8bn in traffic revenue came from the consolidation of Austrian Airlines and bmi for the full year.
The structural improvements mentioned earlier and our continued cost management can be seen by looking at the different expense items: all cost lines went up by significantly less than revenue in 2010.

Total expenses climbed by 16.7 per cent to EUR 28.9bn, or by 8.3 per cent after adjusting for consolidation effects. For this, the higher oil price is largely responsible. If we adjust expenses for fuel costs too, they were just 4.6 per cent higher in 2010 than in the previous year.

The cost of materials and services rose by 21.0 per cent to EUR 15.4bn. As fuel costs account for a large proportion of this item, I will deal with them again separately later on as usual.

Fees and charges are another major driver of the cost of materials and services. They went up by 21.8 per cent to EUR 4.6bn, or by 6.9 per cent adjusted for consolidation.
Staff costs were up by 11.1 per cent to EUR 6.7bn, which reflects the 4.2 per cent rise in staff numbers due to consolidation. On an adjusted basis the workforce shrank by 2.2 per cent and staff costs were only 4.4 per cent higher than the previous year. This was due to higher contributions to pension provisions, higher variable profit-share payments and exchange rate effects.

Depreciation and amortisation is strongly influenced by our ongoing fleet modernisation and the restructuring of the short-haul fleet. Altogether, depreciation and amortisation increased by 14.0 per cent to EUR 1.7bn. Adjusted for consolidation, the increase came to 5.2 per cent. 96 per cent of depreciation and amortisation were scheduled write-offs and went up by EUR 197m due to aircraft deliveries and the enlarged group of consolidated companies. Around EUR 72m represents impairment charges, largely for planes that were phased out step-by-step or sold as part of our Climb 2011 programme. Additionally, we made impairments of EUR 16m on aircraft that are up for sale.

Other operating expenses went up by 13.0 per cent to EUR 5.2bn. Adjusted, the figure was just 5.1 per cent and this was principally due to exchange rate movements. In particular, the stronger US dollar compared with 2009 led to a EUR 276m rise in exchange rate losses out of a total of around EUR 1.1bn recognised here. These exchange rate losses correspond to exchange rate gains of approximately EUR 1bn in other operating income, however, so that these items largely balance each other out – as usual. Furthermore, ongoing cost optimisation had a positive effect on other operating expenses, leading to lower costs for marketing and electronic distribution systems as well as other staff related costs.
Now we come to the detailed break-down of fuel costs. They went up by a total of EUR 1.5bn to EUR 5.2bn. The additional capacity only accounted for EUR 68m of that. The main factor driving the costs up was the oil price, which rose by 27.8 per cent, setting the Group back EUR 795m. Thanks to our systematic hedging we were nevertheless able to mitigate this rise slightly by EUR 21m. The stronger US dollar increased our purchasing costs for fuel by EUR 261m. Last but not least, the expansion of the Group accounted for a further EUR 410m.
In spite of higher fuel expenses the Lufthansa Group improved its profit from operating activities in line with IFRS by EUR 969m to EUR 1.2bn in 2010. As you know, we always adjust this figure for several factors in order to facilitate comparison with previous years. In 2010 the necessary adjustments made to calculate our operating result added up to EUR 364m. Alongside the usual corrections, such as income from write-backs of provisions or impairment losses, in 2010 they include book gains of EUR 181m on the sale of financial investments. We eliminated income of EUR 67m from the sale of part of our Amadeus stake as well as EUR 94m from the transfer of the Fraport shares to our pension fund. Other non-operating book gains of EUR 65m resulted from aircraft sales. After all corrections we arrive at an operating result of EUR 876m, which represents an increase of EUR 746m compared with 2009. Overall, exchange rate movements had a positive effect of EUR 204m on the operating result. As not all our competitors adjust their results in the same way, we also calculate the adjusted operating margin in order to enable the best possible comparison between our result and those of the competition. It includes income from write-backs of provisions and rose to 4.1 per cent – an improvement of 2.7 percentage points.

### Operating result

#### Financial year 2010 vs. 2009

<table>
<thead>
<tr>
<th>in m EUR</th>
<th>2010</th>
<th>2009</th>
<th>vs. PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit from operating activities</td>
<td>1,240</td>
<td>271</td>
<td>+969</td>
</tr>
<tr>
<td>Net book result assets / financial investments</td>
<td>-261</td>
<td>-46</td>
<td>-215</td>
</tr>
<tr>
<td>- thereof aircraft disposals</td>
<td>-61</td>
<td>-19</td>
<td>-42</td>
</tr>
<tr>
<td>- thereof financial investments</td>
<td>-181</td>
<td>-28</td>
<td>-153</td>
</tr>
<tr>
<td>Valuation from non-current borrowings</td>
<td>24</td>
<td>6</td>
<td>+18</td>
</tr>
<tr>
<td>Past service costs</td>
<td>19</td>
<td>-8</td>
<td>+25</td>
</tr>
<tr>
<td>Impairments</td>
<td>88</td>
<td>92</td>
<td>-4</td>
</tr>
<tr>
<td>Reversal of provisions</td>
<td>-234</td>
<td>-187</td>
<td>-47</td>
</tr>
<tr>
<td><strong>Operating result</strong></td>
<td><strong>876</strong></td>
<td><strong>130</strong></td>
<td><strong>+746</strong></td>
</tr>
<tr>
<td><strong>Adjusted operating margin</strong>*</td>
<td><strong>4.1%</strong></td>
<td><strong>1.6%</strong></td>
<td><strong>+2.7pts.</strong></td>
</tr>
</tbody>
</table>

*Adjusted operating margin = (operating result + reversal of provisions) / revenues
The international established earnings indicator EBIT also performed well. At EUR 1.3bn it was EUR 1.1bn higher than the previous year.

It includes the result from equity investments, which improved by EUR 46m to EUR 104m. This increase stems partly from losses of EUR 11m at bmi, which 2009 were still accounted for at equity, as well as from what was in some cases substantially higher income from subsidiaries, joint ventures and associates in the Logistics and MRO segments.

The improvement in other financial items to EUR -9m is principally a base effect from the previous year. In 2009 this item consisted largely of the impairment loss of EUR 140m recognised on our Fraport stake, after its share price fell considerably during the financial crisis.

Adding depreciation and amortisation of EUR 1.7bn back to EBIT results in EBITDA of EUR 3.0bn, which is EUR 1.2bn higher than the previous year.
We calculate net profit for the period by subtracting net interest, income taxes and minority interests from EBIT. At EUR 1.1bn the figure is EUR 1.2bn up on the previous year. This corresponds to earnings per share of EUR 2.47.

Net interest of EUR -357m was EUR 32m lower than the previous year. The reason was the expansion of the Group and the new borrowings in 2009.

The fact that net profit is much higher than expected is due to a tax effect in connection with the financial restructuring in the Catering segment. We carried out the restructuring in order to make the balance sheet for the segment more transparent, as it is dominated by a large number of small operations. For this, the Deutsche Lufthansa AG and the LSG Holding AG waived claims in favour of the LSG Sky Chefs Group in the USA. The corresponding accounts receivable had been already impaired in the previous years. As a result, fiscal loss carry forwards that so far had not been activated could be capitalised.

Altogether the effect from the restructuring added up to around EUR 400m deferred tax income, so that instead of the tax expense that would have been expected given the positive pre-tax earnings, we recorded tax income of EUR 165m.

The performance demonstrated in 2010 means that the basic requirements have again been met for a dividend payment, so that the Supervisory Board will be able to propose a distribution of EUR 0.60 per share at the Annual General Meeting. This is in line with our dividend policy. The payment equals 31 per cent of our operating result. Based on the closing price for the year it represents a dividend yield of 3.7 per cent.
Let us now move on to cash flow and the Group's liquidity. Cash flow from operating activities rose by 54.4 per cent to EUR 3.1bn, which despite all the non-recurring expenses was the highest figure in the Company's history.

The increase is predominantly due to the improved operating result. While depreciation and amortisation remained roughly stable, the growth in business volume led to an improvement in working capital, which increased cash flow year on year by EUR 346m. Negative effects, for example, came from the income tax payments.

Cash flow from operating activities stood against net capital expenditure of EUR 1.5bn, so that despite the ongoing fleet modernisation programme the Group generated a free cash flow of EUR 1.6bn. This is available for further capital expenditure, for instance, or for interest and principal repayments.

The Group's liquidity went up substantially as a result. At year-end it came to a total of EUR 5.6bn, EUR 946m more than at the end of 2009.
Ladies and gentlemen, let me turn now to the performance of the individual companies. All segments made a positive contribution to net profit, but at the same time they are at different stages of the upswing.

The main driver for our Group, the Passenger Airline Group, participated fully in air transport's dynamic upswing. Revenue was up by a quarter, climbing to EUR 20.9bn in total. Adjusted for the first full-year consolidation of Austrian Airlines and bmi the increase came to 13.3 per cent. Despite the non-recurring expenses mentioned earlier, the Passenger Airline Group earned an operating profit of EUR 436m in 2010. A year ago at this point I had to report a slight loss of EUR 8m. I will examine the contributions of the individual companies further on. The segment's adjusted operating margin improved by 2.2 percentage points to 3.0 per cent. EBITDA increased to EUR 2.6bn.

As expected, CVA was still negative in 2010, but at EUR -198m it was much better than the previous year's figure of EUR -691m. We expect the Passenger Airline Group to increase both its revenue and its operating result in 2011.
However, the best horse in the stable in 2010 was the **Logistics segment**. Thanks to the far-sighted measures to safeguard earnings in the crisis year 2009 Lufthansa Cargo was able to get its services to market again quickly in 2010 when the global economy recovered and German exports boomed, taking a clear lead over its competitors. Revenue soared by 43.3 per cent to EUR 2.8bn as a result. The segment then completed an impressive turnaround, reporting an operating profit of EUR 310m. This came after an operating loss of EUR 171m the year before. The adjusted operating margin came to 11.4 per cent, beating the average for the aviation industry. Lufthansa Cargo benefited not only from price increases and higher sales volumes in 2010, but also from its ongoing cost-cutting measures. EBITDA climbed from EUR -28m the previous year to EUR 445m. Under these circumstances it was possible to create value again in 2010 and the CVA came to EUR 233m. Lufthansa Cargo is also optimistic for 2011. If demand remains strong, revenue is expected to rise even further. Cost management measures will also continue. Another substantially positive operating result will therefore be recorded for 2011 as well, although we do not anticipate a repeat of 2010’s record result, which reflects a great deal of catching-up in the economy.

The **MRO segment** was yet unable to benefit fully from the upswing in 2010. As a late-cycle player in the airline industry, Lufthansa Technik still recorded a drop in revenue in the first half of 2010, but was then able to pick up again sharply in the second half, with revenue rising overall by 1.4 per cent to EUR 4.0bn. By contrast and as expected, the operating result was not able to keep up with the previous year’s strong figure, declining by 15.2 per cent to EUR 268m. At 7.4 per cent the adjusted operating margin for Lufthansa Technik was again sound. EBITDA came to EUR 412m. CVA was substantially positive at EUR 172m and even improved slightly year on year. In view of ever-larger aircraft fleets worldwide, Lufthansa Technik is expecting the MRO market to grow again in the years ahead. For 2011 the segment is already predicting an increase in its revenue and operating result again.

For the **IT Services segment** the year 2010 was marked by a challenging environment. Despite the airlines' incipient recovery their willingness to invest is still low. Dwindling revenue both in the airline business and from other industrial customers was the result. Overall, revenue fell by 1.7 per cent to EUR 595m. Lufthansa Systems responded to the changing market conditions and launched an
extensive programme of restructuring. It is intended to increase revenue and profits in the short term and set the company up so that its profitability is durably secured. This caused restructuring expenses of EUR 9m in 2010, which depressed the operating result accordingly. Lufthansa Systems reported an operating profit of EUR 10m, a fall of 37.5 per cent. The adjusted operating margin contracted by 1.0 percentage point to 1.8 per cent. CVA came to EUR -23m, compared with EUR 3m the year before. In 2011 revenue for Lufthansa Systems is forecast to go down again in the course of the restructuring measures. We nevertheless expect to reverse the earnings trend.

After a modest start the **Catering segment** increasingly benefited from the sharp revival in demand over the course of the year, with growing passenger numbers and higher demand in the premium segment. This resulted in a revenue increase of 7.0 per cent to EUR 2.2bn, from which LSG Sky Chefs generated an operating profit of EUR 76m. Adjusting the previous year's figure of 72m for the one-off payment of EUR 40m from a D&O insurance shows that the operating result more than doubled, improving year on year by EUR 44m. The adjusted operating margin of 3.4 per cent nearly matched the previous year's figure. By contrast, EBITDA went up by 45.0 per cent to EUR 174m. CVA improved to EUR -28m (previous year: EUR -68m). For the 2011 financial year LSG Sky Chefs expects current market trends to continue and revenue and operating profit to improve again as a result.
Chart 11: Performance of the traffic regions in the Passenger Airline Group

Let us now take a look at traffic developments in our largest business segment. The global economic recovery is also reflected in the 2010 traffic figures for the Passenger Airline Group. Traffic revenue in all regions went up at double-digit rates. Despite additional capacity the passenger load factors improved in all regions as well. A look at average yields reveals the known familiar picture: intercontinental traffic saw a strong recovery in premium demand and therefore in average yields, whereas pricing in European traffic was still down on the depressed level of the crisis year 2009 due to a structural shift in passengers’ travel behaviour. Overall, average yields rose by 8.4 per cent. With a 13.3 per cent increase in available capacity and an improvement of 1.4 percentage points in the load factor, traffic revenue grew by 24.9 per cent.

An important indicator for Lufthansa Passenger Airlines is their share of First and Business Class revenue in total long-haul revenue. Compared with 2009 – and despite the structural shift to greater Economy Class capacity in the course of the fleet roll-over we registered a rise in this ratio of 1.2 percentage points to 48.7 per cent.
Lufthansa Passenger Airlines were able to use the positive environment to their advantage, increasing revenue by 13.4 per cent to EUR 14.0bn. After recording a negative operating result of EUR -107m the previous year, they earned an operating profit of EUR 382m in 2010. Further improvement in revenue and the operating result is expected for 2011.

SWISS too had a very successful year, generating revenue of EUR 3.5bn, which represents an increase of 24.9 per cent. Even in the crisis year 2009 SWISS was able to earn an operating profit of EUR 93m, but this more than tripled in 2010 to EUR 298m. For 2011 SWISS is aiming for a moderate improvement in earnings.

Both Austrian and bmi profited enormously from their restructuring activities and collaboration in the airline group. I will come back to the current status of these activities later. Austrian Airlines closed the financial year with revenue of EUR 2.0bn and reduced its operating loss to EUR 66m. A return to profitability is planned for 2011. Bmi generated revenue of EUR 896m during its ongoing restructuring process. The operating loss was reduced to EUR 145m; for the financial year 2009 we had
calculated a pro forma figure of approximately EUR -225m. For 2011 bmi is expecting the operating result to improve, but still be negative.

Germanwings, one of the winners in the crisis year 2009, reported revenue growth of 8.6 per cent to EUR 630m in 2010. However, for our low-cost airline the year 2010 was also marred by numerous non-recurring factors which the programmes to safeguard earnings could not fully erase. As a result, Germanwings closed the year with an operating loss of EUR 39m. Revenue growth and an improvement in the operating result are expected for 2011.
The cost-cutting and restructuring activities are progressing at all companies.

**Climb 2011** at Lufthansa Passenger Airlines made an earnings contribution of EUR 230m in 2010. For 2011 we expected further savings of at least EUR 350m. Therefore, we are confident of reaching the target of EUR 1bn in sustainable earnings improvements. The full potential of the program is to become visible in the financial figures in 2012. One of the main drivers is cost reduction in loss-making decentralised traffic. By exchanging smaller aircraft for larger, more fuel-efficient models we were able to increase the average body size in decentral traffic from 76 to 91 seats, which has already reduced unit costs significantly. The new Europe cabin will bring further improvements here.

**Austrian Airlines** achieved savings of EUR 250m in 2010 as part of its Austrian Next Generation programme. Alongside the planned reduction in staff capacities, the company managed to significantly increase productivity in the cockpit and the cabin. What it has achieved so far confirms our conviction that Austrian Airlines will soon be profitable again. Greater synergy potential, which we currently estimate at EUR 130m per year, has also been identified in the course of further integration.
bmi also realised the savings planned for 2010. The necessary reconfiguration of the company was continued. This entailed reducing capacities by 25 per cent and staff numbers by 20 per cent. The cuts also enabled aircraft productivity to be improved significantly. The restructuring is continuing and further measures are in preparation. Synergies – which we now put at EUR 30m per year – will also help to improve the result.

2011 is the year in which Austrian Airlines, bmi and SWISS are scheduled to become part of the Atlantic++ joint venture.
Sales growth continues in passenger and freight business
January-February 2011, change vs. PY

- Pricing environment remains competitive
- Fleet roll-over reduces unit costs but also increases capacity
- Additional capacity fully sold

- Sales growth continues
- At the same time yields moderately increased
- Asia / Pacific shows strongest momentum

- Capacity growth due to fully reactivated MD 11 fleet, Austrian and Aerologic
- Positive sales and yield development continues

After this extensive look back at 2010 let us now turn to the current year. Lufthansa is still enjoying strong sales growth, both in short and long-haul passenger business and in airfreight.

As expected, there is no recovery in the pricing environment in European traffic, however, particularly on decentral routes.

In intercontinental traffic we still see an intact market environment. The Asia/Pacific traffic region in particular is showing rapid growth rates. Yields on long-haul routes are improving slightly overall as was expected.

In the cargo business too, demand is still progressing well. Substantial capacity increases due to the fully reactivated MD-11 fleet and the additional capacities provided during last year from Austrian Airlines and AeroLogic, whose fleet now counts eight Boeing 777 freighters, go hand in hand with ongoing sales growth.
At our last conference in October 2010 the pace of the global economic recovery had already contributed to a notable rise in the oil price. However, the first few months of 2011 have seen escalating unrest in Libya, which alongside Nigeria has the largest oil reserves in Africa, and this caused oil prices to reach their highest level for more than two and a half years.

We are able to reduce the effects of price rises with our systematic hedging policy. The break-even price for our hedging transactions for 2011 is currently USD 91, with a hedging cover of 74 per cent for 2011 and 32 per cent for 2012.

On the basis of current futures prices we are anticipating fuel expenses of EUR 6.8bn for 2011. Compared with fuel expenses of EUR 5.2bn for 2010 this represents a rise of 30.8 per cent or EUR 1.6bn.

Lufthansa Passenger Airlines, the other companies in the airline group and Lufthansa Cargo have responded to these developments with adjustments to their fuel surcharges and will continue to monitor oil price movements closely.
Ladies and gentlemen, at this point and as indicated by the title of this year's annual report, we traditionally try to sketch a vision of the months ahead.

Even though predictions about the future are famously difficult, from a current perspective we are assuming further economic growth, which will result in positive demand trends and corresponding revenue growth. But we still have a long way to go until the end of the year – and as with every long-haul flight there is always the risk in business that some turbulence may occur.

Therefore, severe weather conditions cannot be ruled out, particularly in the form of further oil price hikes, intensive competition and also the upcoming collective bargaining. The extent to which the air traffic tax will lead to a downturn in demand is also still difficult to predict.

In order to maintain our leadership in terms of profitability we will pursue our activities to increase efficiency in all segments. Our flexibility in cost and capacity management
will help us as well. Thus equipped, we therefore expect further improvements in our operating result in the 2011 financial year.

The strong performance that is forecast will also be visible in net profit for the period. It is not possible to quantify this at present, but as of today we assume that the conditions for paying a dividend will be met in 2011 as well.

A good year will also benefit our financial profile. Despite capital expenditure of EUR 2.6bn, mainly for new aircraft, we expect to generate free cash flow again in the current year and to create value.

Ladies and gentlemen, now, I am happy to answer your questions.