Lufthansa Group

Destination | Time

SHAPING THE FUTURE TOGETHER

FINANCIAL YEAR 2012

Press and Analyst Conference

Christoph Franz, Chairman of the Executive Board and CEO
Simone Menne, Member of the Executive Board and CFO
Frankfurt/Main, March 14th, 2013

Disclaimer in respect of forward-looking statements

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Overview

- 2012 was financially sound. We have reached our guidance and performed better than most of our peers. But we cannot be satisfied with an operating result below last year's. We need to structurally improve our margins.
- The diversified setup of the Group has had a positive effect on our result. The service companies have performed better than the airlines. We need to restructure our core business. Many measures are already underway. Continued tight capacity management will supplement a positive development.
- With the initiation of SCORE we have started the biggest change process at the Lufthansa Group of the past decades. All operating entities are under review. We change structures, generate synergies, streamline administrative processes and improve profitability.
- SCORE works. But strong headwinds in 2012 did not allow for an increase in profits. 2013 will see a strong increase in restructuring activity.
- We invest more into efficient production and high-quality products than ever before.
- We are committed to achieving our financial targets. By 2015 we want to increase our operating profit to 2.3bn EUR. All measures and activities will complement to reaching this target. Initial progress will become visible in 2013.

Simone Menne

– Member of the Executive Board and CFO –

Financial Year 2012 at a glance
Key Figures for the Lufthansa Group

Lufthansa Group (in m EUR)	FY 2012	FY 2011	vs. PY
Group Revenue	**30,135**	**28,734**	**+4.9%**
of which traffic revenue	24,793	23,779	+4.3%
Operating result	**524**	**820**	**-36.1%**
Adj. operating margin*	**2.3%**	**3.4%**	**-1.1pts.**
EBITDA	**3,270**	**2,546**	**+28.4%**
Net Income	**990**	**-13**	**n.a.**

Operating Cash Flow	**2,842**	**2,356**	**+20.6%**
Free Cash Flow	**1,397**	**713**	**+95.9%**
Cash Value Added	**375**	**99**	**+278.8%**

Equity Ratio	**29.2%**	**28.6%**	**+0.6pts.**
Net Debt	**1,953**	**2,328**	**-16.1%**

Market Capitalization	**6,550**	**4,208**	**+55.6%**

*incl. income from reversed provision

Financial Year 2012 strongly influenced by extraordinary factors
Non-recurring effects

- **SCORE achieved gross contributions of 618 million EUR in 2012**
  Savings were however overcompensated by external cost inflation, in particular fuel costs (up 1.1 bn Euro)

- **SCORE restructuring costs of 160 million EUR in the operating result related to staff measures**
  Thereof 59 million Euros are attributable to Austrian Airlines

- **Austrian Airlines had a non-recurring net positive effect of 56 million EUR on the operating result**
  115 million Euro gross positive effect from the transfer of operations vs. 59 million EUR restructuring costs

- **Net income was strongly driven by 623 million EUR net book gains from Amadeus transactions**
  3.61% of Amadeus sold, 4.00% of Amadeus were transferred into pension fund

- **Net income also improved strongly due to sale of bmi**
  Previous year's net income was still depressed by 285 million loss from discontinued operations

Good control of manageable costs shows SCORE progress

Revenue and cost positions

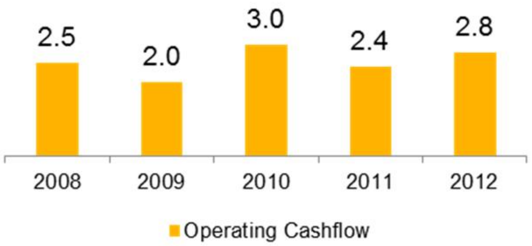
Lufthansa Group (in m EUR)	**FY 2012**	**vs. PY**	**vs. PY**
Revenue	*30,135*	*+4.9%*	1.401
Other Operating Income & inventory changes	*2,898*	*+17.7%*	435
Total Operating Income	**33,033**	**+5.9%**	1.836
Total Operating Expenses	**-31,722**	**+4.3%**	1.298
Total Operating Expenses excl. Fuel Costs	**-24,330**	**+0.8%**	182
Cost of Material	-17,946	+7.3%	1.215
Fuel Costs	*-7,392*	*+17.8%*	1.116
Fees & Charges	*-5,167*	*+3.3%*	167
Staff Costs	-7,052	+5.6%	374
Depreciation & Amortisation	-1,839	+6.8%	117
Other Operating Expenses	-4,885	-7.7%	-408

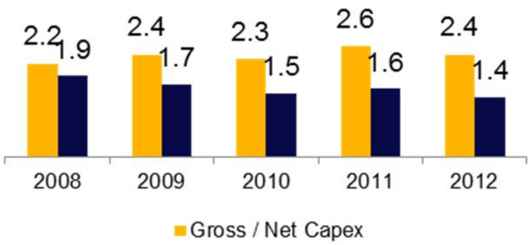
incl. 631 Amadeus

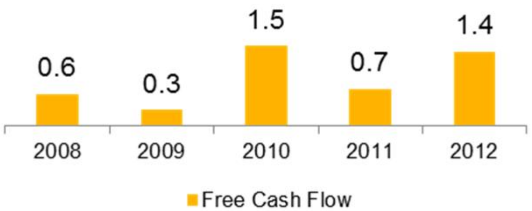
incl. 65 FX and 160 SCORE

Despite lower operating result, cash flow generation was strong
Cash flow statement

in m EUR	2012	vs. PY
EBT (earnings before income taxes)	**1,039**	**+593**
Depreciation and amortisation	1,925	+145
Result from fixed asset disposals	-739	-714
Income from subsidiaries, joint ventures and associates	-94	-23
Interest result	318	+30
Income tax payments / reimbursements	-34	+231
Non-cash value changes of financial derivatives	19	-54
Change in working capital	490	+199
Operating cash flow from continuing operations	**2,924**	**+407**
Operating cash flow from discontinued operations	-82	+79
Operating cash flow	**2,842**	**+486**
Capital expenditure (net)	-1,445	+198
Free cash flow	**1,397**	**+684**
Liquid funds as of 31.12	1,436	+549
Liquidity reserve (long-term securities)	3,530	+419
Total liquidity of the Group	4,966	+968







Lufthansa Group

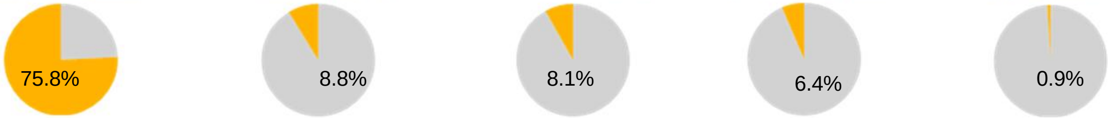
Airlines showed declining profits while Service Companies improved

Overview Group segments





Share of external LH Group Revenue



in m EUR	Passenger Airline Group	Logistics	MRO	Catering	IT Services	Others & Consolidation
Revenue vs. PY	**23,559** +5.7%	**2,688** -8,7%	**4,013** -2.0%	**2,503** +8.9%	**609** +1.7%	**-3,237** -7.2%
Op. result vs. PY	**258** -26.1%	**104** -58.2%	**318** +23.7%	**97** +14.1%	**21** +10.5%	**-274** -97.1%
EBITDA vs. PY	**1,851** +11.0%	**196** -40.2%	**491** +30.2%	**214** +45.6%	**76** 31.0%	**507** +894.1%

in m EUR	Lufthansa P. Airlines	SWISS	Austrian Airlines
Revenue vs. PY	**17,261** +5.4%	**4,220** +7.1%	**2,158** +5.4%
Op. result vs. PY	**-45** -	**191** -26.3%	**65** -
EBITDA vs. PY	**1,113** -0.7%	**507** +0.8%	**228** +113.1%

Capacity discipline paid off, good load factor and yield development
Capacity and yield development

All regions	FY '12	Q4 '12
ASK	+0.6%	-3.1%
RPK	+2.2%	-1.3%
SLF	+1.2P.	+1.4P.
Yield	+3.7%	+3.0%
Yield ex currency	+1.0%	+1.4%
Number of flights	-1.4%	-3.2%

Europe	FY '12	Q4 '12
ASK	+2.1%	-2.2%
RPK	+3.7%	-0.1%
SLF	+1.1P.	+1.5P.
Yield	+2.7%	+4.3%

Asia / Pacific	FY '12	Q4 '12
ASK	+0.2%	-4.3%
RPK	+0.7%	-5.1%
SLF	+0.5P.	-0.7P.
Yield	+0.7%	-1.5%

Americas	FY '12	Q4 '12
ASK	-0.4%	-2.3%
RPK	+1.9%	+0.3%
SLF	+1.9P.	+2.2P.
Yield	+7.7%	+5.1%

Mid East / Africa	FY '12	Q4 '12
ASK	-1.8%	-5.6%
RPK	-0.3%	-4.8%
SLF	+1.1P.	+0.7P.
Yield	+2.7%	0.2%

Lufthansa continues its restrictive capacity path in 2013
Capacity forecast

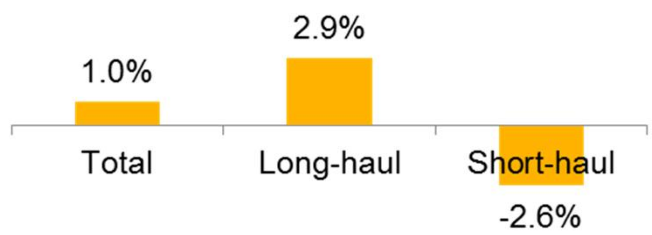
Current trading Passenger Airline Group

- Capacity growth on long-haul routes mainly driven by larger aircraft and currently higher Economy Class seat share
- In the first half year strong shifts vs. last year due to holiday effects
- Positive development of forward bookings
- Further increase in load factors due to the restrictive capacity management
- Stable pricing but currency has adverse impact
- Pricing on long-haul routes structurally diluted by currently higher Economy Class seat share
- Europe with positive pricing development

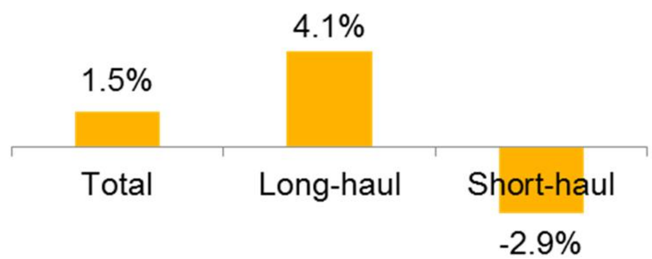
Current trading Logistics

- Market recovery expected in the second half of the year
- Full year capacity expected to be up by 1% vs. PY

Capacity Outlook Full year 2013
Passenger Airline Group [ASK]



Capacity Outlook Summer 2013
Passenger Airline Group [ASK]



All segments expect to improve or stable results

Outlook Segments



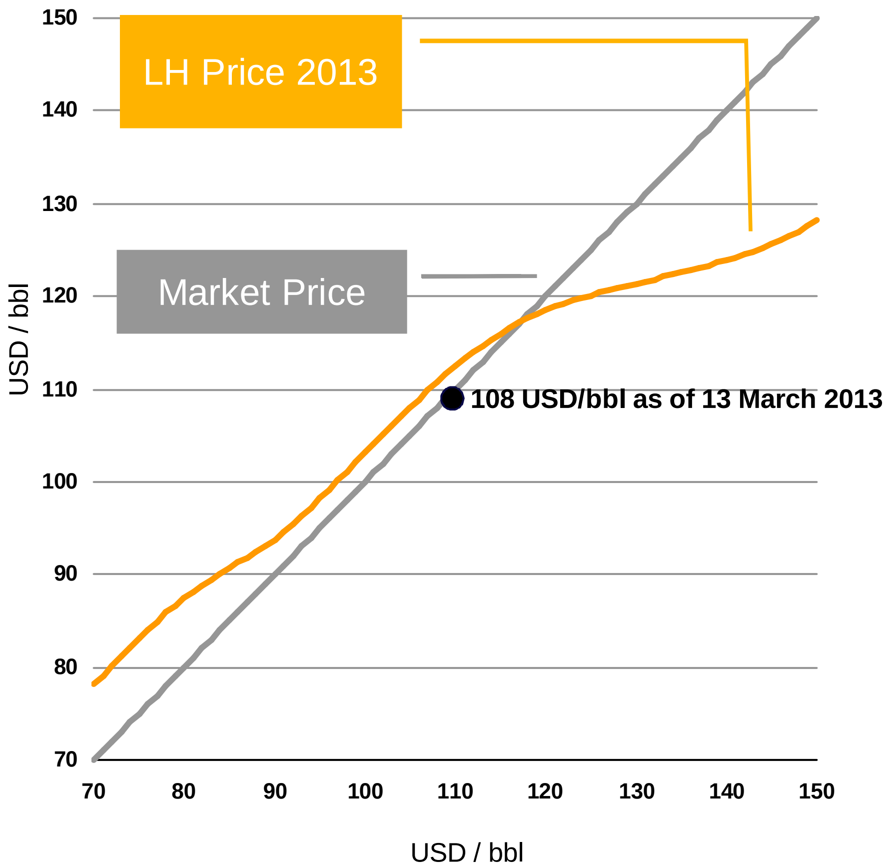


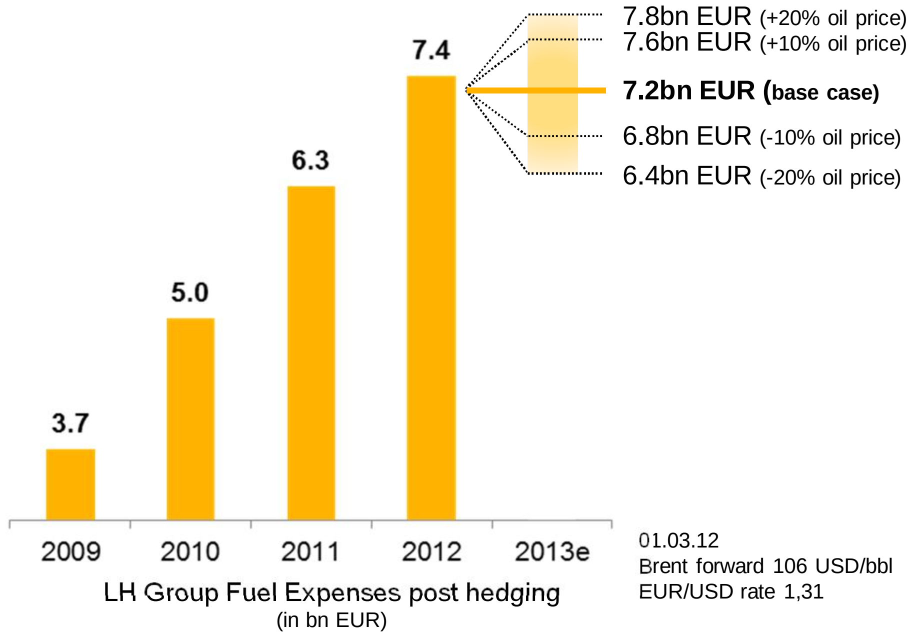
	Passenger Airline Group	Logistics	MRO	Catering	IT Services
Outlook	↗ *modest increase in revenue and operating profit, absolute profit level depends on macro-economic trends, fuel and forex*	↗ *operating profit in the three-digit million euro range. An increase on the previous year's result is anticipated*	→ *earnings are expected to be stable in 2013*	↗ *for 2013 expecting further increases in revenue and operating profit*	↗ *Revenue growth and further increase in profitability is expected for 2013*

	Lufthansa P. Airlines	SWISS	Austrian Airlines
Outlook	↗ *increase the operating result in spite of volatile external cost factors. Absolute level will depend to a great extent on the direction taken by fuel costs and exchange rates*	→ *result for 2013 is likely to be roughly on par with the previous year's. Heavily dependent on the development of the Swiss franc*	↑ *Assuming that conditions remain stable, improved and positive operating result without non-recurring effect*

Fuel costs outlook shows slight decrease for 2013

Fuel forecast and sensitivities

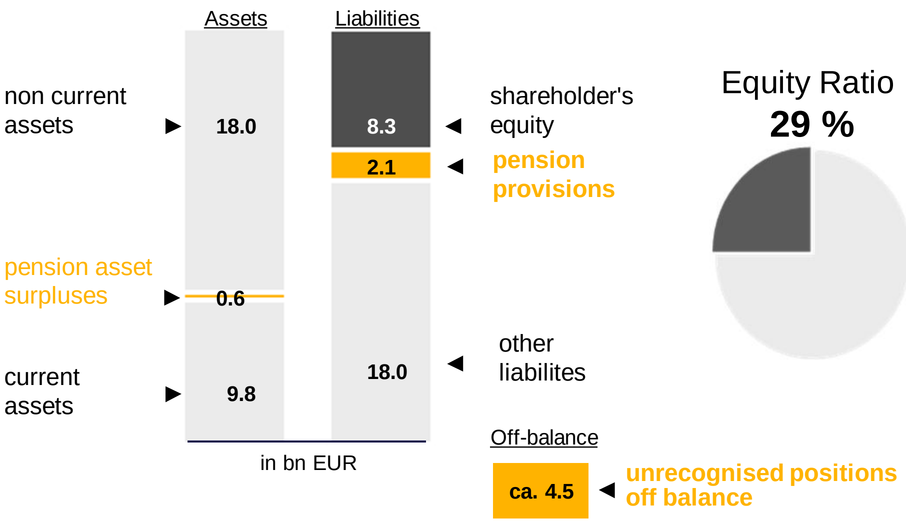




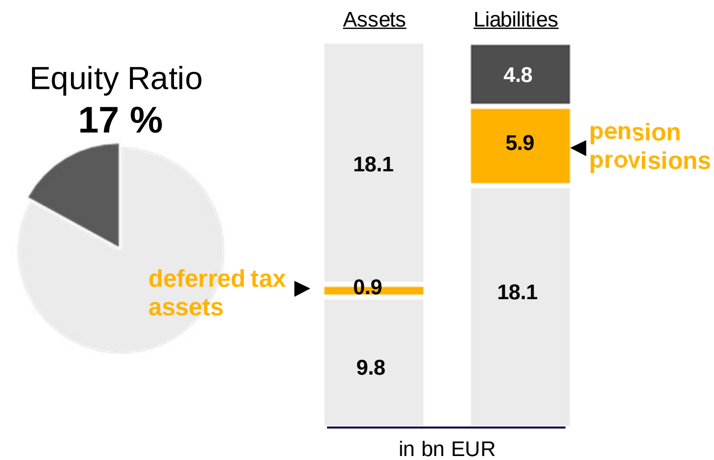
01.03.12
Brent forward 106 USD/bbl
EUR/USD rate 1,31

IAS 19 impacts balance sheet and profit and loss statement
Implementation of IAS 19

Balance sheet as reported for FY2012…



…and if based on new IAS19



Positive and negative impacts on balance sheet and p&l

- **Balance sheet:** On-balance pension provisions increase by ca. 3.8 bn EUR – subsequently equity is reduced by 3.5 bn EUR
- **Cash flow:** IAS 19 does not result in higher annual funding to the pension fund, funding plan remains unchanged
- **P&L staff costs:** Positive impact on staff costs. Off-balance pension deficit is currently amortized via annual charges in staff costs. This amortization charge will be abandoned. Based on FY2012 assumptions, positive impact would have been ca. +100 m EUR
- **P&L interest result:** Interest rate on pension assets will be lowered (to same rate used for discounting pension liabilities). For FY2012 impact would have been -50 m EUR.

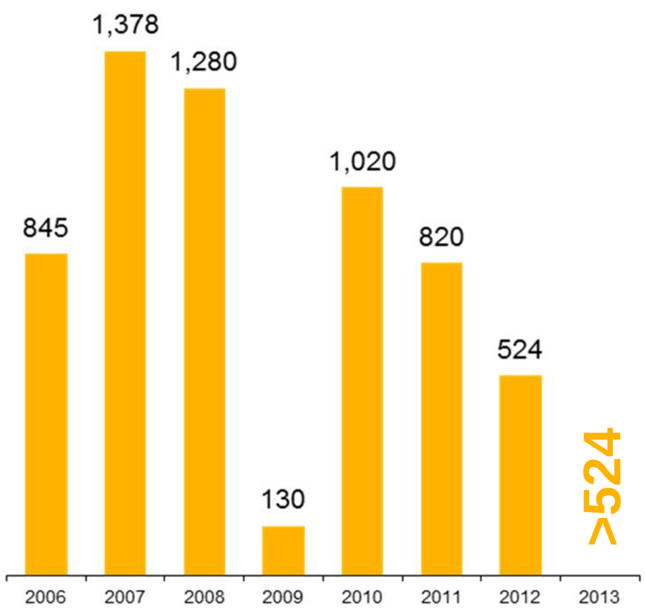
Lufthansa Group

Balance sheet targets adjusted with regards to new IFRS rules
Financial targets

	New Target	Old Target	Current Status	
Equity Ratio	**25% mid-term**	30%	29%	IFRS changes (especially pensions) have impaired equity sustainably but do not change underlying economic situation. Equity ratio target adjusted accordingly.
Gearing	**n.a.**	40-60%	49%	New IAS19 pension accounting leads to significant volatility of equity. Gearing loses its steering function.
Debt Repayment Ratio	**45% (min. 35%)**	-	59%	Measure of adjusted operating cash flow to net debt incl. pension provisions. New target is to manage the Group's borrowing capacity. Closely related to rating agency thresholds.
Minimum Liquidity	**2.3 bn EUR**	2.3 bn EUR	5.0 bn EUR	Minimum liquidity provides security buffer for any adverse scenario. Target is unchanged

Operating profit 2013 to be higher than last year's

Outlook for the Group



Operating result in m EUR

Outlook 2013

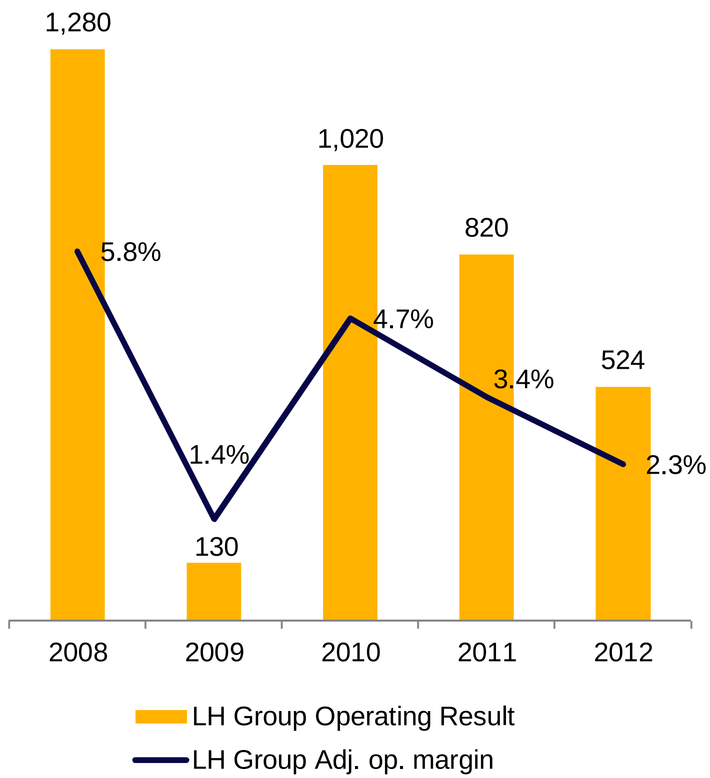
- Revenue above previous year
- Operating profit 2013 higher than reported operating profit for 2012
- SCORE activities should make a substantial gross contribution to profits in 2013
- Operating result 2013 will be significantly affected by SCORE restructuring expenses and project costs
- In 2013, the larger part of the operating result for the year will be generated by the airlines, i.e. the Passenger Airline Group and Lufthansa Cargo

Christoph Franz

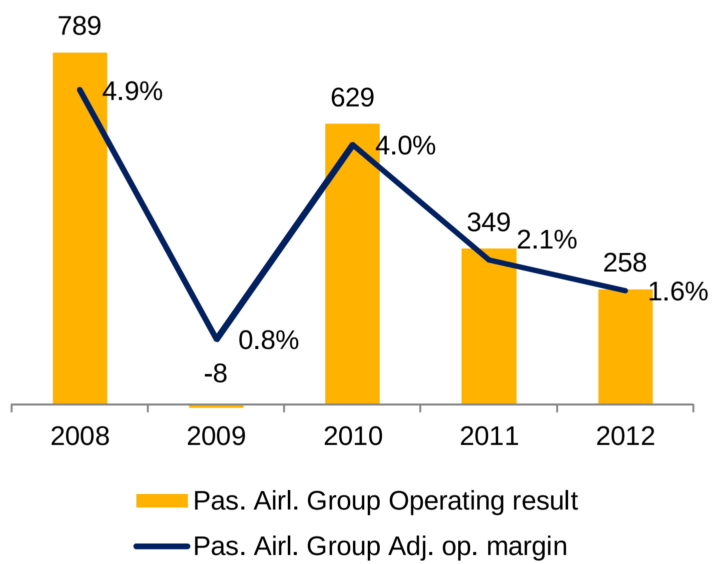
– Chairman of the Executive Board and CEO –

Profit trend must be turned around, passenger business in focus
Long-term margin trend

Lufthansa Group
Operating result and adj. op margin



Largest Segment: Passenger Airline Group
Operating result and adj. op margin



No dividend payment for 2012 due to continued erosion of profitability

Transforming the Group into a strong and more profitable Lufthansa

Corporate restructuring and SCORE measures since 2011

Unprofitable Lufthansa Italia shut down in Oct 2011

Highly loss making British Midland sold

Exit from Jade Cargo

Austrian Airlines' operations transferred into ca. -25% lower cost subsidiary Tyrolean Airways as of July 2012

Program to rationalize 1,110 admin functions (Finance, HR, Procurement) launched in Oct 2012

Restructuring of loss-making point-to-point traffic.
Transfer to existing low cost platform from Jan 2013

Process optimization and reduction of staff costs at LH Passenger Airlines

Lufthansa Italia | bmi | Jade Cargo International | Austrian | GLOBE | germanwings | SHAPE! | ... | ...

0.8 bn EUR

Operating profit financial year 2011

+1.5 bn EUR

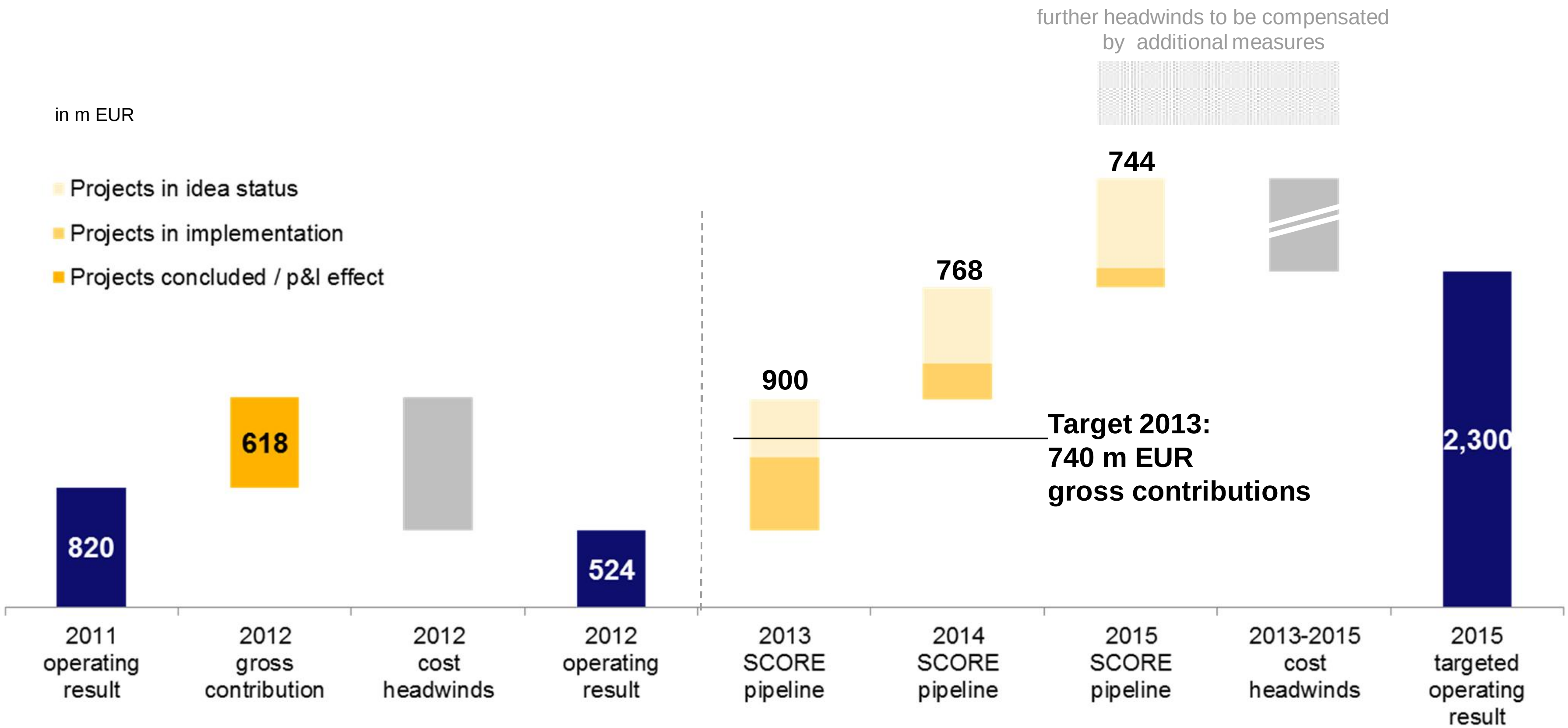
SCORE
Change for Success

2.3 bn EUR

Operating profit target financial year 2015

In 2012 SCORE made a gross contribution of 618 m EUR

SCORE pipeline 2012-2015



Snapshot as of 28 February 2013

SCORE transforms the Group in all areas
SCORE project overview

Examplatory projects per airline / segment

Company	Project
LHP	New Germanwings
	Premium Economy
	Extension of "Two-Product Fleet"
	SHAPE!
LX	Calvin – New Concept for Geneva
	Manumea – Technical Service Set Up
	Fuel Saving Measures
OS	New Contract Airport Vienna
	New Catering Concept
LSG	Restructuring Germany
	New Operating Model Air New Zealand
LHT	NETwork
	SixToOne
LCAG	Product Push
	Revenue Management Optimization

Number of projects per Group segment

Passenger Airline Group	Logistics	MRO	Catering	IT Services
526	***302***	***225***	***1.292***	***59***
				

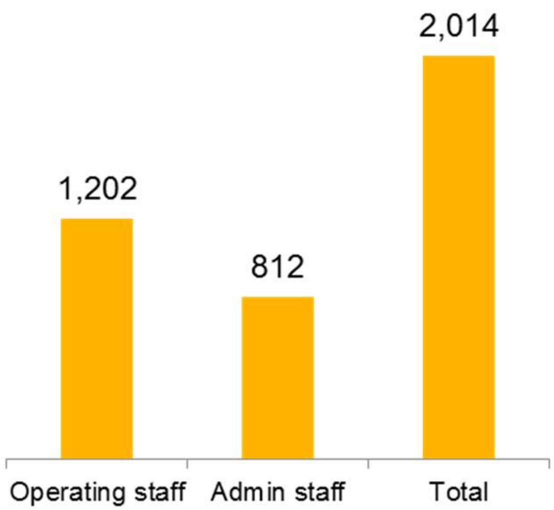
> 2,500 ideas generated within 1 year

Top 20 projects account for ca. 1bn EUR

Tough but necessary decisions were made

Status of severance payments per year-end

Provisions for >2,000 severances packages



FY2012: 160 m EUR restructuring costs

Further restructuring measures have recently been announced

- **GLOBE**

  Group-wide pooling of HR, Procurement, Finance and Accounting

  ~ 1.100 FTE affected

  ~ 200 m EUR cumulative savings 2013-2018

  ~ **75 m EUR** savings p.a. from 2019 onwards

- **SHAPE!**

  Streamlining, simplification and flexibilization of processes at Lufthansa Passenger Airlines

  ~ amount of affected FTEs tbd in May 2013

  ~ **150 m EUR** savings p.a. from 2015

- **netWork**

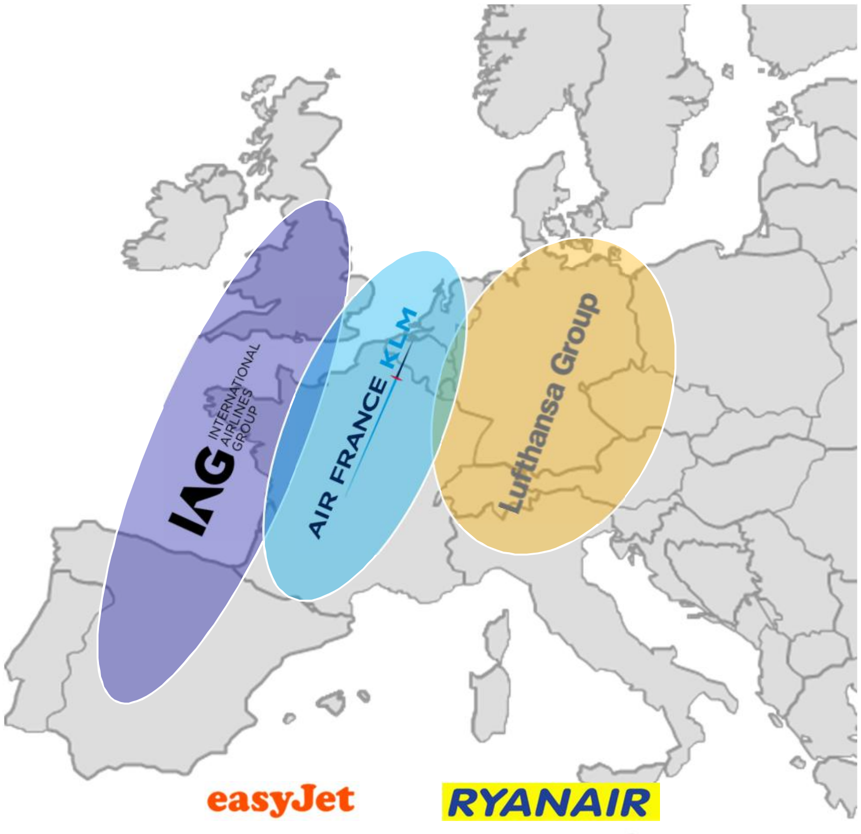
  More than 200 projects in order to restructure administrative functions at Lufthansa Technik

  ~ 650 FTE affected

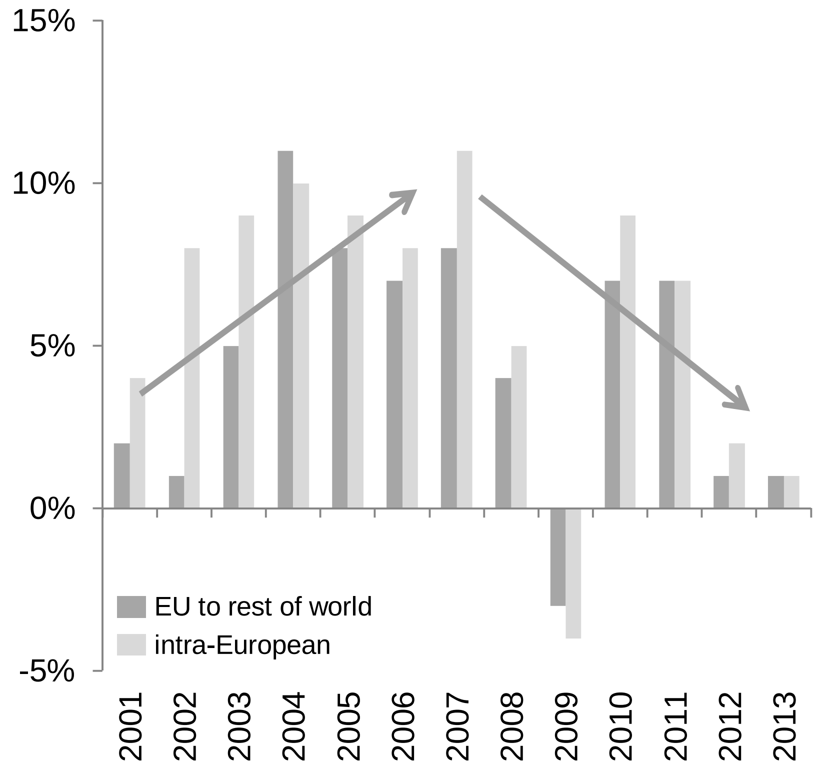
  ~ **30 m EUR** savings p.a. from 2015

Market consolidation in Europe has reached an advanced stage
Consolidation and long-term capacity development

Competition is driven by three network carrier systems and two main LCCs



Capacity growth on lowest levels since 2001



Source airlines' logos: Company websites

Source: ASK based on flight plan data (FLASH), for 2013 summer schedule used as proxy

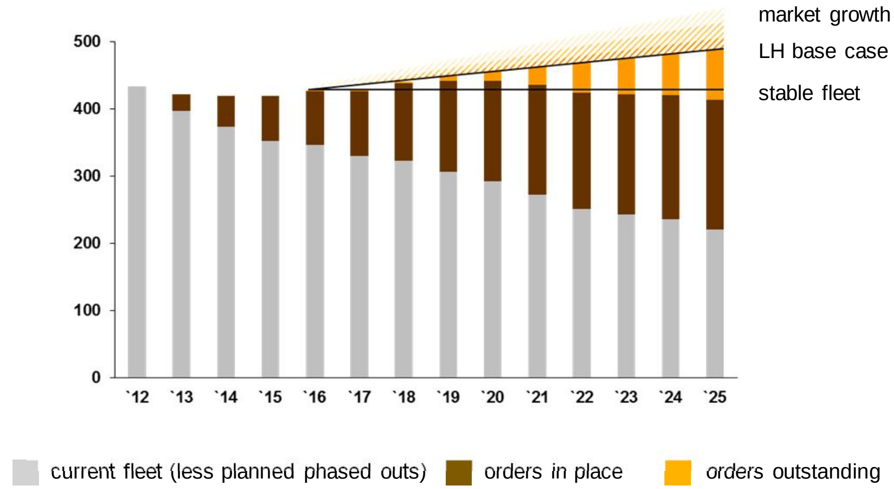
SCORE supports comprehensive fleet modernisation

Fleet and product investments

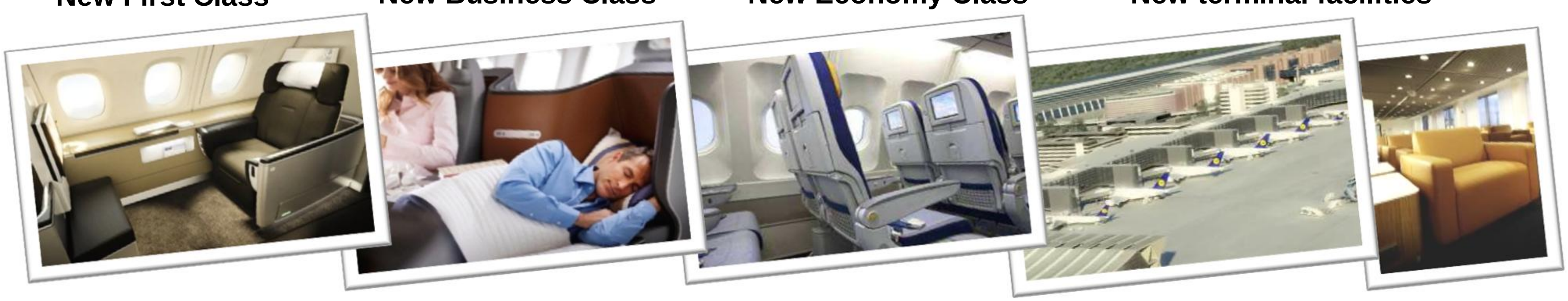
Aircraft orders overview 2013-2025

	# orders
Long-haul	33
Short-haul	203

Example: Lufthansa Passenger Airlines



New First Class **New Business Class** **New Economy Class** **New terminal facilities**

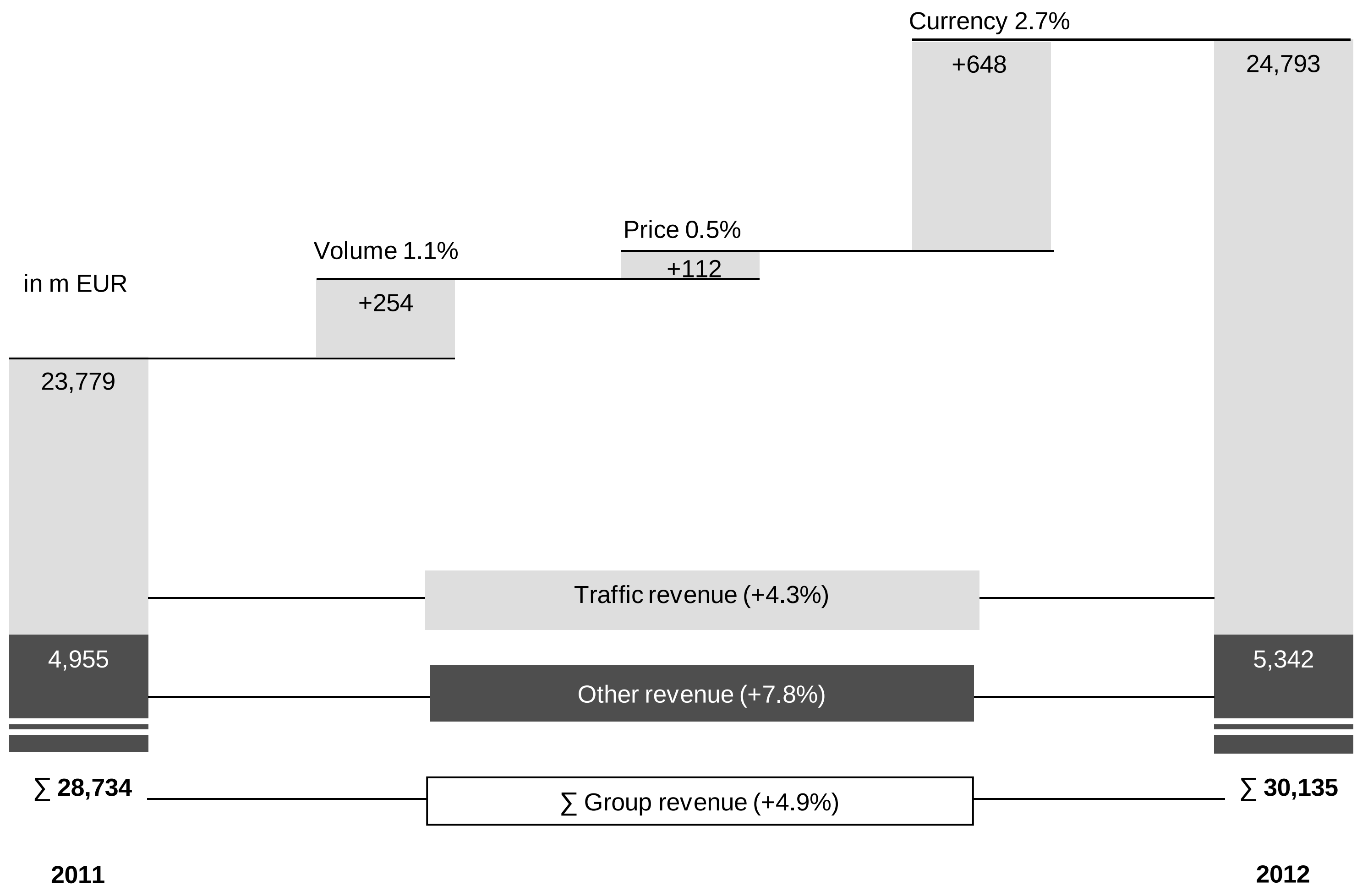


Summary and Outlook

- All our activities are forward looking. They aim at improving the future viability of the Lufthansa Group.
- SCORE works. SCORE has become an every daily reality for our people. It helps us drive the change we need to emerge stronger from this change process than before.
- 2013 and 2014 will be focused on implementation of restructuring measures. We will deliver.
- Our corporate culture will benefit from this change process and make the ability and the will to change a constant part of our DNA.
- The environment will remain challenging for our business. External influence factors remain volatile.
- True profit enhancement comes late. But initial improvements will become visible in 2013. We expect the operating result to be higher than last year's.
- We are committed to achieving our financial targets. By 2015 we want to increase our operating profit to 2.3bn EUR. All measures, all activities will complement to reaching this target.

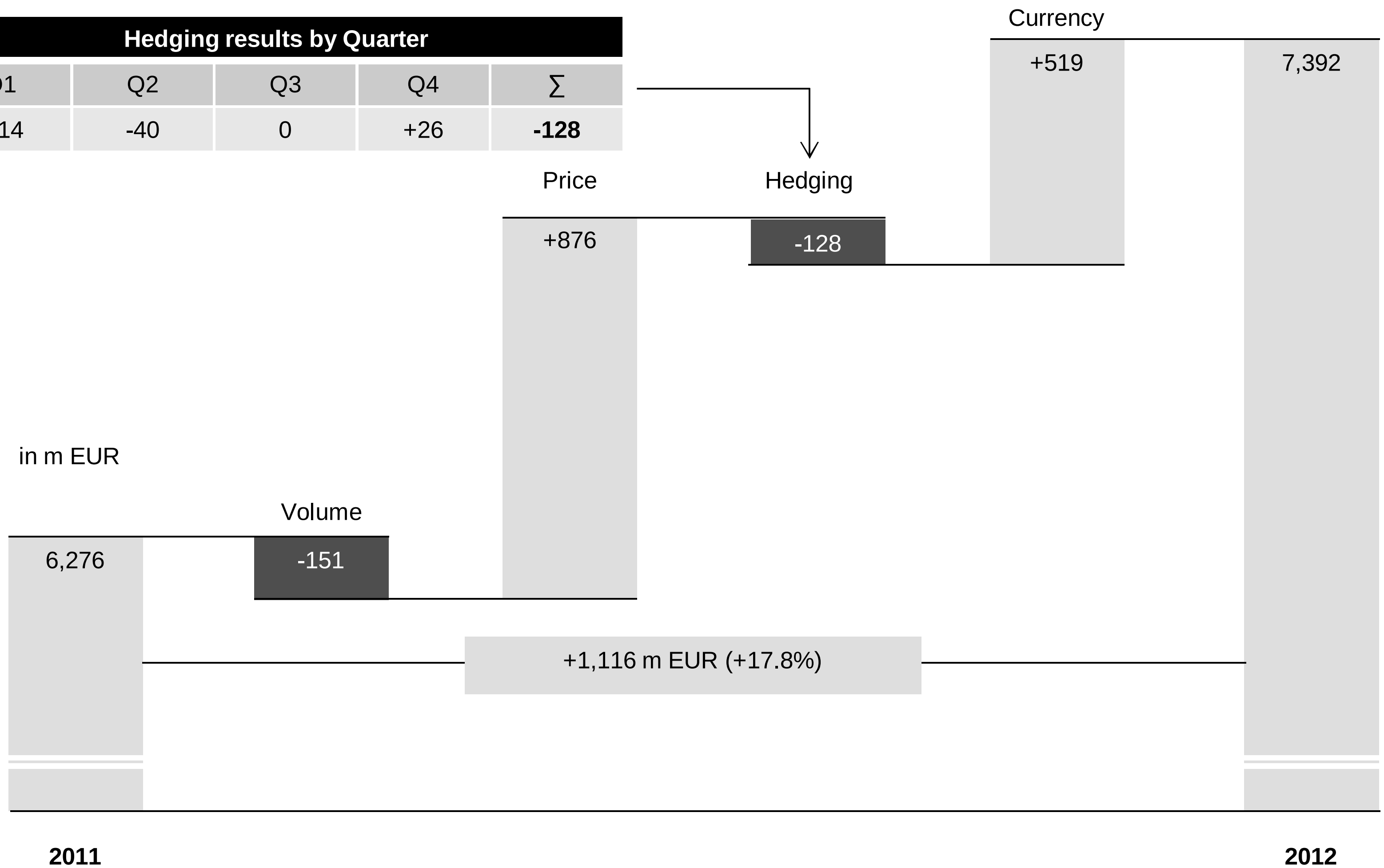
Appendix – Financial data FY 2012

Group Revenue
FY2012 vs. FY 2011



Fuel Cost
FY 2012 vs. FY 2011

Hedging results by Quarter				
Q1	Q2	Q3	Q4	∑
-114	-40	0	+26	**-128**



Lufthansa Group

Operating Result
FY 2012 vs. FY 2011

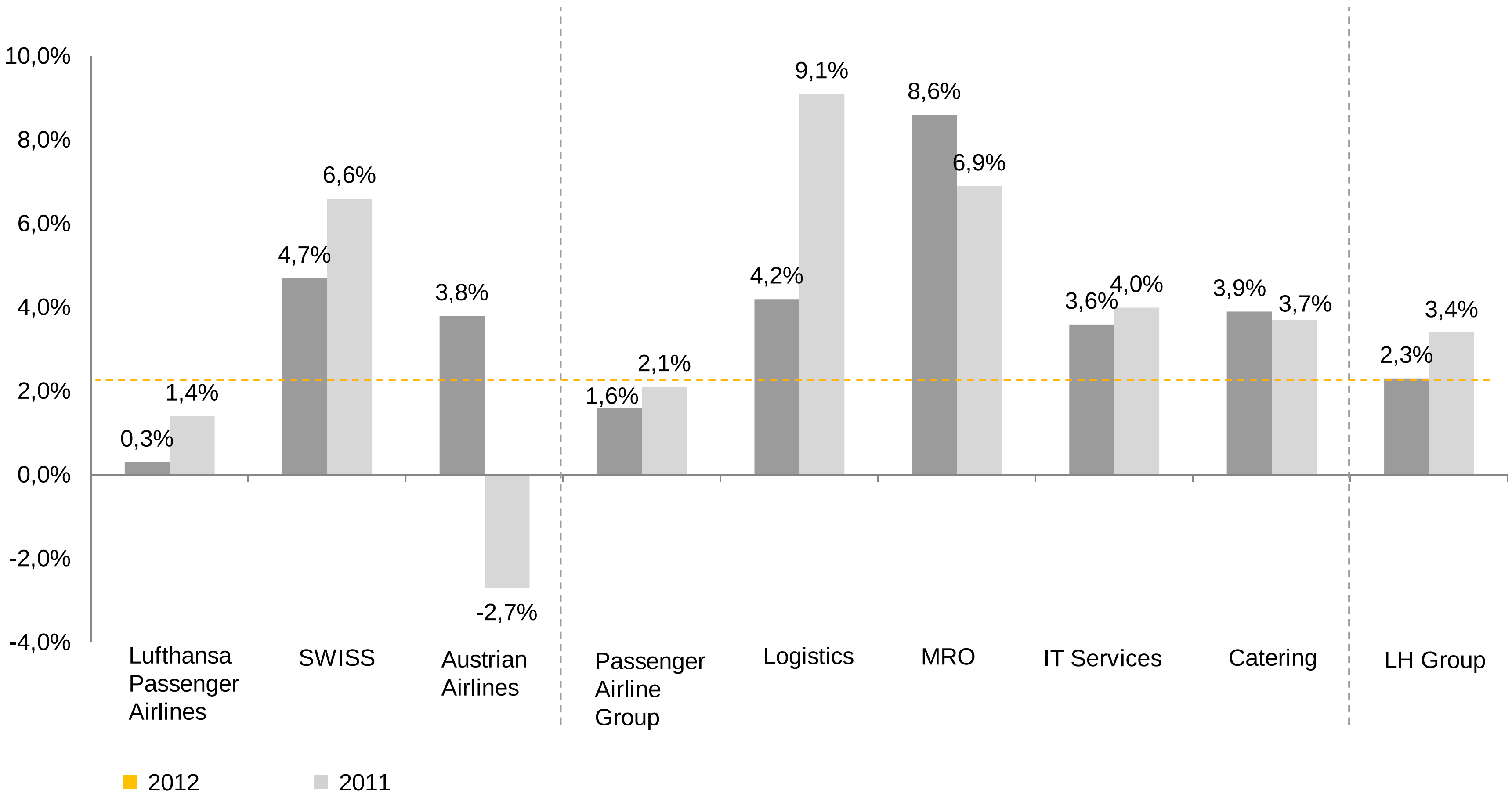
in m EUR	2012	2011	vs. PY
Profit from operating activities	**1,311**	**773**	**+538**
Net book profit / loss assets / financial investments	-747	20	-767
- thereof aircraft disposals	*-33*	*-32*	*-1*
Valuation from non-current borrowings	-21	86	-107
Past service costs	-1	24	-25
Impairments	144	80	+64
Reversal of provisions	-162	-163	+1
Operating result	**524**	**820**	**-296**
Adjusted operating margin*	2.3%	3.4%	-1.1pts.

*Adjusted operating margin = (operating result + reversal of provisions) / revenue

Earnings figures
FY 2012 vs. FY 2011

in m EUR	2012	2011	vs. PY
Profit from operating activities	**1,311**	**773**	**+538**
Income from subsidiaries, joint ventures and associates	94	71	+23
Other financial items	-48	-110	+62
- thereof changes in time value of fuel hedge options	*82*	*-96*	*+178*
EBIT	**1,357**	**734**	**+623**
Net interest	-318	-288	-30
Income taxes	-72	-157	+85
Profit / loss from continuing operations	**967**	**289**	**+678**
Result from discontinued operations (bmi)	36	-285	+321
Minority interests	-13	-17	+4
Net profit	**990**	**-13**	**+1,003**
Earnings per share (in EUR)	2.16	-0.03	+2.19

Adjusted operating margin per airline and business segment 2012
FY2012 vs. FY2011



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