



Lufthansa Group



What drives us.



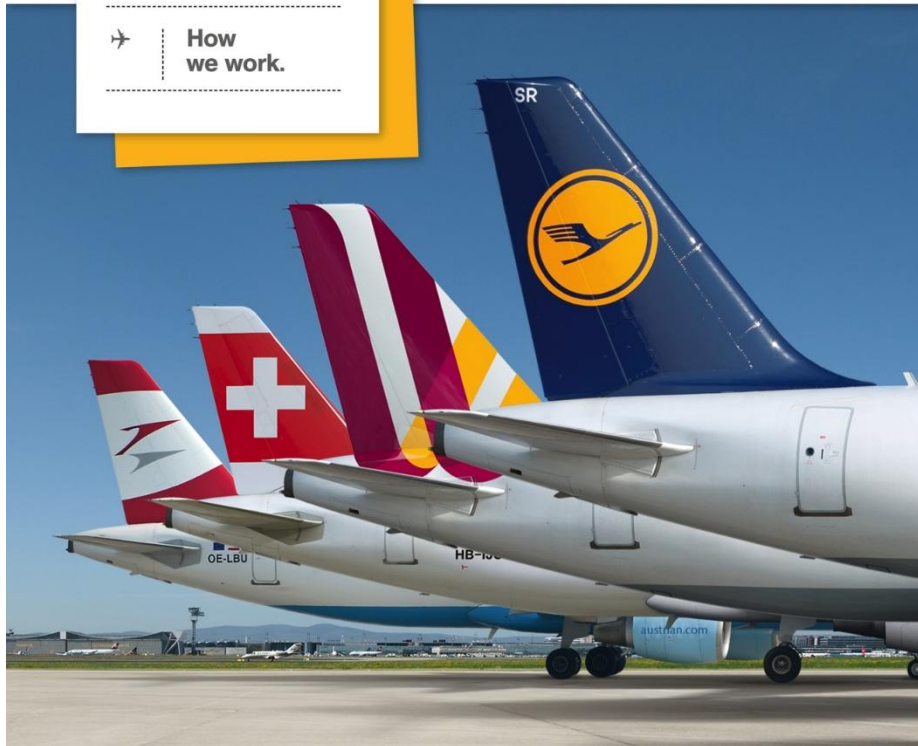
What defines us.



How we work.

Focused on our way.

Annual Report 2013



Full Year 2013 Results Conference

Christoph Franz

Chairman of the Executive Board and CEO

Simone Menne

Member of the Executive Board and CFO

Frankfurt, March 13th 2014

Disclaimer in respect of forward-looking statements

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Simone Menne

– Member of the Executive Board and CFO –

Financial Summary

- **Lufthansa Group reached its profit targets for 2013, operating result excl. one-offs increased by 62%**
Improvement was mainly driven by passenger airlines and MRO business
- **FY13 operating result reached 697 m EUR (reported) and 1,042 m EUR excluding one-off costs (normalized)**
One-offs included 245 m EUR restructuring costs for SCORE and 100 m EUR project costs for product upgrades
- **Executive Board proposes dividend of 0.45 EUR per share (30% pay-out of operating result)**
Future dividend policy needs to be reviewed to reflect higher operating profits due to new depreciation policy
- **Depreciation policy has been changed to 20 years and 5% residual value**
New depreciation policy has a positive impact on FY14 operating result of c. 340 m EUR
- **Due to new depreciation policy operating profit target 2015 is adjusted to 2.65 bn EUR (was 2.3 bn EUR)**
Further SCORE measures under review to counter additional cost inflation
- **Operating profit FY14 expected at 1.3 to 1.5 bn EUR (reported) and 1.7 to 1.9 bn EUR (normalized)**
Profit improvement to be driven by passenger business; guidance includes 340 m EUR benefit from adjusted D&A policy

Key KPIs improved in FY 2013 and Q4 2013

Key figures for the Lufthansa Group

Lufthansa Group (in m EUR)	FY 2013	FY 2012	vs. PY
Total revenue	30,028	30,135	-0.4%
of which traffic revenue	24,565	24,793	-0.9%
Operating result	697	839	-16.9%
One-off items*	345	-196	--
Normalized operating result	1,042	643	+62.1%
Net income	313	1,228	-74.5%

	Q4 2013	Q4 2012	vs. PY
	7,260	7,314	-0.7%
	5,902	6,007	-1.7%
	36	-68	--
	147	129	+13.9%
	183	61	+200.0%

	FY 2013	FY 2012	vs. PY
Operating cash flow	3,290	2,842	+15.8%
Net invest	1,982	1,445	+37.2%
Free cash flow	1,308	1,397	-6.4%

	FY 2013	FY 2012	vs. PY
Equity ratio	21.0%	16.9%	+4.1 P.
Net debt (excl. pensions)	1,697	1,953	-13.1%

Passenger Airline KPIs	FY 2013	Q4 2013
No. of flights	-3.7%	-2.6%
ASK (capacity)	+1.0%	+1.4%
RPK (volume)	+2.3%	+2.6%
SLF (load factor)	+1.0pts.	+1.0pts.
Yield ex. currency	-0.1%	-1.1%
RASK (unit revenue)	-1.1%	-2.8%
CASK (unit costs)	-2.4%	-4.3%

* adjusted for one-off items:

2012: -356 m EUR bmi & Austrian Airlines; 160 m EUR SCORE restructuring costs

2013: 245 m EUR SCORE restructuring costs, 100 m EUR project costs

Good underlying cost development was achieved in 2013

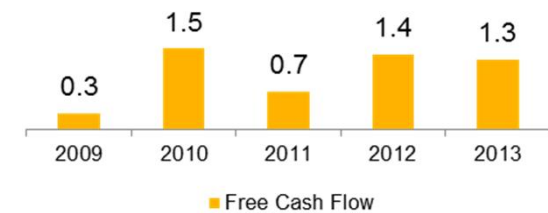
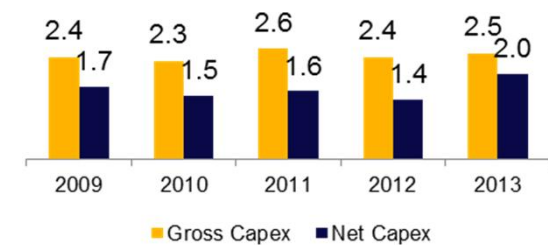
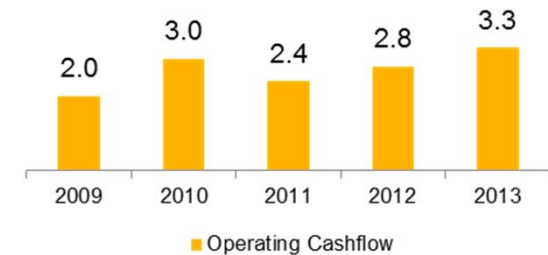
Operating costs and revenues

Lufthansa Group (in m EUR)	FY 2013	vs. PY		Q4 2013	vs. PY	
Total revenue	30,028	-0.4%		7,260	-0.7%	
Other operating income	1,918	+0.3%		515	+1.4%	
Total operating income	31,946	-0.3%		7,775	-0.6%	
Operating expenses	-31,249	+0.1%		-7,739	-1.9%	
Non-fuel operating expenses	-24,191	+1.6%	-0.7% excl. one-offs	-6,087	+0.4%	+0.9% excl. one-offs
Cost of materials and services	-17,510	-2.4%		-4,194	-4.7%	
Fuel expenses	-7,058	-4.5%		-1,652	-9.5%	
Fees and charges	-5,154	-0.3%		-1,240	-0.6%	
Staff costs	-7,361	+9.2%	+2.6% excl. one-offs	-1,895	-0.6%	+2.3% excl. one-offs
Scheduled depreciation	-1,697	-1.5%		-429	-2.9%	
Other operating expenses	-4,681	-2.5%		-1,221	+7.0%	
Operating result	697	-16.9%	+62.1% excl. one-offs	36	--	+200% excl. one-offs

Cash generation was again strong in 2013

Cash flow statement

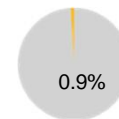
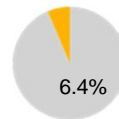
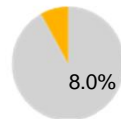
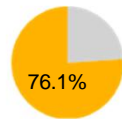
Group Cash Flow Statement in m EUR	FY 2013	vs. PY
EBT (earnings before income taxes)	545	-751
Depreciation & amortisation (incl. D&A for non-current assets)	1,738	-187
Net proceeds from disposal of non-current assets	-11	+728
Result from equity investments	-125	-31
Net interest	346	-26
Income tax payments/reimbursements	-92	-58
Non-cash changes in measurement of financial derivatives	80	+61
Change in working capital	809	+630
Cash flow from continuing operating activities	3,290	+366
Cash flow from discontinued operating activities	0	+82
Operating cash flow	3,290	+448
Capital expenditure (net)	-1,982	-537
Free cash flow	1,308	-89
Cash and cash equivalents as of 31.12.2013	1,550	+114
Liquidity reserves (non-current securities)	3,146	-384
Total Group liquidity	4,696	-270



Profit improvement was driven by passenger airlines and MRO

Segment overview for 2013

Share of LH Group's external revenue



FY 2013 vs. FY 2012 in EUR m	Passenger Airline Group	Logistics	MRO	Catering	IT Services	Other & consolidation
Revenue vs. PY in%	23,513 -0.2%	2,442 -9.2%	4,180 +4.2%	2,514 +0.4%	640 +5.1%	-3,261 -0.7%
Operating result vs. PY in m EUR	495 -61	77 -28	404 +76	105 +4	36 +16	-420 -149
	+395 m EUR excl. one-offs					-50 m EUR excl. one-offs

in EUR m	Lufthansa Passenger Airlines	SWISS	Austrian Airlines
Total revenue vs. PY	17,302 +0.2%	4,223 +0.1%	2,069 -4.1%
Operating result vs. PY	265 +240	226 +22	25 -178
	+340 m EUR excl. one-offs		+30 m EUR excl. one-offs

Passenger airlines showed strong operating performance

Operating KPIs of Passenger Airline Group

Total	FY '13	Q4 '13
Number of flights	-3.7%	-2.6%
ASK	+1.0%	+1.4%
RPK	+2.3%	+2.6%
SLF	+1.0pts.	+1.0pts.

Yield	-2.3%	-4.0%
Yield ex currency	-0.1%	-1.1%
RASK	-1.1%	-2.8%
RASK ex currency	+1.2%	+0.1%
CASK* excl. fuel	-1.3%	-1.9%
CASK* incl. fuel	-2.4%	-4.4%

profitability growth: widened spread of unit revenues versus unit costs

Europe	FY '13	Q4 '13
ASK	+1.5%	+3.2%
RPK	+4.3%	+5.0%
SLF	+1.9pts.	+1.3pts.
Yield	-1.1%	-4.3%
Yield ex currency	+0.3%	-2.2%
RASK	+1.3%	-2.8%
RASK ex currency	+2.7%	-0.8%

Americas	FY '13	Q4 '13
ASK	+6.7%	+5.2%
RPK	+7.1%	+5.5%
SLF	+0.4pts.	+0.2pts.
Yield	+0.2%	-1.5%
Yield ex currency	+2.3%	+1.4%
RASK	+0.6%	-1.2%
RASK ex currency	+2.7%	+1.7%




Asia/Pacific	FY '13	Q4 '13
ASK	+2.4%	+3.7%
RPK	+2.6%	+5.5%
SLF	+0.2pts.	+1.4pts.
Yield	-8.1%	-7.8%
Yield ex currency	-3.6%	-2.9%
RASK	-7.8%	-6.1%
RASK ex currency	-3.3%	-1.2%

Mid East / Africa	FY '13	Q4 '13
ASK	-1.7%	-1.8%
RPK	-1.2%	-0.4%
SLF	+0.3pts.	+1.1pts.
Yield	-1.7%	-1.5%
Yield ex currency	+0.5%	+1.2%
RASK	-1.3%	-0.6%
RASK ex currency	+1.0%	+2.2%

*adjusted for one-off items

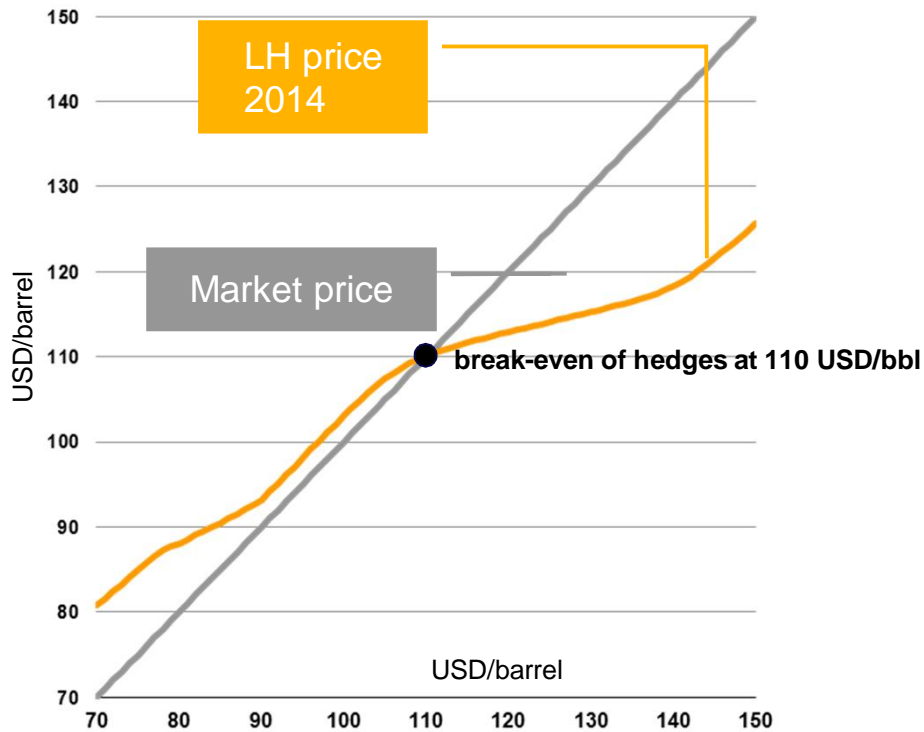
Unit costs reduction by c. 4% and increasing revenue per flight

Trading assumptions FY 2014

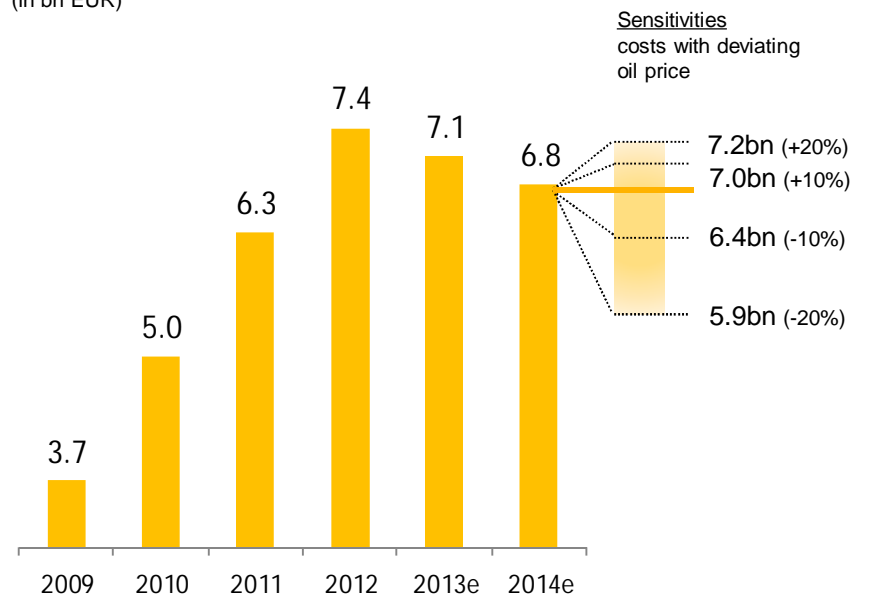
	Outlook 2014	Explanation
Fleet Size (no. of aircraft)	overall stable	fleet rollover, phase-out of small, non-efficient aircraft
Capacity (ASK)	 c. +5%	capacity growth realized through larger aircraft (more seats per aircraft), 2-class fleet on 30 LH Passenger Airlines' aircraft and transfer to Germanwings
Volume (RPK)	above capacity growth	
Load Factor (SLF)	slightly up	
Pricing (Yield)	negative	
Unit Revenue (RASK ex currency)	slightly negative	
Unit Costs (CASK ex currency, ex fuel)	c. -4% 	more capacity (ASK) at stable fleet; SCORE measures; -2pts. from changed depreciation
Cargo Capacity	 c. +1%	growth driven by belly capacity

Fuel costs are expected to ease mainly due to weaker USD in 2014

Fuel forecast and sensitivities



Lufthansa Group fuel expenses after hedging (in bn EUR)



	FY 2014	FY 2015
Current fuel hedging levels	77%	34%

as of 03 March 2014
Brent forward 109 USD/barrel
EUR/USD 1.37

Aircraft depreciation policy changed to 20 years and 5% residual value

New depreciation policy



- **Reason for D&A change:** IAS 16: joint review with auditors of assets' useful life and residual value
- **FY 2013:** no impact on operating result
- **FY 2014:** c. 340 m EUR positive operating profit impact
- **FY 2015:** c. 350 m EUR positive operating profit impact
- **Operating profit target 2015:** adjusted to 2.65 bn EUR
- **Dividend policy:** will be reviewed to reflect changed earnings profile
- **CVA:** concept to be reviewed to reflect new capital recovery assumptions

Lufthansa Group operating profit 2014 expected at 1.3 to 1.5 bn EUR Outlook for the Group

Segment	Result 2013 (m EUR)	Forecast for 2014
Lufthansa Passenger Airlines	265	significantly above previous year, but diluted by project costs
SWISS	226	significantly above previous year
Austrian Airlines	25	significantly above previous year
Consolidation	-21	
Passenger Airline Group	495	950 – 1,100 m EUR (incl. 300 m EUR project costs at LHP)
Logistics	77	significantly above previous year, at least on previous year's level
MRO	404	on par with 2012 (328 m EUR)
Catering	105	slightly above previous year
IT Services	36	slightly above previous year
Others	-378	significant improvements due to lower restructuring costs
Internal Result / Consolidation	-42	
LH Group (reported)	697	1,300 – 1,500*
Restructuring costs	245	80
Project costs Lufthansa Passenger Airlines	100	300
LH Group (normalised)	1,042	1,680 – 1,880*

*incl. 340 m EUR lower depreciation for aircraft and engines

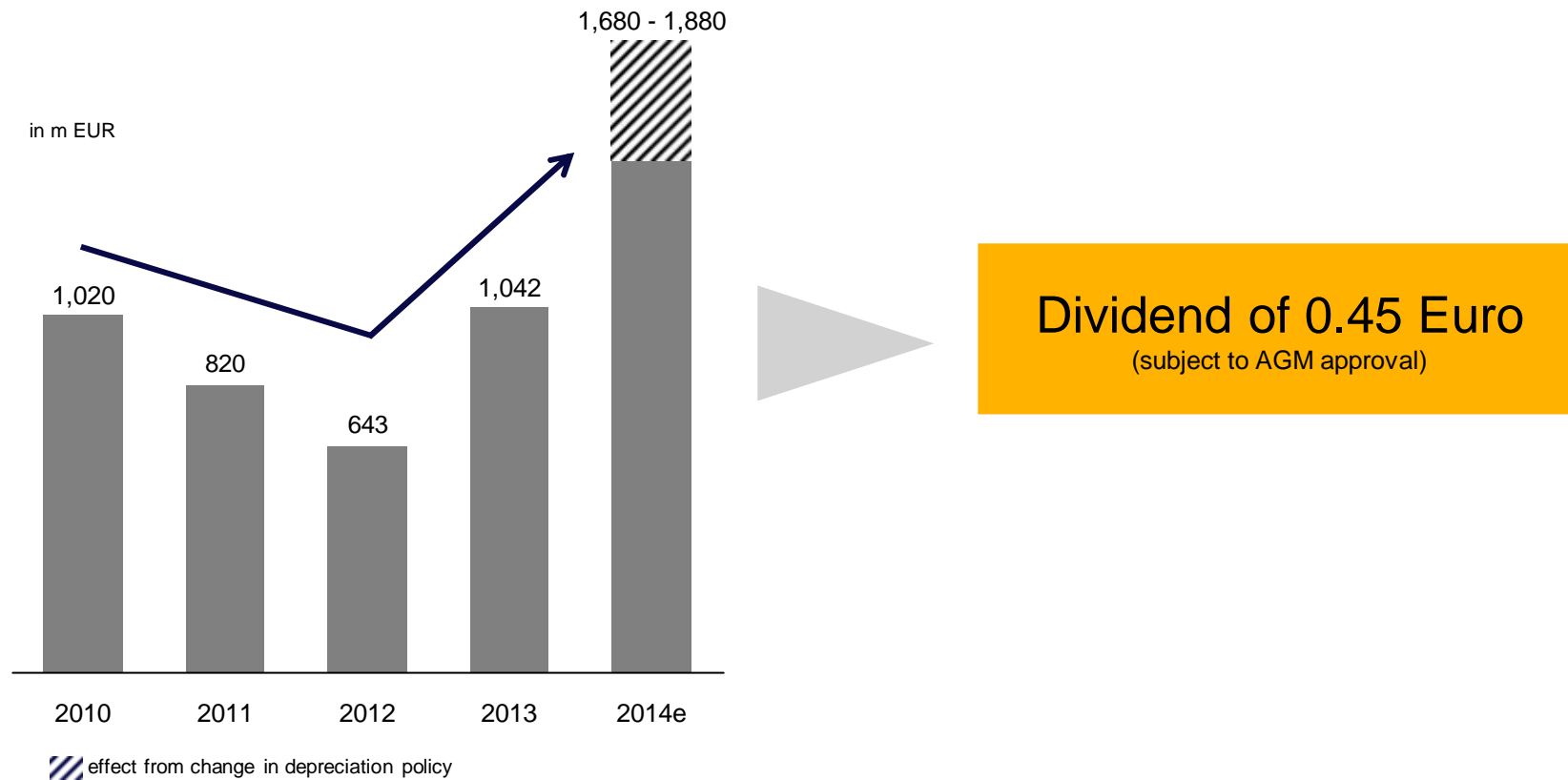
Christoph Franz

– Chairman of the Executive Board and CEO –

Operating profit trend has been reversed in 2013

Dividend proposal of 0.45 Euros

Lufthansa Group - Normalized operating result
excluding one-off effects

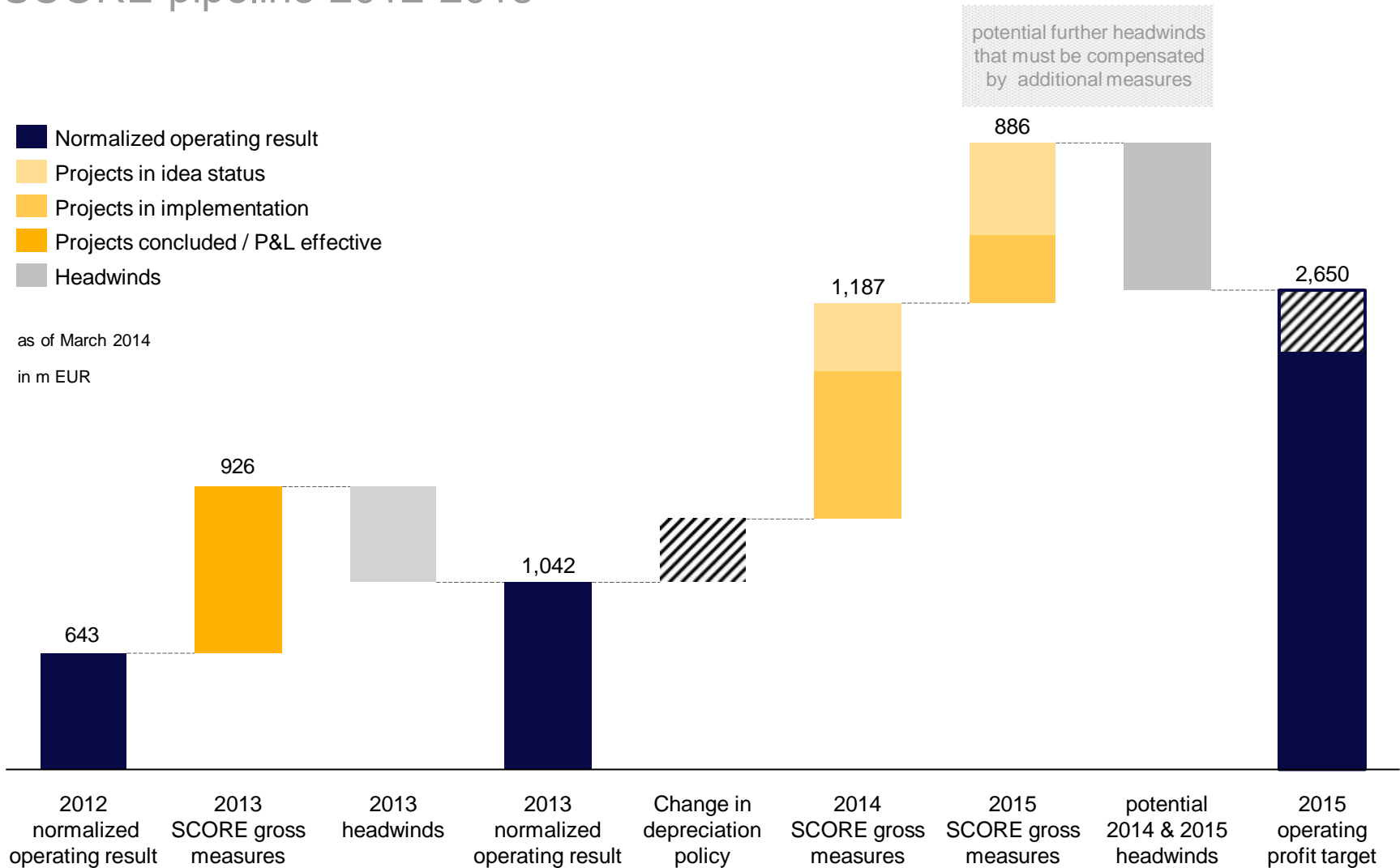


SCORE pipeline is well filled with measures until 2015

SCORE pipeline 2012-2015

- Normalized operating result
- Projects in idea status
- Projects in implementation
- Projects concluded / P&L effective
- Headwinds

as of March 2014
in m EUR



Top SCORE projects in 2014 and 2015

Selected SCORE measures and additional measures under review

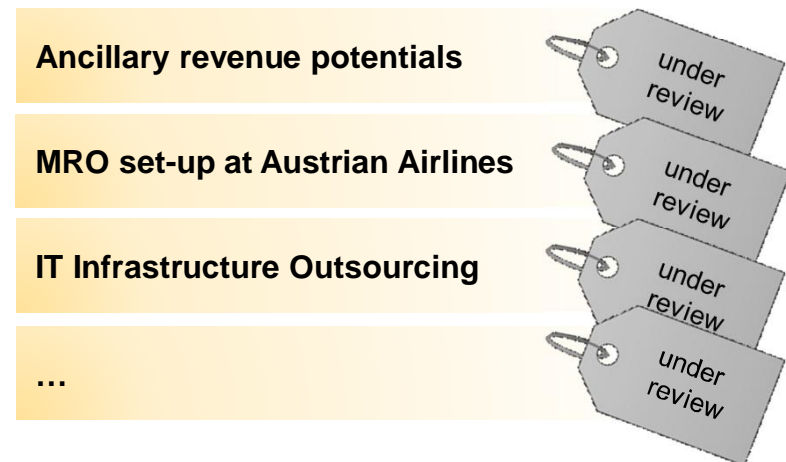
Projects in existing SCORE pipeline

Key projects in 2014 and 2015



Further projects under review

Aim: Build buffer for potential further headwinds



2014 will be a year of many long-haul product upgrades

New business class will be widely rolled out, Premium Eco launched

Premium Economy



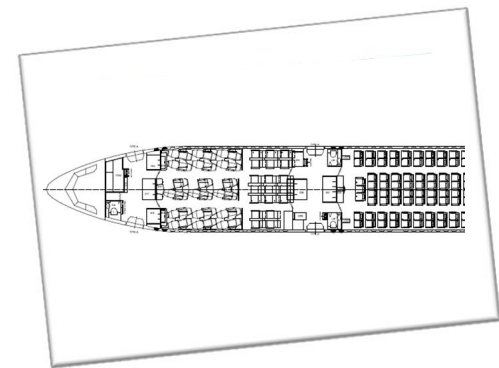
- Available for sale as of May
- Up in the air from October

New Business Class



- 80% of long-haul fleet by end 2014
- More than 100 aircraft

Two-Class Fleet



- 30 aircraft to be reconfigured
- Revenue maximization per flight

5 Star Initiative



Lufthansa Passenger Airlines aims at becoming the first Western 5 Star airline (Skytrax). Service initiatives underway to significantly improve customer experience

Miles & More will be transferred into separate legal entity

New legal structure



- **Bonus program activities to be transferred into separate legal entity**
- **AGM approval in April 2014**
- **Implementation from July 2014**

Objectives

- Higher degree of transparency and integrated commercial steering
- Accelerated speed to market through dedicated resources and higher degree of entrepreneurial freedom
- Facilitate partnerships with new non-airline program partners
- Improved customer value proposition also for "non frequent flyers"
- Enable business and profits to grow



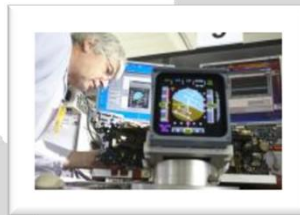
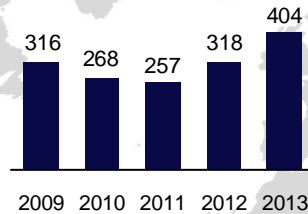
Lufthansa Technik and LSG produced best ever results in 2013

Service companies as competitive advantage for the Lufthansa Group



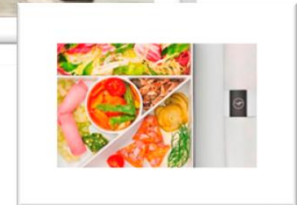
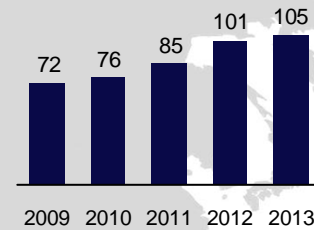
No. 1 Independent MRO-provider

- Operating result 2013: **404 m EUR**
- Global market leader as independent MRO-provider
- **Product innovations and strategic partnerships** enable access to new customers and markets
- **World-wide** capacities and flexibility
- **Increasing revenue and operating result** despite challenging market environment



No. 1 Airline caterer

- Operating result 2013: **105 m EUR**
- Global market leader in airline-catering
- Growth in demand and geographical expansion lead to **increasing revenues**
- Continuously **enhanced product and service portfolio**
- Successful transfer of know how in food and logistics to **new adjacent markets**



Summary 2013

- **Normalized operating result increased by more than 60%, further improvement of 40% expected for 2014**
Improvement in 2013 was mainly driven by Passenger Airlines and MRO
- **LH Group is profitable in all segments, increase in profitability in 2013 in almost all segments**
Austrian achieved break-even for first time without the support of one-off effects; MRO and LSG with best-ever results
- **Negative profit trend of Lufthansa Group reversed, dividend reinstated**
Proposal of 0.45 EUR dividend per share (30% pay-out ratio of operating result) to be approved by AGM
- **Balance sheet strengthened, equity ratio increased, net debt reduced**
Further step towards achieving financial targets accomplished
- **Operating profit target 2015 adjusted to 2.65 bn EUR**
Change induced due to altered depreciation policy
- **SCORE is on track, measures with gross benefit of more than 2.0 bn EUR in place for 2014 and 2015**
Strong focus on implementation continues
- **Additional measures under review**
Pipeline to be strengthened further to compensate additional headwinds

Outlook 2014 and beyond

- **Passenger airlines are upgrading to leading product and services**
Improved customer experience; Lufthansa Passenger Airlines aims at becoming the first Western 5 Star airline
- **Premium Economy class will be offered for first time in 2014; new business class roll-out continues**
Premium Economy introduced with winter schedule 2014; 80% of Business Class retrofit concluded by end of 2014
- **Transition of European non-hub flights to Germanwings will be completed**
Germanwings well accepted by the market with great customer response
- **Lufthansa Cargo is introducing the most modern and efficient cargo aircraft in the world**
Taking delivery of two more Boeing 777F aircraft in 2014
- **Fleet modernization is being continued, ongoing decrease of noise and fuel emissions across entire fleet**
Delivery of 59 long-haul aircraft between 2016 and 2025 with 25% less fuel consumption and 30% less noise emissions
- **Structural changes at Lufthansa Group continue to make it even more competitive in the future**
For example carve-out of Miles & More activities into dedicated legal entity

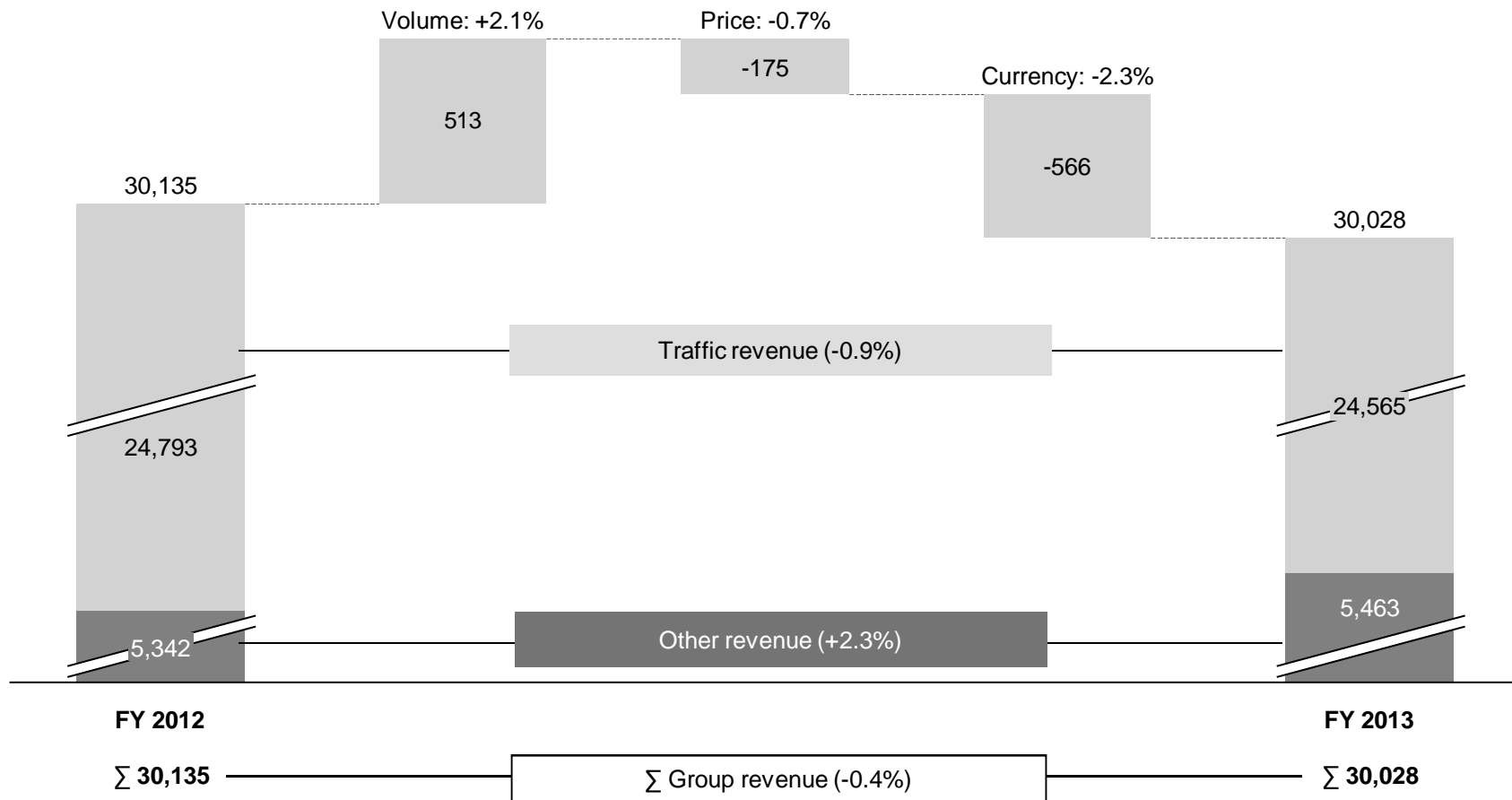


Appendix – Financial data FY 2013

Group Revenue

FY2013 vs. FY 2012

in m EUR



Fuel Cost

FY 2013 vs. FY 2012

in m EUR

Hedging results by Quarter				
Q1	Q2	Q3	Q4	Σ
25	42	32	26	125



Operating Result

FY 2013 vs. FY 2012

in m EUR	FY 2013	FY 2012	vs. PY
Profit from operating activities	849	1,622	-773
Net book gains / losses on assets and financial investments	-29	-747	+718
- thereof aircraft disposals	-23	-33	+10
- thereof book gains from sale of Amadeus and Fraport shares	0	-631	+631
Reversal of provisions	-191	-162	-29
Past service costs	-12	3	-15
Valuation from non-current borrowings	3	-21	+24
Impairments	77	144	-67
- thereof due to new depreciation policy	-68	0	-68
Operating result	697	839	-142
Adjusted operating margin*	3.0%	3.3%	-0.3 P.

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

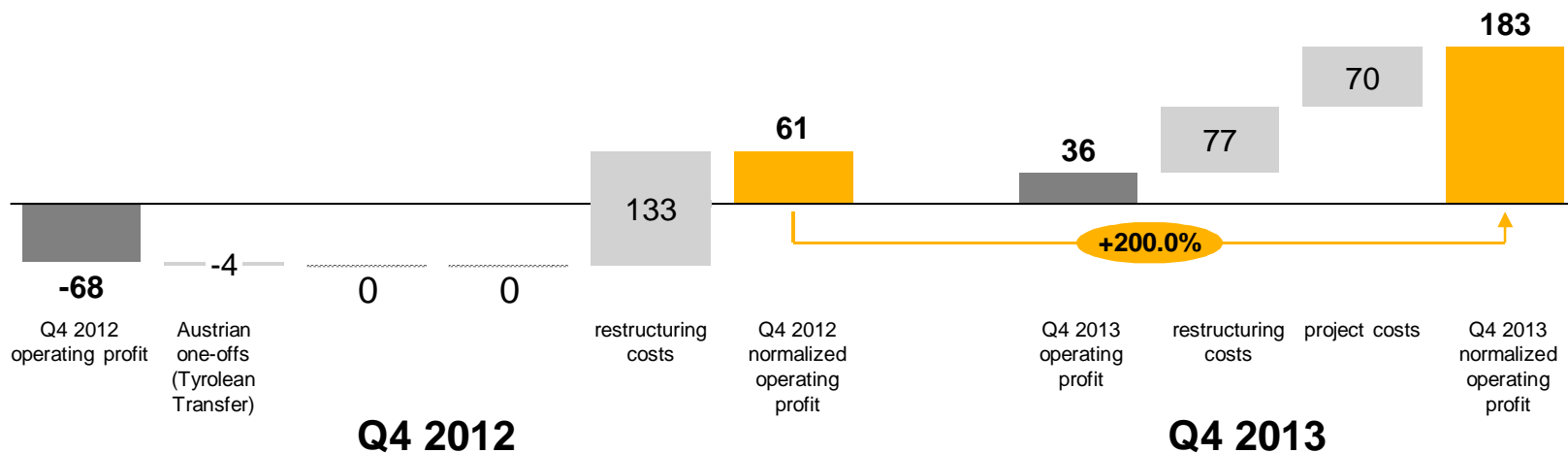
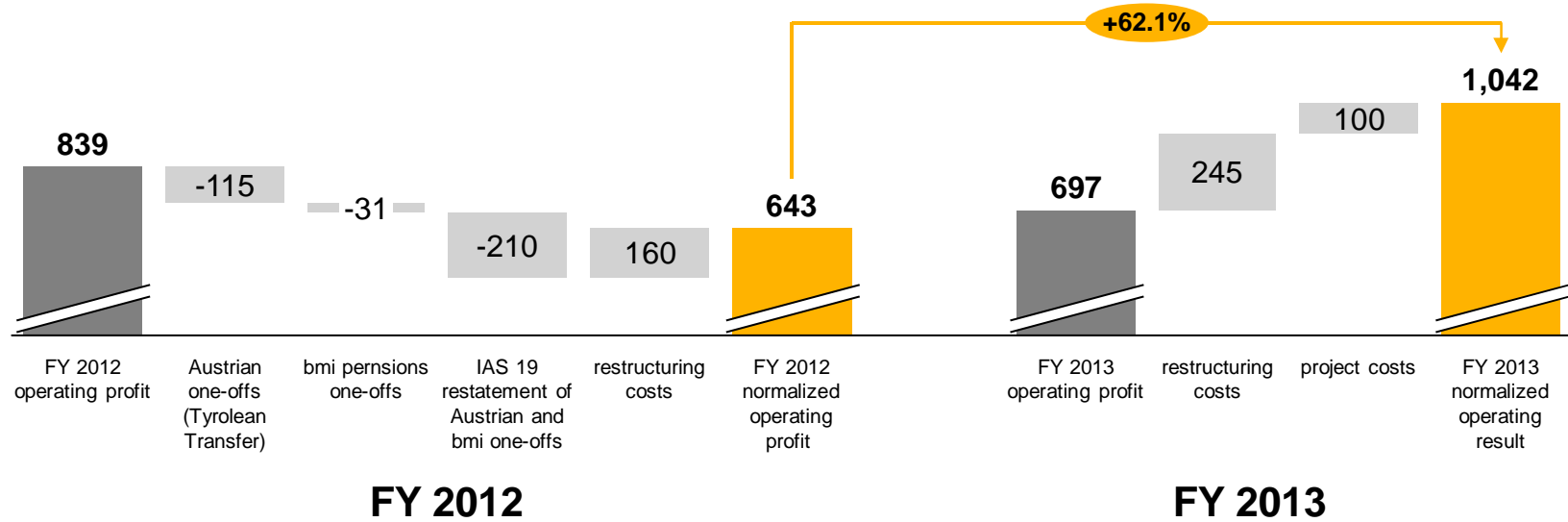
Earnings figures

FY 2013 vs. FY 2012

in m EUR	FY 2013	FY 2012	vs. PY
Profit from operating activities	849	1,622	-773
- thereof book gains from sale of Amadeus and Fraport shares	0	631	-631
Income from subsidiaries, joint ventures and associates	125	94	+31
Other financial items	-83	-48	-35
- thereof changes in time value of hedge options	-20	82	-102
EBIT	891	1,668	-777
Net interest	-346	-372	+26
Income taxes	-219	-91	-128
Profit / loss from continuing operations	326	1,205	-879
Result from discontinued operations (bmi)	0	36	-36.
Minority interests	-13	-13	0
Net profit	313	1,228	-915
Earnings per share (in EUR)	0.68	2.68	-2.00

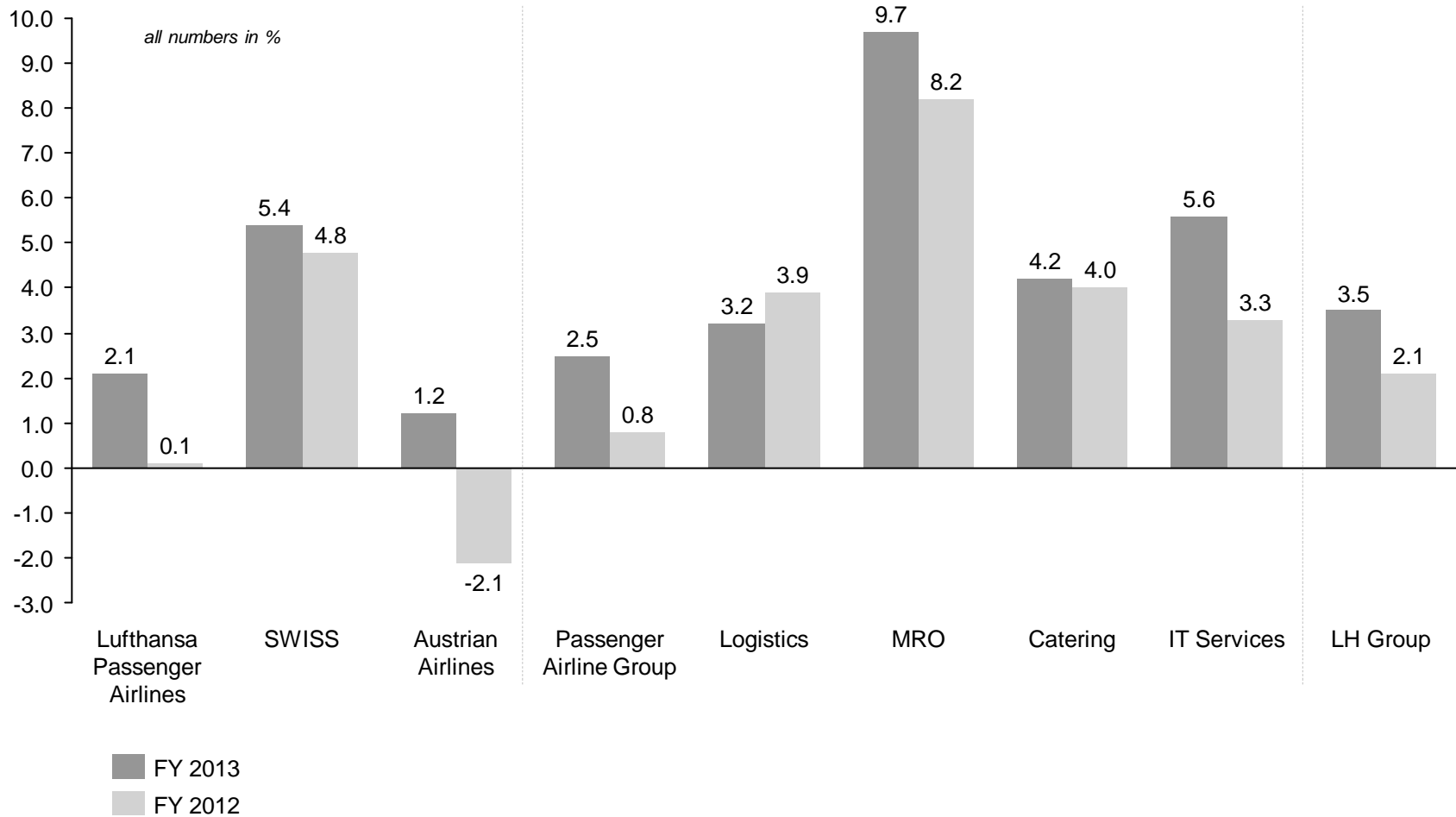
Excluding one-off items operating profit shows clear improvement

Normalized operating results for FY and Q4



Operating margins (normalized*)

FY2013 vs. FY2012



* excluding one-off effects