



Destination	Time
SHAPING	
THE FUTURE	
TOGETHER	

Simone Menne, Member of the Executive Board and CFO  
Frankfurt/Main, Aug 29th, 2013  
Commerzbank Sector Conference

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# Overview

- **Transformation of European airline sector continues**

After phase of M&A and continued consolidation, capacity growth remains on low levels

- **Lufthansa Group is in a strong position to benefit from the industry transformation**

Globally diversified network, broad group set-up, strong financials and cash flow generation

- **Lufthansa Group builds on its strengths, SCORE is to increase the op. result to 2.3bn EUR**

Focus is now on executing the project pipeline, one key project in 2013 is "new Germanwings"

- **Current trading is diverse but stable**

Strong regional difference in passenger trading, service companies with stable to positive performance

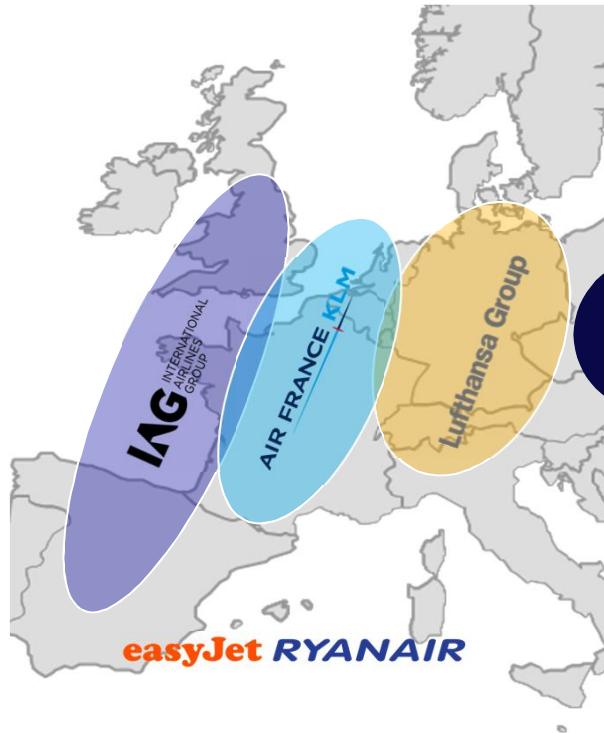
- **Lufthansa Group targets higher operating result in FY13**

Operating result to be higher than last year's reported number despite additional one-off costs from SCORE

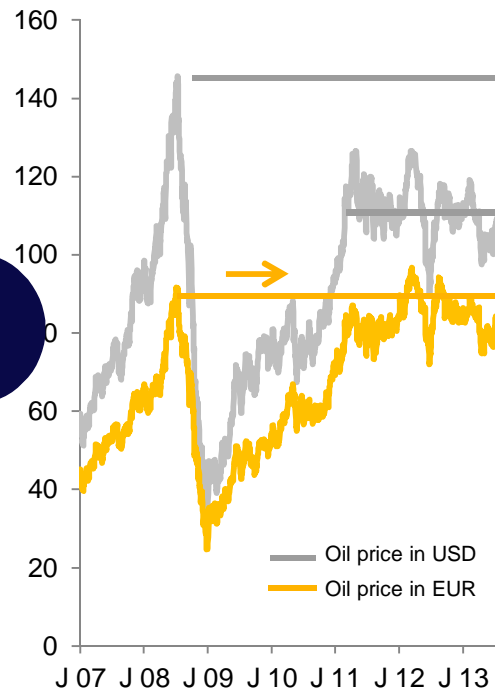
# Transformation of European airline sector continues

Capacity growth is on low levels, fuel costs remain high

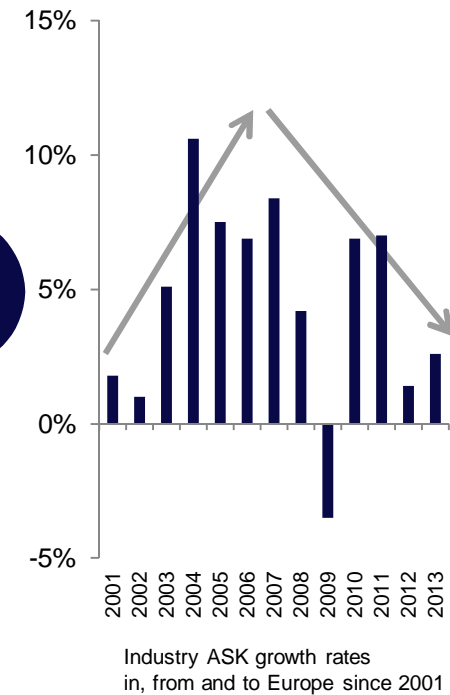
Competition is driven by three network carriers and two main LCCs



Oil price remains on high level, especially in EUR terms



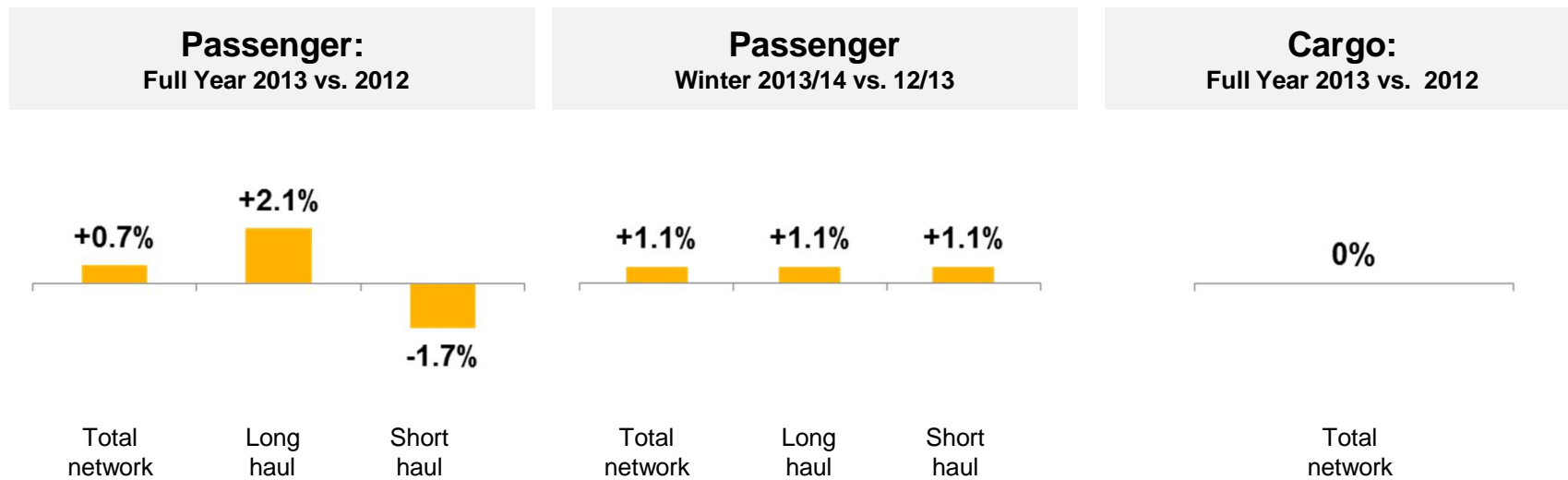
Capacity growth in Europe is on low levels



Sources:  
 Airlines' logos: [www.wikipedia.org](http://www.wikipedia.org)  
 ASK based on flight plan data (FLASH), for 2013 summer schedule used as proxy

# Passenger Airline Group is keeping capacities restricted as well

## Planned capacity growth in FY2013 and winter 2013/14



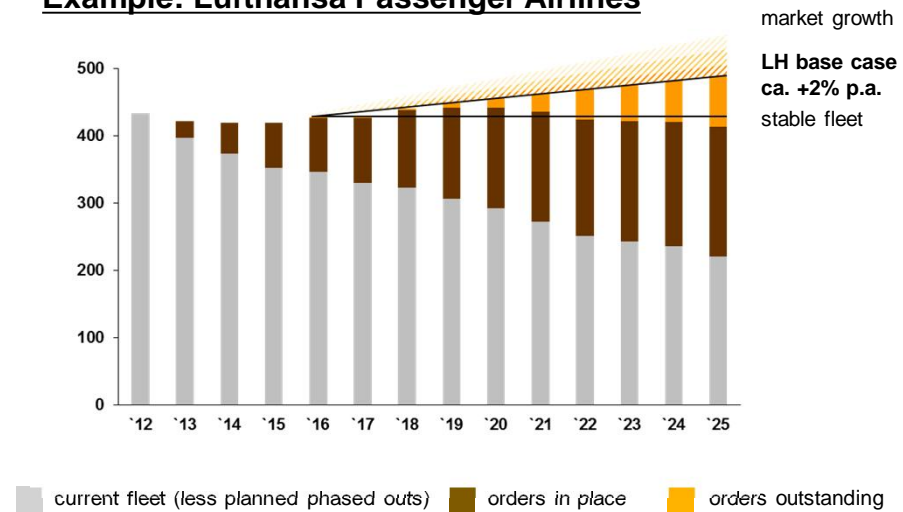
Passenger Airline Group capacity growth measured in available seat kilometres (ASK)

# Fleet growth restrictive, comprehensive product upgrade

## Orders are mainly replacements, half of market growth targeted

Aircraft deliveries 2013-2025	Total
Airbus 380	4
Boeing 747-8i	15
Boeing 777 (of which 5 freighters)	11
Airbus 330	3
Airbus 320 family	165
Embraer 195	4
Bombardier C Series	30
<b>Total</b>	<b>232</b>

### Example: Lufthansa Passenger Airlines



**New First Class**



**New Business Class**



**New Economy Class**

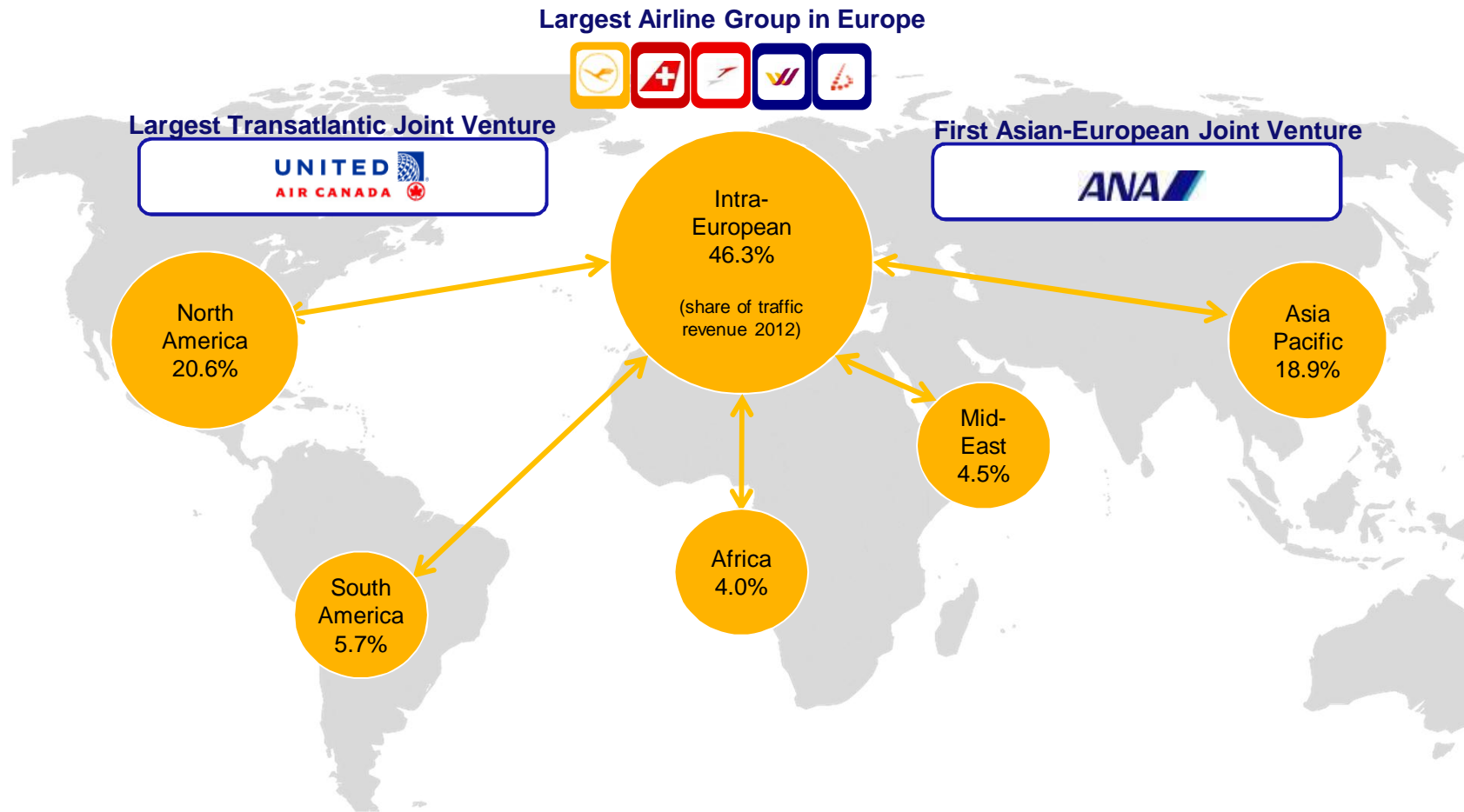


**New terminal facilities**



# Passenger Airline Group is globally diversified

Balanced network supported by leading intercontinental JVs



# Lufthansa Group can also rely on its broad portfolio of businesses

Non-flying business provide non-cyclical profit base of 300-450 m EUR

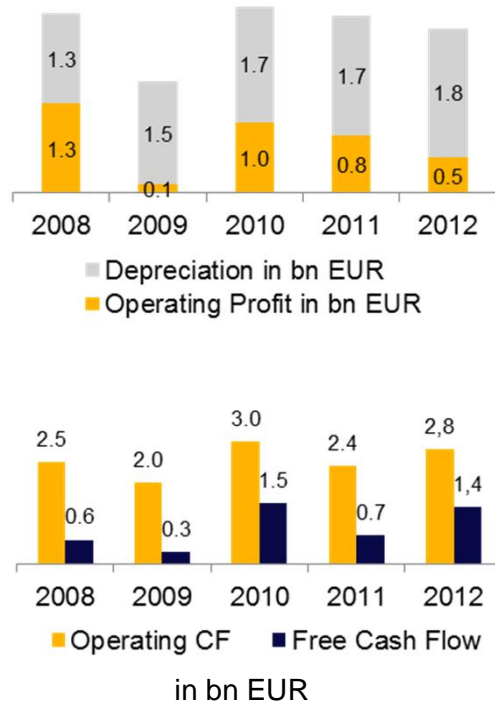
	Revenue	Operating result	Op. margin range	
<b>Airlines</b>				
Passenger Airline Group	<p>23.6 bn</p>	<p>258 m</p>	<p>+4.8%</p> <p>↕</p> <p>-0.1%</p>	
Logistics (Cargo)	<p>2.7 bn</p>	<p>104 m</p>	<p>+11.4%</p> <p>↕</p> <p>-8.0%</p>	
<b>Service Companies</b>				
MRO	<p>4.0 bn</p>	<p>318 m</p>	<p>+8.8%</p> <p>↕</p> <p>+6.9%</p>	non-cyclical profit base of ca. 300-450 m EUR
Catering	<p>2.5 bn</p>	<p>97 m</p>	<p>+3.9%</p> <p>↕</p> <p>+3.1%</p>	
IT Services	<p>0.6 bn</p>	<p>21 m</p>	<p>+6.2%</p> <p>↕</p> <p>+1.8%</p>	
<b>Others</b> incl. Group Functions		<p>-263 m (burdened by restructuring costs)</p>		



# Balanced business setup is backed by strong financial profile

## Profitable despite conservative depreciations, strong cashflow generation

### 1. Lufthansa Group is profitable and produces strong cash flows



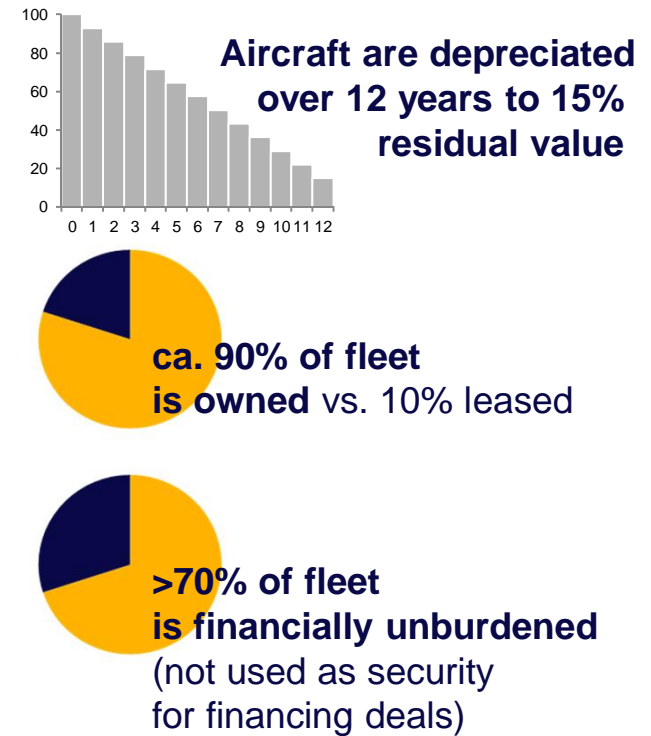
### 2. Solid financial profile provides competitive edge in financing conditions

**STANDARD & POOR'S**

S&P Investment Grade Rating (BBB-, stable) confirmed in June 2013

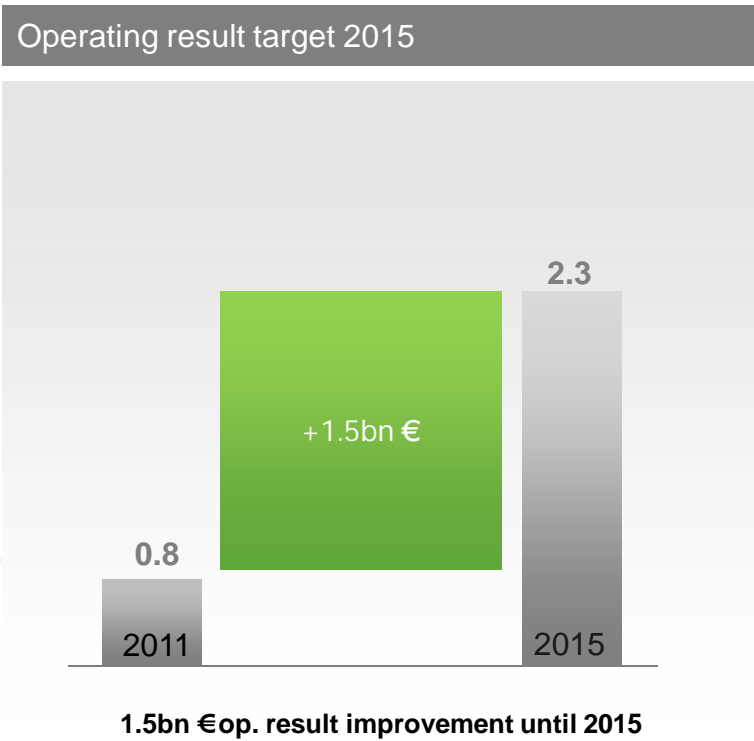
5.4 bn EUR	high liquidity
1.2 bn EUR	moderate net debt
5.2 bn EUR	pension provision flexible funding model, no "margin call" for additional fundings

### 3. Conservative fleet structure allows flexible fleet and capacity management











# Operating profit is to be significantly improved by SCORE

## SCORE targets an operating result of 2.3 bn EUR in 2015

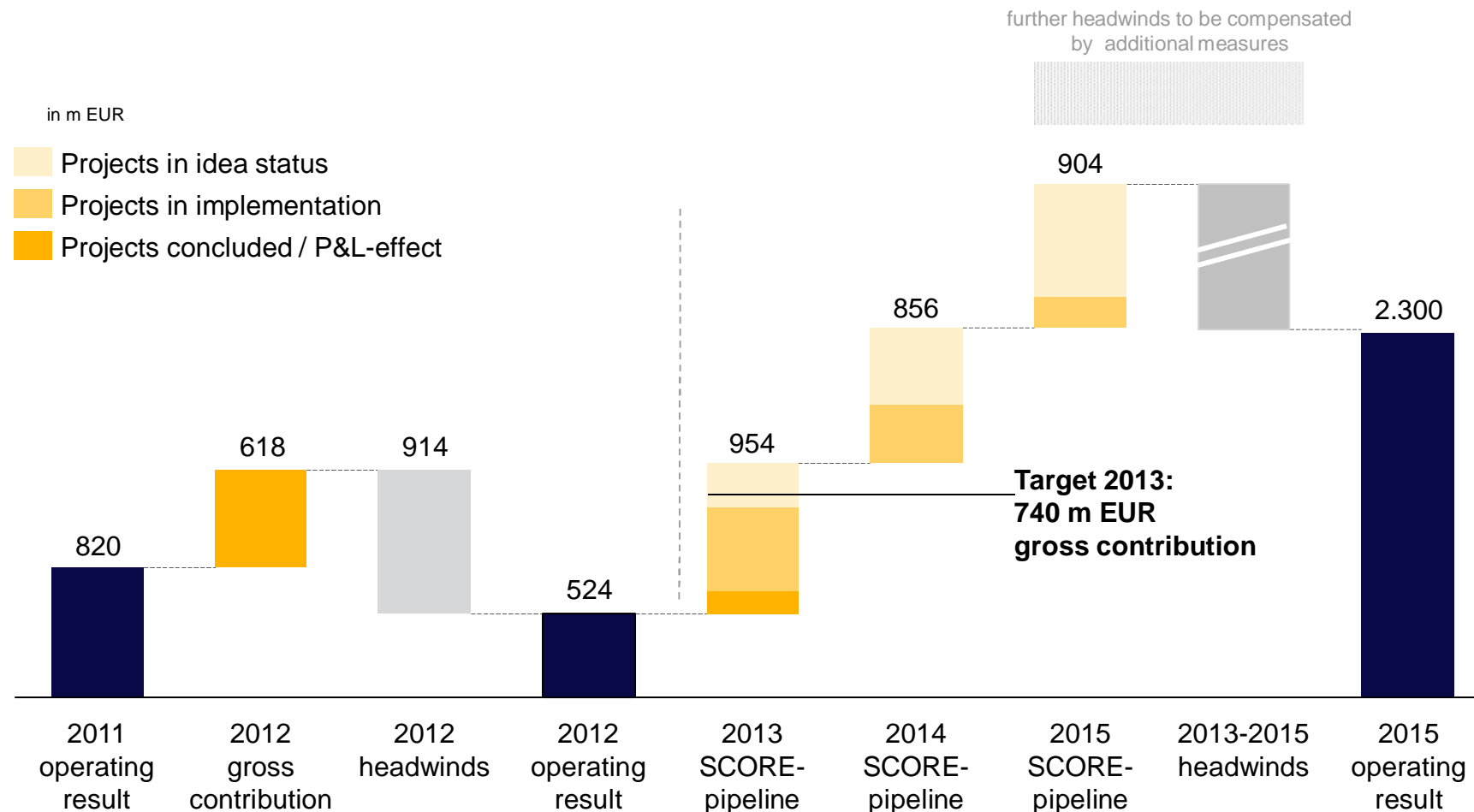


SCORE projects (examples)

 <p><b>LH</b></p> <ul style="list-style-type: none"> <li>• New Germanwings</li> <li>• Efficient ground/admin processes</li> <li>• Raising profitability on long haul</li> </ul>	 <p><b>LCAG</b></p> <ul style="list-style-type: none"> <li>• Push of special products (e.g. cool.td)</li> <li>• New warehouse handling contracts in Japan</li> </ul>
 <p><b>LX</b></p> <ul style="list-style-type: none"> <li>• New business model for Geneva</li> <li>• Insourcing Line Maintenance</li> <li>• Ancillary Revenues</li> </ul>	 <p><b>LHT</b></p> <ul style="list-style-type: none"> <li>• Optimization of administration</li> <li>• Cost reduction engine overhaul</li> </ul>
 <p><b>OS</b></p> <ul style="list-style-type: none"> <li>• Transfer of business to Tyrolean</li> <li>• Cost reduction Vienna airport</li> <li>• New catering concept</li> </ul>	 <p><b>LSY</b></p> <ul style="list-style-type: none"> <li>• Launch of Board Connect</li> <li>• Expansion of hospitality systems (e.g. on cruise ships)</li> </ul>
 <p><b>HQ</b></p> <ul style="list-style-type: none"> <li>• Extension of Shared Services</li> <li>• Shut down LH HQ in CGN and LRS by 2017</li> </ul>	 <p><b>LSG</b></p> <ul style="list-style-type: none"> <li>• Restructuring Germany and North America</li> <li>• Focus on new markets (e.g. catering on trains)</li> </ul>

# SCORE pipeline is well filled with projects through 2015

2.7bn EUR gross contributions before external cost inflation and one-offs



Snapshot as of 30 April 2013

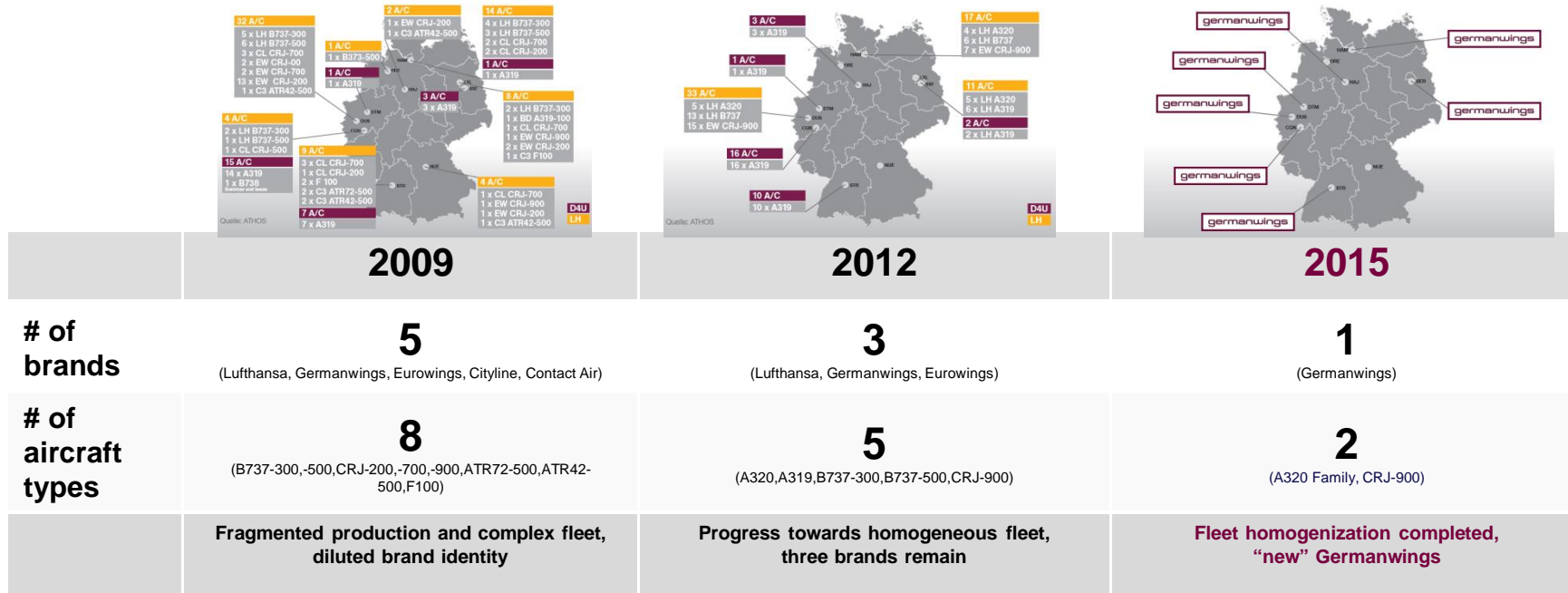
## Execution of SCORE causes one-off costs

Operating result will be especially burdened in 2013 and 2014

<u>SCORE one-off costs</u>	FY2013	FY2014	FY2015
<b>Restructuring Costs</b> (severance payments, provisions for headcount reductions)	similar to 2012 level (2012: 160 m EUR)	guidance will follow late 13/ early 14	guidance will follow late 14/ early 15
<b>Project Costs</b> (costs for accelerated fleet roll-over, and product upgrades)	low three-digit million EUR amount in Q4 2013	mid three digit million EUR amount in FY2014	major relief from high project costs

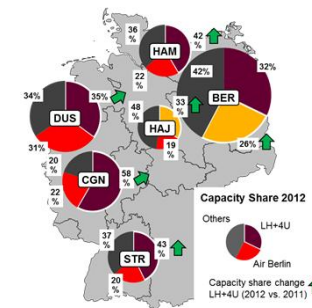
# SCORE project "new Germanwings"

Non-hub traffic merged into one profitable carrier with only two aircraft types



20% lower unit costs

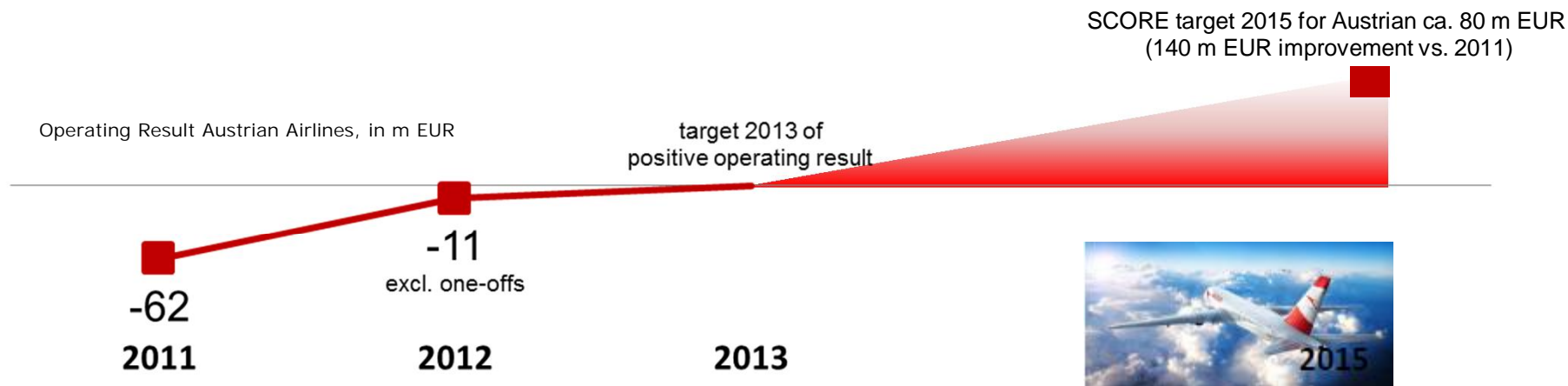
200 m EUR expected earnings improvement (=break-even 2015)



Starting from market leader position

# SCORE project "restructuring of Austrian Airlines"

Austrian is strongly committed and on track with its measures



## Restructuring Program

- Transfer of flight operations to Tyrolean (460 pilots and 1,500 flight attendants moved into subsidiary Tyrolean, i.e. minus 20-25% costs)
- Fleet harmonization
- Reduction of capacity
- Network consolidation
- Renegotiation of supplier contracts
- Launch: Austrian MyHoliday

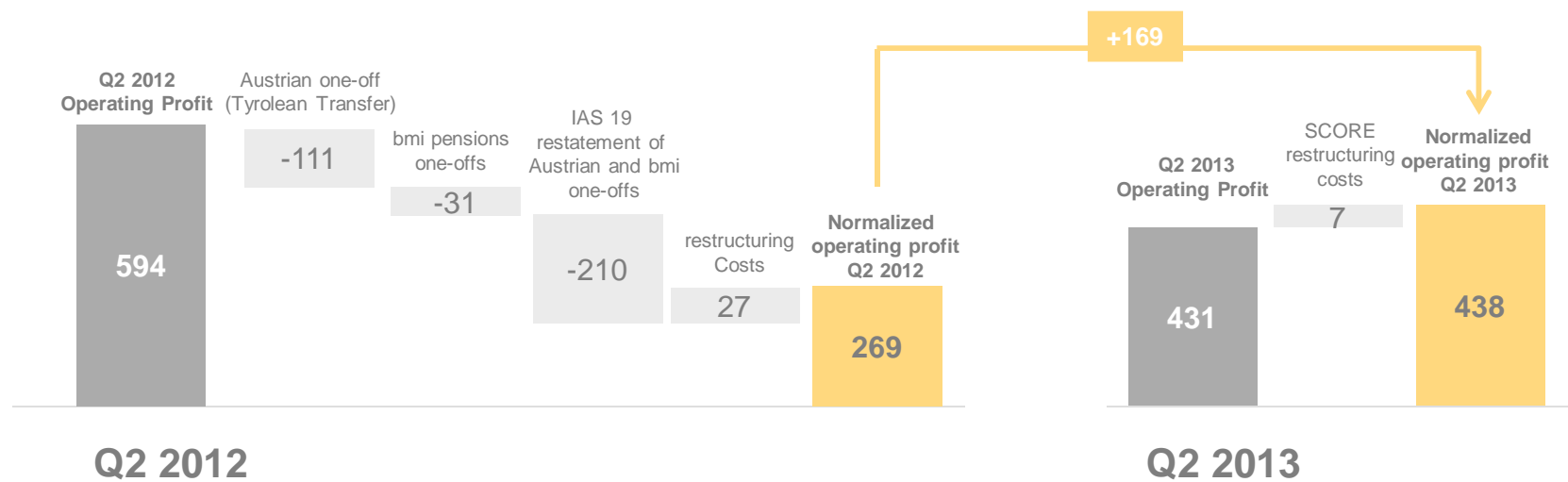
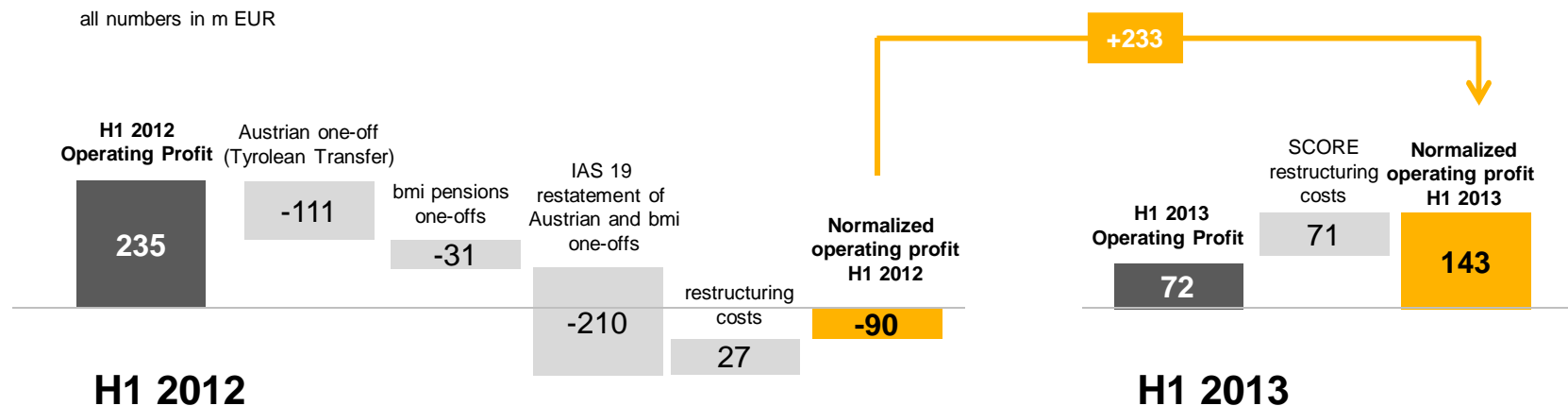
## Productivity increase / Focus on customer

- Securing competitive cost position
  - Dissolve double functions Austrian / Tyrolean
  - Decommission Tyrolean headquarters
  - Realize productivity gains (aircraft, crew, station)
  - New collective agreement for ground staff
  - Restructure MRO
- Boost revenue development
  - New long-haul cabin seat
  - New customer services

# First SCORE impacts are becoming visible

Operating result before restructuring costs and one-offs improved in H1 '13

all numbers in m EUR



# Current business development is regionally diverse but stable

## Current trading conditions for passenger and cargo business



### Passenger Business

- **Restrictive growth and capacity strategy will be continued**
  - Moderate ASK growth in long-haul capacity, in particular due to more seats per plane (bigger aircraft, larger Economy)
  - Cuts in short-haul capacity
  - Overall reduction in number of flights
  - Minimal growth in winter schedule 2013/14
- **Forward bookings trends indicate growth**
  - Passenger volume growth
  - Overall stable yield development
  - Regional trends unchanged: Americas positive, Europe stable, Asia/Pacific and MidEast/Africa negative



### Cargo Business

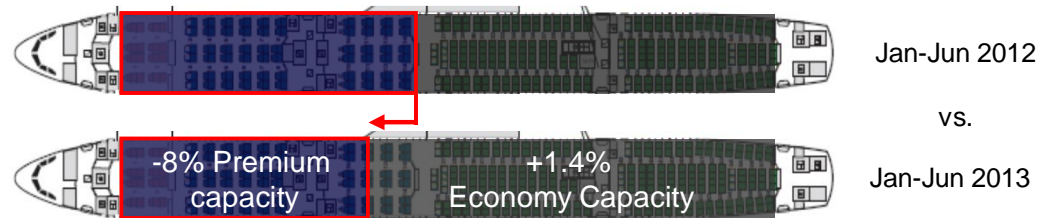
- **Market recovery anticipated**
  - Recovery expected in H2
  - Cargo capacity growth estimate
  - 5% in H2 and 0% for FY13



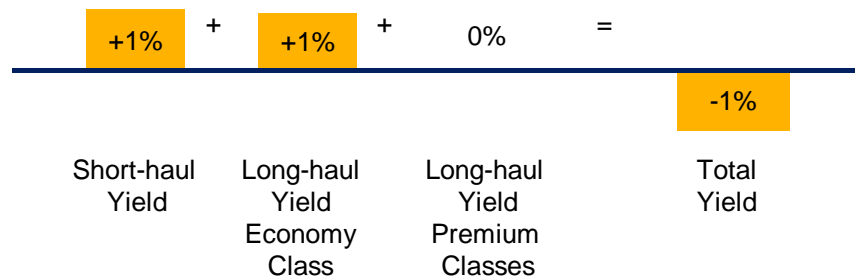
# Yield development diluted by deliberately higher Economy share

## Changed cabin layout leads to higher non-premium capacity

Overall share of Economy passengers increased because of new modern aircraft with more Economy capacity and changed cabin configuration at LH Passenger Airlines



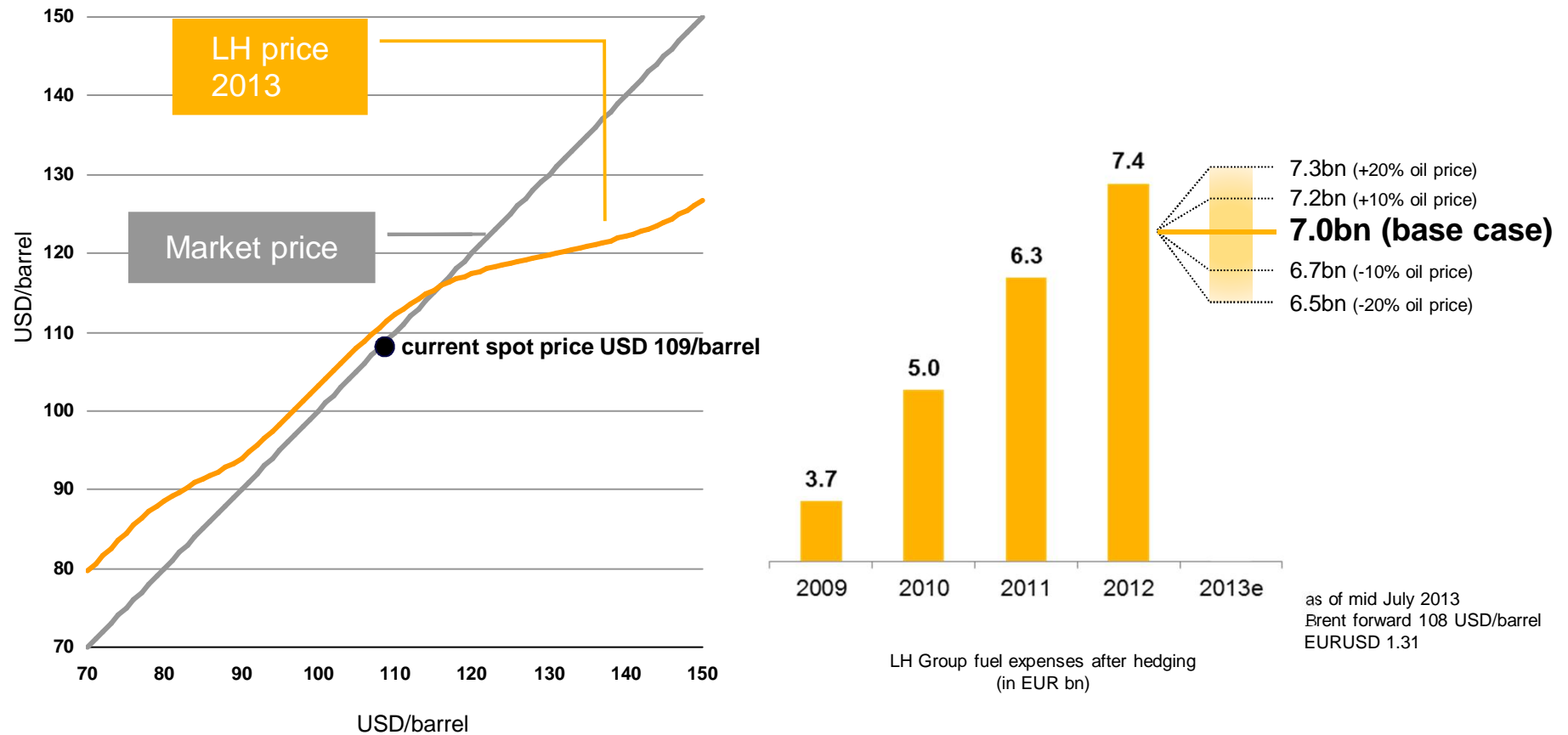
Higher share of Economy capacity diluted overall yields even though the yield improved in the individual travel segments



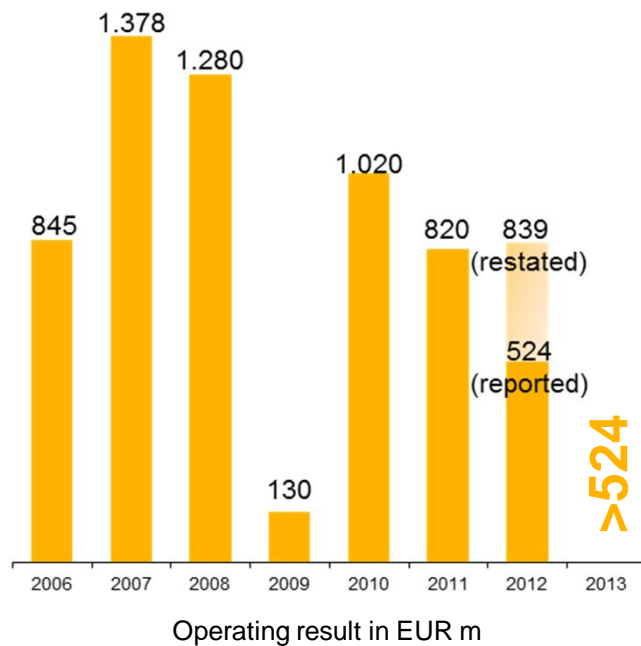
(approximated yield development including currency effects for Passenger Airline Group )

# Fuel costs are expected at 7.0bn EUR, 400m EUR less than in 2012

## Fuel forecast and sensitivities



## Group Outlook: Operating profit higher than last year's Outlook for the Group



### 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 earnings in 2013
- Operating result will be significantly impacted by SCORE restructuring costs and project costs
- Restructuring costs similar to previous year
- Project costs: low three digit million Euro amount in Q4
- 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

**Appendix**  
– Supplementary Financial Information –

# Outlook 2013 for individual business segments

## Outlook Segments



	Passenger Airline Group	Logistics	MRO	Catering	IT Services
<b>Outlook</b>	<p>moderate increase in revenue and operating profit vs. the reported figure for 2012; new: expected hit from one-off expenses in Q4 (three-digit-million Euro amount) for product-related measures</p>	<p>operating profit in the three-digit million euro range. An increase on the previous year's result is anticipated.</p>	<p>moderate increase in revenue and operating profit above previous year</p>	<p>revenue on par with previous year's level due to changes in group of consolidated companies, operating profit roughly on par with last year's level</p>	<p>moderate revenue growth, further increase in profitability.</p>



	Lufthansa Passenger Airlines	SWISS	Austrian Airlines
<b>Outlook</b>	<p>higher revenue and improvement in the operating result. Absolute level will depend to a large extent on fuel costs and exchange rates</p>	<p>operating result in Euros to be roughly on a par with last year's.</p>	<p>consolidate the initial success of the turnaround and thereby achieving a positive operating result</p>

# H1 and Q2 2013 at a glance

## Key figures for the Lufthansa Group

<i>Lufthansa Group (in m EUR)</i>	H1 '13	H1 '12	vs. PY		Q2 '13	Q2 '12	vs. PY
<b>Total revenue</b>	<b>14,464</b>	<b>14,509</b>	<b>-0.3%</b>		<b>7,836</b>	<b>7,890</b>	<b>-0.7%</b>
<i>of which traffic revenue</i>	11,778	11,851	-0.6%		6,441	6,502	-0.6%
<b>Operating result</b>	<b>72</b>	<b>235</b>	<b>-69.4%</b>		<b>431</b>	<b>594</b>	<b>-27.4%</b>
<b>Adjusted operating margin*</b>	<b>0.9%</b>	<b>1.9%</b>	<b>-1.0 pts.</b>		<b>6.0%</b>	<b>7.9%</b>	<b>-1.9 pts.</b>
<b>EBITDA</b>	<b>858</b>	<b>1,011</b>	<b>-15.1%</b>		<b>861</b>	<b>935</b>	<b>-7.9%</b>
<b>Net profit/loss for the period</b>	<b>-204</b>	<b>50</b>	<b>-508.0%</b>		<b>255</b>	<b>444</b>	<b>-42.6%</b>

<b>Cash flow from operating activities</b>	<b>2,313</b>	<b>1,662</b>	<b>+39.2%</b>		<b>1,337</b>	<b>917</b>	<b>+45.8%</b>
<b>Free cash flow</b>	<b>1,305</b>	<b>584</b>	<b>+123.5%</b>		<b>842</b>	<b>132</b>	<b>+537.9%</b>

	30.6.2013	31.12.2012	
<b>Equity ratio</b>	<b>17.5%</b>	<b>16.9%</b>	<b>+0.6 pts.</b>
<b>Net debt</b>	<b>1,224</b>	<b>1,953</b>	<b>-37.3%</b>

<b>Market capitalization</b>	<b>7,174</b>	<b>6,550</b>	<b>+9.5%</b>
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\* incl. income from the write-back of provisions.

Previous year's figures adjusted due to changes in pension accounting (IAS 19 new).

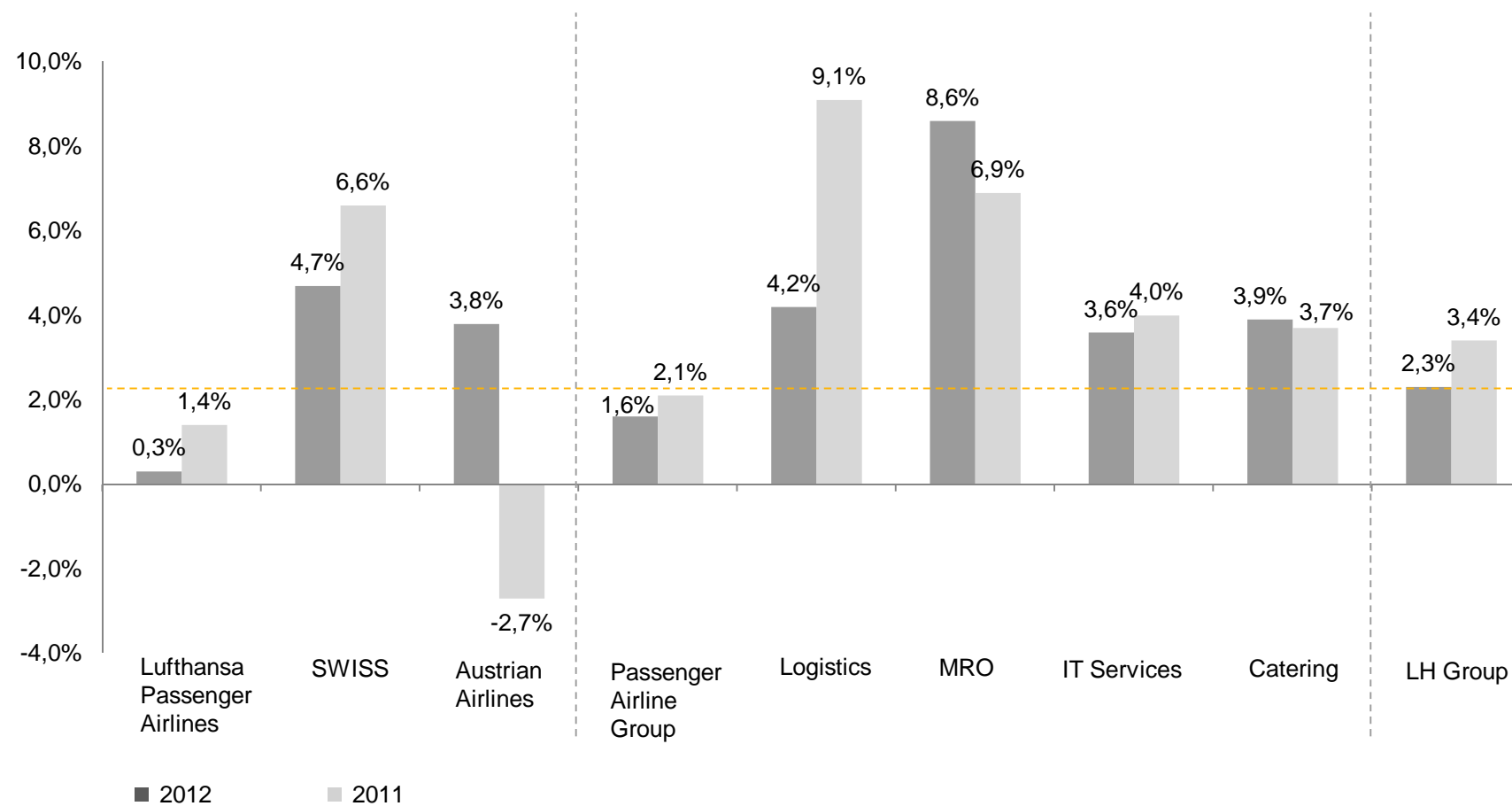
## FY 2012 (as reported before IAS19 restatement)

### Key Figures for the Group

<i>Lufthansa Group (in m EUR)</i>	<b>FY 2012</b>	<b>FY 2011</b>	<b>vs. PY</b>
<b>Group Revenue</b>	<b>30,135</b>	<b>28,734</b>	<b>+4.9%</b>
<i>of which traffic revenue</i>	24,793	23,779	+4.3%
<b>Operating result</b>	<b>524</b>	<b>820</b>	<b>-36.1%</b>
<b>Adj. operating margin*</b>	<b>2.3%</b>	<b>3.4%</b>	<b>-1.1pts.</b>
<b>EBITDA</b>	<b>3,270</b>	<b>2,546</b>	<b>+28.4%</b>
<b>Net Income</b>	<b>990</b>	<b>-13</b>	<b>n.a.</b>
<b>Operating Cash Flow</b>	<b>2,842</b>	<b>2,356</b>	<b>+20.6%</b>
<b>Free Cash Flow</b>	<b>1,397</b>	<b>713</b>	<b>+95.9%</b>
<b>Cash Value Added</b>	<b>375</b>	<b>99</b>	<b>+278.8%</b>
<b>Equity Ratio</b>	<b>29.2%</b>	<b>28.6%</b>	<b>+0.6pts.</b>
<b>Net Debt</b>	<b>1,953</b>	<b>2,328</b>	<b>-16.1%</b>
<b>Market Capitalization</b>	<b>6,550</b>	<b>4,208</b>	<b>+55.6%</b>

\*incl. income from reversed provision

## FY 2012: Adj. operating margin per airline and business segment FY2012 vs. FY2011



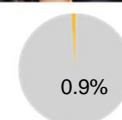
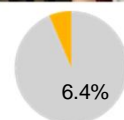
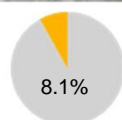
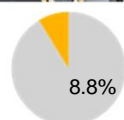
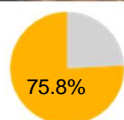


# FY 2012

## Overview Group segments



Share of external  
LH Group  
Revenue



in m EUR	Passenger Airline Group	Logistics	MRO	Catering	IT Services	Others & Consolidation
<b>Revenue</b> vs. PY	<b>23,559</b> +5.7%	<b>2,688</b> -8.7%	<b>4,013</b> -2.0%	<b>2,503</b> +8.9%	<b>609</b> +1.7%	<b>-3,237</b> -7.2%
<b>Op. result</b> vs. PY	<b>258</b> -26.1%	<b>104</b> -58.2%	<b>318</b> +23.7%	<b>97</b> +14.1%	<b>21</b> +10.5%	<b>-274</b> -97.1%
<b>EBITDA</b> vs. PY	<b>1,851</b> +11.0%	<b>196</b> -40.2%	<b>491</b> +30.2%	<b>214</b> +45.6%	<b>76</b> 31.0%	<b>507</b> +894.1%

Lufthansa

SWISS

Austrian

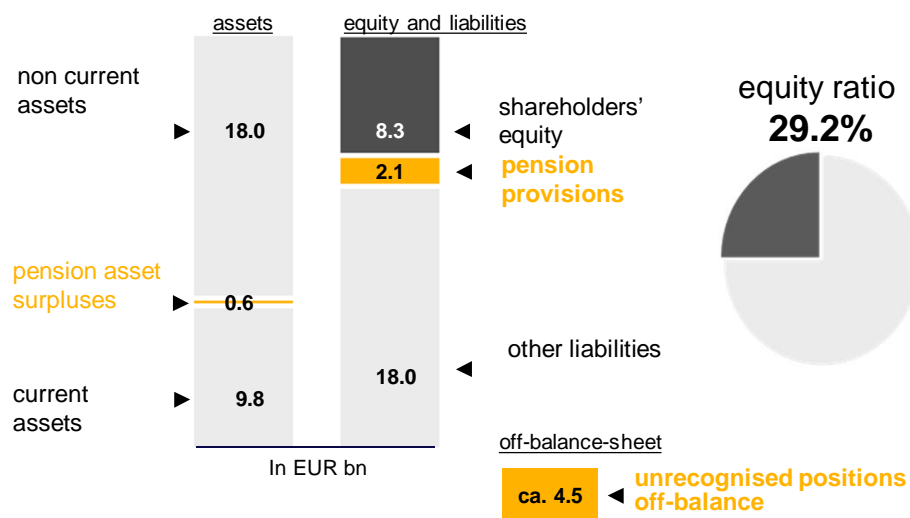


in m EUR	Lufthansa P. Airlines	SWISS	Austrian Airlines
<b>Revenue</b> vs. PY	<b>17,261</b> +5.4%	<b>4,220</b> +7.1%	<b>2,158</b> +5.4%
<b>Op. result</b> vs. PY	<b>-45</b> -	<b>191</b> -26.3%	<b>65</b> -
<b>EBITDA</b> vs. PY	<b>1,113</b> -0.7%	<b>507</b> +0.8%	<b>228</b> +113.1%

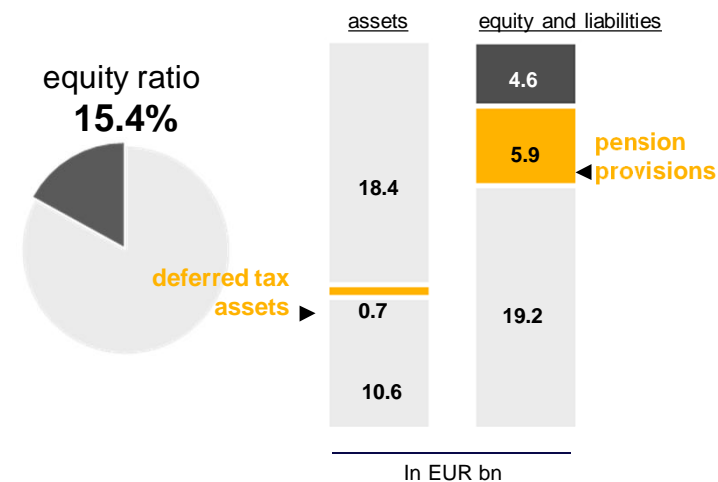
# As expected, IAS 19 resulted in a clear shift on the balance sheet

## Implementation of IAS 19

Balance sheet as of 31.12.2012 (prior to new accounting)



Balance sheet as of 31.3.2013 (based on new accounting)



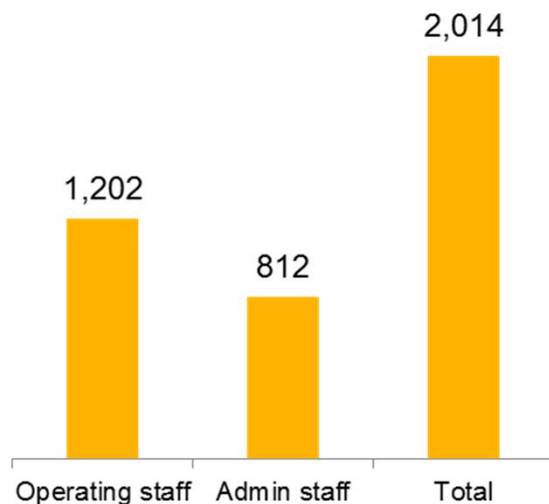
### Impact on balance sheet and p&l

- **Balance sheet:** Pension provisions in the balance sheet increase by approx. EUR 3.8bn; shareholders' equity reduces strongly.
- **Cash flow:** IAS 19 does not lead to higher annual pension fund allocations; financing plan remains unchanged.
- **P&L staff costs:** No amortisation of off-balance-sheet pension provisions; but offset in 2013 due to lower interest rates that cause increase service costs
- **P&L interest result:** Interest result declines as interest rate for pension assets lowered (from 5.2% to 3.5%) under IAS 19 new; At the same time, interest expense is also reduced as rates lowered due to general decline in market rates (4.5% to 3.5%).

# SCORE leads to one-off restructuring costs

## Overview of staff measures

### Provisions for >2,000 severances packages in FY 2012



**Restructuring costs  
FY2012: 160 m EUR**

### Further restructuring measures have recently been announced

#### ■ **GLOBE**

Group-wide pooling of HR, Procurement, Finance and Accounting  
~ 1.100 FTEs 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 and details 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 FTEs affected  
~ **30 m EUR** savings p.a. from 2015

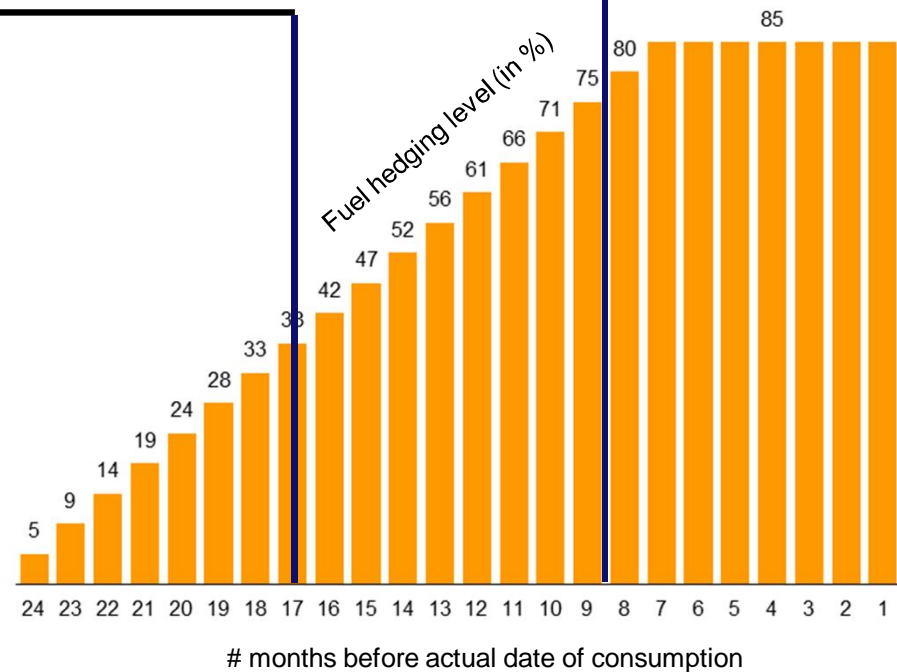
# Lufthansa's fuel hedging strategy

## Rolling approach to reduce volatility of costs

### Current hedging level status

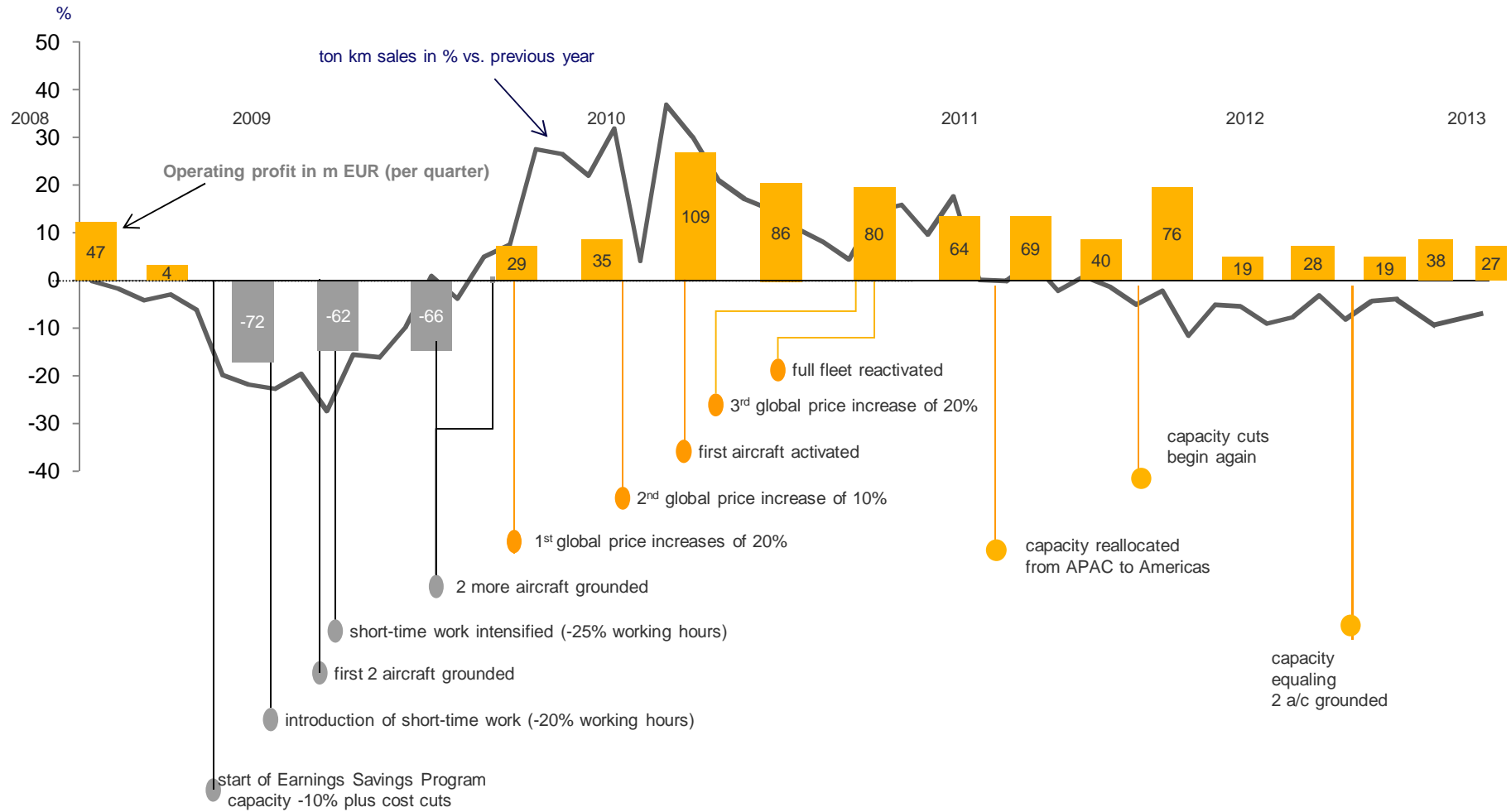
FY2013	76%
FY2014	38%

- Lufthansa's hedging strategy is designed to reduce volatility
- Rolling approach with 24 months lead time before actual consumption
- Hedging level is increased month-by-month until 85% is hedged
- Mainly options not fixed contracts to still benefit from falling oil prices



# High flexibility is the key in a volatile industry

Example: LH Cargo flexibly adapts to all market phases



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