SCORE Expert Session
Christoph Franz, Chairman of the Executive Board and CEO
Josef Bogdanski and Dr. Jörg Beissel, SCORE Program Managers
Frankfurt/Main and London, June 6th and 7th, 2013
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SCORE Expert Session
Organization and Agenda

➢ **Participants today**

Dr. Christoph Franz, Chairman of the Executive Board and CEO Deutsche Lufthansa Group
Josef Bogdanski, SCORE Program Manager
Dr. Jörg Beissel, SCORE Program Manager
Andreas Hagenbring, Head of Investor Relations

➢ **Agenda**

9.30    Introduction and framework Dr. Christoph Franz
10.00   Presentation Dr. Jörg Beissel and Josef Bogdanski
11.00   Q&A
11.30   Walk-around and possibility to discuss individual projects with further SCORE managers
12.30   End of Expert Session
Dr. Christoph Franz
– Chairman of the Executive Board and CEO –

on the background to SCORE and a view on Lufthansa Group 2015
Where we come from
Lufthansa Group 2011

- **Serious crisis and market turmoil just behind us**
  
  Financial crisis 2009, H1N1, volcanic ash

- **Structural change in the industry obvious**
  
  Low cost carriers, Middle Eastern carriers, etc.

- **External cost shock**
  
  Fuel, fees, etc.

- **Some acquisitions had just been completed – synergies had not yet been leveraged**
  
  Austrian Airlines, bmi, Brussels Airlines – M&A business plans overruled by adverse market environment

- **Other ventures had been launched**
  
  A number of loss-making entities were part of the group (Lufthansa Italia, Jade Cargo)

- **Profitability had been eroding**
  
  Long-term margin trend negative
Step by step towards a stronger Lufthansa Group
Evolution of change

**2011**
- Need for action realised
  - New Executive Board, strategy sessions with Supervisory Board
- Immediate measures taken
  - Invest / recruitment freeze, elimination of biggest loss makers

**2012**
- SCORE launched
  - Aims, measures & communications campaign
- Structures changed
  - Austrian / Tyrolean, Germanwings, GLOBE
- Sale of assets to support change
  - Fraport and Amadeus stakes sold / used to outfinance pensions

**2013/14**
- SCORE contributes
  - 2,500 ideas to date, contribution pipeline 2013-15 > 2.7bn EUR
- SCORE affects
  - Location closures in Cologne and Norderstedt
- SCORE enables
  - Investment in >100 new aircraft, product and further projects

**2015**
- Withstanding headwinds
  - Change, competition and political framework
- Demonstrating leadership
  - Innovation, new leadership culture
- Accomplishing targets
  - A strong Lufthansa Group

**Withstanding headwinds**
- Change, competition and political framework

**Demonstrating leadership**
- Innovation, new leadership culture

**Accomplishing targets**
- A strong Lufthansa Group
Where we are going
Lufthansa Group 2015

- **New level of profitability**
  2.3bn EUR operating profit in 2015

- **Protection from short term market developments**
  Sustainable result

- **Upgraded product and service offering**
  Premium product offerings in different market segments

- **Clear focus on two distinct business models**
  Intercontinental traffic from hubs and European point-to-point traffic

- **Able to shape the industry**
  Ability to actively develop Lufthansa Group and Group companies
SCORE is a comprehensive renovation program
Leveraging all options to optimize business and improve margins

SCORE
Change for Success

▲ Synergies
▲ Costs
▲ Organisation
▲ Revenue
▲ Execution
Execution sits with a dedicated team reporting directly to the CEO
Introduction of SCORE Program Managers

➢ Josef Bogdanski

Co-Project Manager SCORE Program
- Graduate of Duisburg University
- Joined Lufthansa in 1984
- Held various management positions in Sales
- Area Manager Southeastern Europe, Africa, Middle East/Pakistan
- Senior Vice President Sales Germany and Global Key Accounting
- "Future Berlin" project

➢ Dr. Jörg Beissel

Co-Project Manager SCORE Program
- Doctorate Bus. Administration at Frankfurt University
- Joined Lufthansa in 2002
- Director Corporate Controlling
- Responsible for CVA concept
- Led the office of CFO Stephan Gemkow
Dr. Jörg Beissel
– SCORE Program Management –

on status, organization and administration of the SCORE Program
SCORE touches every part of the Lufthansa Group
Financial SCORE targets per business unit

Profit improvement target per business unit in m EUR

- LHP & 4U: 920
- LX: 95
- OS: 140
- LCAG: 70
- LHT: 110
- LSY: 35
- LSG: 75
- APG: 15
- LFT: 10
- HQ: 30
- TTL: 1,500
SCORE is becoming a part of the Lufthansa Management DNA
Comprehensive organizational setup and management incentivization

➢ SCORE is part of compensation for all managers in the Lufthansa Group
➢ Executive Board cut their own compensation voluntarily by 5%
Staying up-to-date
The SCORE tracker as an effective management tool

Strategy
- Decisions on long-term development of Group & Business Units
- Portfolio, fleet & investment strategy
- SCORE: Define structural measures to reach the overall profitability target

Mid-term Planning & Budget
- Path for the upcoming three years to reach strategic goals
- Targets for each business unit on operating result
- Detailed budget on cost center level for the upcoming year
- SCORE: Consideration of existing measures to judge on achievability

Target for SCORE Measures
- Estimation of headwinds for the upcoming year based on budget
- SCORE measures targets to compensate headwinds and to reach targets for operating result

Steering & Reporting
- Ongoing monitoring of SCORE measures, headwinds and melt-down-effects
- Top-down definition of additional measure volume if necessary
- Set-up of additional measures
- SCORE: Monthly traffic light report for the top ten-measures
SCORE has delivered a gross contribution of 618m EUR in 2012.

Monthly Development of grades and SCORE contribution:

<table>
<thead>
<tr>
<th>Month</th>
<th>DI 5</th>
<th>DI 4</th>
<th>DI 3</th>
<th>DI 2</th>
<th>DI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul</td>
<td>563</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug</td>
<td>574</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sep</td>
<td>581</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oct</td>
<td>687</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov</td>
<td>682</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>618</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

DI = Degree of Implementation; in m EUR

280m EUR
... but progress has been overcompensated by headwinds
Bridge 2011 to 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating result</th>
<th>SCORE gross contribution</th>
<th>2012 One time effect Austrian</th>
<th>2012 One time effect bmi</th>
<th>2012 Net external headwinds</th>
<th>2012 Restructuring costs</th>
<th>2012 Project costs</th>
<th>2012 Operating result</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>820</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>618</td>
<td>115</td>
<td>33</td>
<td>902</td>
<td>160</td>
<td>0</td>
<td>524</td>
</tr>
</tbody>
</table>

in m EUR
2013 is developing as planned – pipeline is well filled
Monthly Development of grades and SCORE contribution

DI = Degree of Implementation; in m EUR
Current gross contribution pipeline adds up to 2.7bn EUR by 2015

SCORE pipeline 2012-2015

in m EUR

Projects in idea status
Projects in implementation
Projects concluded / P&L-effect

Target 2013: 740 m EUR gross contribution

Snapshot as of 30 April 2013
How to read the chart
Gross contribution, project status, headwinds

- **SCORE projects in the pipeline**
  - need to be a real improvement of result based on reference year
  - need to be sustainable (no one-offs) and measurable
  - contain no trading assumptions
  - no cost avoidance but real profit improvement

- **Project status (Degree of implementation, "DI")**

<table>
<thead>
<tr>
<th>Internal controlling</th>
<th>External communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idea generated</td>
<td>DI 1</td>
</tr>
<tr>
<td>Potential assessed</td>
<td>DI 2</td>
</tr>
<tr>
<td>Concept developed</td>
<td>DI 3</td>
</tr>
<tr>
<td>Measures implemented</td>
<td>DI 4</td>
</tr>
<tr>
<td>Profit gained</td>
<td>DI 5</td>
</tr>
<tr>
<td></td>
<td>Projects in idea status</td>
</tr>
<tr>
<td></td>
<td>Projects in implementation</td>
</tr>
<tr>
<td></td>
<td>Projects concluded / P&amp;L effects</td>
</tr>
</tbody>
</table>

- **Headwinds**

  contain fuel, wages, fees & charges, taxes, worsening of trading environment, yield decrease, emission trading, general cost inflation etc.
One-off effects will influence the operating result as well

Restructuring and project cost

- **Restructuring cost**
  - Provisions for or actual severance payments for redundancies
    - 2012: 160m EUR
    - 2013: "Similar to previous year"
    - 2014: Guidance to follow late 2013 / early 2014
    - 2015: Guidance to follow late 2014 / early 2015

- **Project cost**
  - One-off cost related to fleet roll-over and product enhancement (exceeding normalized mid-cycle level)
    - 2012: 0 EUR
    - 2013: "No cost yet; low three digit million Euro amount to occur in Q4"
    - 2014: "Mid three digit million Euro amount"
    - 2015: "Major relieve from extraordinary high project cost 2014"
Josef Bogdanski
– SCORE Program Management –

on examplatory projects and implementing change
Shaping the future with SCORE
The project pipeline is well filled, implementation is key

Results improvement

<table>
<thead>
<tr>
<th>Year</th>
<th>Score (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>0.8</td>
</tr>
<tr>
<td>2015</td>
<td>2.3</td>
</tr>
</tbody>
</table>

1.5bn € results improvement until 2015

Significant idea generation activity

- **2,500 ideas** generated within the first year of SCORE
- **Top-20 projects** in total worth more than 1bn EUR
- **618m EUR result contribution** in 2012

Major SCORE projects in the business units

- **LH**
  - New Germanwings
  - Efficient ground/admin processes
  - Raising profitability on long haul
- **LCAG**
  - Push of special products (e.g. cool.td)
  - New warehouse handling contracts in Japan
- **LX**
  - New business model for Geneva
  - Insourcing Line Maintenance
  - Ancillary Revenues
- **LHT**
  - Optimization of administration
  - Cost reduction engine overhaul
- **LSY**
  - Transfer of business to Tyrolean
  - Cost reduction Vienna airport
  - New catering concept
- **OS**
  - Launch of Board Connect
  - Expansion of hospitality systems (e.g. on cruise ships)
- **HQ**
  - Extension of Shared Services
  - Shut down LH HQ in CGN and LRS by 2017
- **LSG**
  - Restructuring Germany and North America
  - Focus on new markets (e.g. catering on trains)
SCORE is about implementation
A typical project approach

- Analysis of impact on results improvement areas (DI1)
- Pre-study (1-3 months) in close cooperation with business units, if necessary: Board decision for set-up of project organisation
- Project set-up (e.g. staffing) (DI2)
- Concept development
- Decision on project results and guidance for implementation (DI3)
- Implementation (DI4)
- Profit contribution (DI5)
- Monitoring for 12 months before project is fully implemented in line organisation

Steering via SCORE Tracker
We aim to improve every part of our Group Projects on three different levels

1. **Projects in the companies**
   - Germanwings
   - Austrian
   - [SWISS]
   - LSG Sky Chefs
   - Lufthansa Technik
   - Restructuring Administration
   - Headquarter/ Central functions

2. **Group-wide airlines projects**
   - Neighbourhood traffic
   - Fuel Efficiency
   - Harmonization fleet and cabin
   - Flight Training
   - International stations

3. **Group-wide projects**
   - Staff costs
   - Procurement
   - Call Center airline.com

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Example 1: New Germanwings
200m EUR gross contribution by transferring non-hub services to LCC

- The new Germanwings combines economic flying with high quality and attractive prices
- Price model: Three economy fares: Basic/budget; Smart/standard; Best/comfort; bookable in all distribution channels
- Full network: Germanwings flies to primary airports; simple and standardized processes
- 20% lower unit cost lead to best price/performance ratio
  - Lower costs for passenger handling
  - Lower staff costs for cockpit and cabin crew from 2014
  - Less administration costs
  - Lower MRO costs
  - Higher seat load factor
  - … please see appendix for details
- Stuttgart already served by Germanwings
- Berlin and Hamburg to follow with start of winter flight plan 2013
Example 1: New Germanwings
Germanwings will become increasingly important for Lufthansa Passage.

**LUFTHANSA PASSAGE AIRLINE**

- **Revenue**: ~17bn EUR  
  - Purchase of ~280 short-haul aircraft

- **Passengers**: ~70m  
  - Revenues ca. 10% increase

**NEW GERMANWINGS**

- **Revenue**: ~1.8bn EUR  
  - Purchase of 90 short-haul aircraft

- **Passengers**: ~16m  
  - Revenues ca. 20% increase
Example 2: Streamlining of administrative functions
Focus on efficient processes, synergies and reduction of cost

Examples:

- **Headquarter**
  - Reduction of personnel cost and cost of material
  - Sustainable cost reductions on corporate level or for business units (e.g. corporate legal)
  - ~ 18.7m EUR cumulative savings until 2015

- **Shape!**
  - Streamlining, simplification and flexibilization of processes at Lufthansa Passenger Airlines
  - ~ 220 measures
  - ~ 180m EUR savings p.a. from 2015

- **NETwork**
  - More than 200 projects in order to restructure administrative functions at Lufthansa Technik
  - ~ 650 FTE affected
  - ~ 30m EUR savings p.a. from 2015

- Overall staff costs will be reduced by 500m EUR
- FY2012: 160m EUR restructuring costs
**Example 2: Streamlining of administrative functions**

SCORE leads to changes in the headquarter

**Corporate functions**

- **Cost reduction**
  - Reduction of personnel cost and cost of material
  - 18.7 m EUR

- **Projects of the corporate functions**
  - Sustainable cost reductions on corporate level or for business units
  - 4.8 m EUR

- **Corporate projects**
  - E.g., optimising corporate legal structures and reduction of external spend for legal services
  - 5.9 m EUR

**GLOBE**

- Business Process outsourcing – near and offshore

**Profit impact corporate functions in € Mio.**

- **SCORE target corporate functions until 2015** 30,0
- **Identified measures** 34,9

*Note: not accounting headwinds; share of results between group functions and business units*
**Example 3: Optimization of neighborhood traffic**

30m EUR contribution from coordinated planning and steering

### Optimisation neighborhood traffic

- **Cost reduction:** Reduction of frequencies in close cooperation through joint optimization
- **Increased network revenues through bid-price exchange (PEAK) on relevant routes**
- **Excellent recapture rate**
- **Successful implementation:** forecast 30m EUR result contribution

### Testcase for "Single Steering" – ongoing

- **LH/OS:** “Coordinated double steering-double operating”
  - Information exchange of steering parameters
  - First result: Increased revenues and yields
  - Results to be used for transition to Germanwings operation
- **OS:** "Single steering-double operating"
  - Steering for both OS and LH flights by OS
  - max. result potential, clear responsibilities
  - First results: increased revenues and yields
  - Expansion to more routes / more detailed and coordinated steering under evaluation
Example 4: Driving fuel efficiency
90m EUR from consistent fuel efficiency measures throughout the Group

Gross savings in m EUR

<table>
<thead>
<tr>
<th>Additional potential to be evaluated</th>
<th>New projects between airlines not in SCORE Tracker yet</th>
<th>New projects between airlines</th>
<th>Existing SCORE projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>94.2</td>
<td>9.2</td>
<td>12.7</td>
<td>72.3</td>
</tr>
</tbody>
</table>

Three-Step-Approach

1. Exchange of fuel efficiency projects
   - Cross-Airline transfer potentials
   - Implementation by each airline
   - 340 projects analysed
   - 190 yet to be assessed

2. Start of new projects
   - Identify initiatives for LH Group to save on fuel-consumption
   - 6 projects initiated and currently being implemented

3. Organisation within LH Group
   - Standards – Communication – Structure
   - Consistent KPI System
   - New unit within LHP with auditing responsibility of LH Group and dotted line to CFO

1 Based on fuel price 663.80 EUR/t.
Example 5: Streamlining of administrative functions

GLOBE: Implementation of Global Business Services (LGBS)

**GLOBE transformation project adopted**

- GLOBE aims to pool all the Group’s HR, Purchasing, Finance and Revenue Accounting processes in GBS
- Administration is put on a viable footing and costs are reduced sustainably
- Cumulative cost savings from 2013 to 2018 of ~200m EUR and of 75m EUR p.a. from 2019

**Next steps**

- First migration of SWISS finance processes to Krakow as of May 2013
- GLOBE has established new business unit Lufthansa Global Business Services (LGBS)
- Initial negotiations with works councils in Germany in progress

**Planned consequences for offices in the context of GLOBE**

- Closure of head office in Cologne with some 365 jobs is planned by late 2017
- Closure of LRS office in Norderstedt with some 350 jobs is planned by late 2017
Example 6: Procurement upgrade
SCORE contribution of external suppliers of at least 500 m EUR

<table>
<thead>
<tr>
<th>Structure</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set-up of nine &quot;branch councils&quot; to evaluate and implement business unit overlapping procurement measures</td>
<td>Joint negotiations of cargo warehouse handling contracts LH/LX: 16.7m EUR</td>
</tr>
<tr>
<td>Improved processes between departments and procurement</td>
<td>New base maintenance contract for Avro fleet: 9.0m EUR</td>
</tr>
<tr>
<td>Introduction of corporate- and lead buy models for commodity groups with synergy potential</td>
<td>Rate reduction for crew hotels: 8.7m EUR</td>
</tr>
<tr>
<td></td>
<td>Reduced leasing rates for LX A343: 7.6m EUR</td>
</tr>
</tbody>
</table>

**Target:** SCORE contribution of external suppliers of at least 500m EUR
A change program is more than just projects and numbers
Comprehensive internal communication drives mentality change

<table>
<thead>
<tr>
<th>New formats introduced</th>
<th>Existing formats intensified</th>
</tr>
</thead>
</table>
| **Executive Board in dialogue**
  Over 50 events at 35 stations by the end of 2014 | **Greater presence in corporate newspaper**
  Three pages of SCORE per weekly issue to boost internal and external awareness |
| ‘Ask Christoph Franz’
  Questions from staff via a blog and monthly video interview with the CEO | **Executive Board involvement in existing platforms for operational staff**, e.g.
  Klartext, Dialog Cockpit, Pilotsmeeting, etc. |
| **SCORE slide of the month**
  Conveying standardised messages and presentations | **mySCORE / Catalyst for ideas management**
  Include employees in brainstorming process, ~1,500 ideas received |
| **Web conference**
  Online dialogue between a member of the Executive Board and global management |
Summary
Facts & figures

- SCORE had been planned since 2011 and was initiated in 2012

- Every part of Lufthansa Group contributes to SCORE

- There are currently more than 2,500 projects in the pipeline with an aggregate value of 2.7bn EUR

- Additional project ideas will be used to overcompensate additional headwinds and "melt down effects"

- For 2013 we are planning with a gross contribution of 740m EUR and currently have a pipeline of 954m EUR

- While the gross contribution pipeline is evenly spread, one-off restructuring cost and well predictable project cost will make the development of the operating profit look back-end loaded

- Finally, the Lufthansa Group will emerge as a stronger company from SCORE – financially, operationally and culturally
We change

2.3bn EUR operating profit in 2015

Lufthansa Group, Lufthansa Passage, SWISS, Austrian Airlines, Brussels Airlines
Lufthansa Cargo, Lufthansa Technik, Lufthansa Systems, LSG Sky Chefs
Lufthansa Flight Training, AirPlus

SCORE
Change for Success

Lufthansa Group
Lufthansa Investor Relations contact

**Deutsche Lufthansa AG**  
Investor Relations / FRA IR  
Lufthansa Aviation Center  
Airportring  
D-60546 Frankfurt  

Phone: +49 (0) 69 696 28010  
Fax: +49 (0) 69 696 90990  
E-mail: investor.relations@dlh.de

**Andreas Hagenbring**  
Vice President Investor Relations  
Phone: +49 (0) 69 696 28000

Visit our webpage: lufthansagroup.com/investor-relations
Appendix
– Further details on individual projects –

Posters shown to Expert Session attendants
**Target**

- Consolidate existing structures of European point-to-point traffic – "best of both worlds"
- Generate sustainable profitability
- Secure market position

**Impact**

- Positive onboard-result until 2015
- Approx. 200m EUR impact

**Time-line**

![Timeline Image](image)

**Project Approach**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Target 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers [m]</td>
<td>More capacity and higher load factor; LH: pricing/sales; 4U: GDS Pax</td>
<td>+15%</td>
</tr>
<tr>
<td>Yield</td>
<td>Increase of other revenues and flight distance; but more capacity</td>
<td>-0%</td>
</tr>
<tr>
<td>Airport Taxes [per pax]</td>
<td>Larger aircraft, unit cost reduction</td>
<td>-5%</td>
</tr>
<tr>
<td>Others [per pax]</td>
<td>E.g. reduction of fixed cost due to more passengers</td>
<td>-10%</td>
</tr>
<tr>
<td>Maintenance [per flight hour]</td>
<td>Phase-out B737, economies of scale, 4U maintenance costs (young fleet)</td>
<td>-15%</td>
</tr>
<tr>
<td>LH-Station Costs [per pax]</td>
<td>Less complexity, procurement of passenger handling at market prices</td>
<td>&gt;-30%</td>
</tr>
<tr>
<td>LH Cockpit Crew [per block hour]</td>
<td>From 2014, Cockpit cost on 4U level</td>
<td>-15%</td>
</tr>
<tr>
<td>Cabin Crew [per block hour]</td>
<td>Cabin costs on 4U level after transfer of aircraft</td>
<td>-30%</td>
</tr>
<tr>
<td>Indirect costs [per ASK]</td>
<td>Reduced overhead due to bundling at one location</td>
<td>-20%</td>
</tr>
</tbody>
</table>

**SCORE**

Change for Success
**SPRINT – Increase profitability of long-haul traffic**

- **Target**
  - Increase profitability of long-haul traffic

- **Impact**
  - Approx. 200m EUR impact until 2015

- **Time-line**
  - Depending on individual project
  - Finalize 2015

- **Project Approach**
  - Tackle major cost positions of long-haul traffic e.g.
    - Fuel
    - Crew (Cockpit/Cabin)
    - Maintenance
    - Fleet
  - Sub-projects to improve manageability

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**Top Projects**

<table>
<thead>
<tr>
<th>Project</th>
<th>Impact m EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-class fleet</td>
<td>&gt; 50</td>
</tr>
<tr>
<td>Structural change in seasonal flight plan</td>
<td>&gt; 10</td>
</tr>
<tr>
<td>Flight ops analyzer</td>
<td>&gt; 10</td>
</tr>
<tr>
<td>Incentive initiative interkont</td>
<td>&gt; 5</td>
</tr>
<tr>
<td>&quot;iRES&quot; (reduction of technical ground times)</td>
<td>&gt; 5</td>
</tr>
<tr>
<td>Reduction of minimum ground time</td>
<td>&gt; 5</td>
</tr>
<tr>
<td>Cabin layout (higher economy share)</td>
<td>tbd</td>
</tr>
<tr>
<td>33 additional measures</td>
<td>&gt; 100</td>
</tr>
</tbody>
</table>

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**Business Units**

- Fuel
- Cockpit
- Cabin
- Infrastructure
- Ground handling
- Bord Product
- Fleet planning
- Cabin Layout
- Flight planning
- Maintenance

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**SCORE**

Change for Success
Common Economy
Check-In

Target
• Evaluation of a common and group wide economy check-in setup
• Develop an implementation plan
• Enable "all time & all class bag drop system"

Impact
• Approx. low single digit million euro impact
• Effect results mainly from SWISS-integration

Timeline
• Developing detailed concept until end of 2013
• Start of implementation Q3/2014

Business Units
- Swiss
- Lufthansa
- Austrian
- Brussels Airlines

Project Approach
• Evaluation of aligning handling set-ups currently running
• Verifying possible bridging solution to start before implementing new LH platform
• Testing of existing technical options

Next Steps
• Testing of IT-solutions
• Start testcase – check toggling capability between different existing LH group systems in airport environment
### Home Market Principle

**Target**
- Phase 1: Handover complete station setup to respective home carrier
- Phase 2: Align all handling contracts with home carrier
- Phase 3: Define a group wide aircraft ground handling setup (long-term)

**Impact**
- Approx. low single digit million euro impact

**Timeline**
- Phase 1: Implemented (except Belgium)
- Phase 2: Until Q1/2014
- Phase 3: Start Q2/2014

**Business Units**
- SWISS
- Lufthansa
- Austrian
- Brussels Airlines

**Project Approach**
- Developing a blueprint
- Handover all functions to home carrier
- Integrate in home carriers structures and processes
- Merge / integrate bilateral handling agreements
- Define aligned ground processes

### Next Steps

<table>
<thead>
<tr>
<th>Phase</th>
<th>AT</th>
<th>BE</th>
<th>CH</th>
<th>DE</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Integration into home carrier setup as far as possible</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>0,9 mio €</td>
</tr>
<tr>
<td>II</td>
<td>Optimization (e.g. contracting, final reduction of any dedication)</td>
<td>✔</td>
<td>✔</td>
<td>-</td>
<td>Q2/2013</td>
</tr>
<tr>
<td></td>
<td>Austrian</td>
<td>✔</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Brussels Airlines</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>III</td>
<td>Alignement A/C Ground Handling</td>
<td>Group-wide aircraft ground handling setup should be defined and implemented</td>
<td>-</td>
<td>-</td>
<td>Q2/2014</td>
</tr>
</tbody>
</table>
## Remote Ticketing

### Target
- Change current Airport Ticketing Process towards a remote solution
- Alignment within Lufthansa Group
- Optimization of customer services

### Impact
- Approx. high single digit million impact

### Timeline
- Implementation 2015ff

### Business Units
- SWISS
- Lufthansa
- Austrian
- Brussels Airlines

### Project Approach
- Review today's "Airport Ticket Office" processes
- Verify customer needs per segment, e.g. business traveler etc.
- Define high-level product concept
- Calculate business case
- Establish implementation plan

### Next Steps
- Cluster processes by customer segments and define processes for various operational cases, e.g. flight irregularity etc.
- Approve high-level product concept
- Capture and evaluate requirements, e.g. IT
- Calculate business case for potential scenario
# Review Functions / Vertical Integration

## Target
- Review today's station setup
- Focus on Station Management and Duty Management where possible
- Check all other functions for reduction or outsourcing

## Impact
- Up to low double digit million euro impact
- Depending on degree of reduction versus outsourcing

## Timeline
- Implementation start Q3/2013 for identified potentials
- Identify further potentials until end 2013

## Business Units
- SWISS
- Lufthansa
- Austrian
- Brussels Airlines

## Project Approach
- Outsource all passenger handling activities
- Reduce operational leadership levels at station where ever possible
- Adapt job descriptions towards more operational focus
- Group alignment of operational surveillance
- Elaborate new commercial model

## Next Steps
- Start implementation for all identified potentials
- Start top-down review process for further potentials, challenge not yet aligned set-ups
- Review supplier management approach
- Align station management administration function
- Define and implement new commercial model
**Harmonization of Cabin interior**

**Target**
- Synergies by development of a common cabin interior specification
- Reducing total cost of ownership

**Impact**
- 60–85m EUR for new aircraft campaigns (approx. 10m EUR p.a. based on typical product life cycle)
- To be expected from 2019 onwards
- Impact mostly generated on widebody (long-haul) aircrafts

**Timeline**
- Project: July 2012 – January 2013

**Business Units**
- Lufthansa, Swiss, Austrian, Germanwings, Brussels, Lufthansa Technik

**Project Approach**
- Definition of a joint basic specification: Seats, inflight entertainment and galleys in major focus
- Based on a platform concept, e.g. joint short-haul seat with individual headrest cover
- Ultimate goal is maximum of harmonization – group-wide challenging of add-on features
- Brand features (e.g. seatbelt color, signage) will remain individual
- Focus is on joint development of future products – no retrofit of existing products
- Joint purchasing

**Status / next Steps**
- Project formally finalized
- New board for Cabin Interior has been established
- Board is responsible to keep the defined group standard
- Current projects are already being discussed, savings identified
- Long- and short-haul campaigns 2013 already partly included
## Harmonization of Aircraft specifications

### Target
- Synergies by development of a common aircraft specification
- Reducing total cost of ownership

### Impact
- For new aircraft campaigns 1–3m USD per aircraft savings potential estimated
- To be expected from 2016 onwards

### Timeline
- Phase 1: Sep – Dec 2012
- Phase 2: Jan – Jul 2013

### Business Units
- Lufthansa, Swiss, Austrian, Germanwings, Brussels, Lufthansa Technik

### Project Approach

#### Phase 1:
- Definition of a joint basic specification via "Group Specification Board"
- Based on a platform concept, e.g. joint cockpit specification with individual requirements (authorities)
- Ultimate goal is maximum of harmonization – group-wide challenging of add-on features
- Focus is on joint development of future aircraft campaigns (2013 campaigns)

#### Phase 2:
- Definition of a joint modification policy to maintain common specification throughout the aircraft lifecycle

### Status / next Steps

#### Phase 1:
- New "Group Specification Board" has been established
- Current projects are already discussed regularly, e.g. new long-haul campaign

#### Phase 2:
- Different setups in evaluation - major obstacles are complexity and feasibility throughout the group
Neighbourhood traffic

Target
- Optimization of LH group offer on neighbourhood traffic routes
- Focus on routes with 2 operators

Impact
- 30m EUR p.a. starting in 2012
- Monitoring shows results as planned

Timeline
- Project: Feb – Apr 12
- Implementation: Summer & Winter schedule 2012 /13

Business Units
- Lufthansa, Swiss, Austrian, Brussels

Project Approach
- Definition of an optimized schedule within LH group:
  - VIE-BRU       • VIE-HAM
  - DUS-ZRH      • HAM-ZRH
  - FRA-ZRH    • FRA-VIE
  - MUC-ZRH    • MUC-VIE
  - DUS-VIE  • CGN-VIE

- Evaluation of different capacity steering mechanisms:
  - single steering vs. double steering
  - 2 test case routes between Austrian and Lufthansa

Status / next Steps
- Successfully implemented – savings as planned (forecast 30m EUR)
- Increased network revenues via booking system optimization (exchange of flight availability data)
- High recapture rates on remaining flights
- Joint steering effects are currently analyzed – first figures show positive results (increased revenues, more market power).
- Group-wide joint steering on neighborhood routes under evaluation.
Fuel Efficiency

**Target**
- Identify measures to save fuel with an annual impact of 100m EUR
- Realize the group wide potentials
- Establish sustainable structures on individual Airline and on Group Level
- Facilitate Exchange within Lufthansa Group

**Impact**
- 100m EUR

**Timeline**
- Project Kick off August 2012
- Project closing March 2013
- Line organization July 2013

**Business Units**
- Lufthansa Passage, SWISS, Austrian, Brussels Airlines
- LH Technik, LH Cargo
- Lufthansa Systems

**Project Approach**

1. Exchange of fuel efficiency projects
   - “Share success stories and don’t make same mistakes which others already made”
   - Creation of one group-wide list of projects and evaluation regarding implementation in single airlines

2. Start of new projects
   - “Coordinated evaluation of fields of potential”
   - Six projects being set-up – analysis of potential and coordination of approach in workshops

3. Standards - communication - organization
   - Establishment of standards
     - Consistent KPI utilization, analysis
     - Standardized analysis of flight data
   - Evaluation of organizational structures and resource situation
     - Central and airline units

**Next Steps**
- Organizational setup to be established from July 2013
- Lufthansa Group Fuel Efficiency Audit October 2013
# Call / Service Center Optimization

## Target
- Reoccurring cost reductions within the call center environment

## Impact
- Short term 3m EUR (existing processes)
- + Mid term 7m EUR (structural changes)
- + Long term 10m EUR (new IT systems and concepts to avoid calls)

## Timeline
- Project Kick off Feb 2013
- Project End Aug/Sept. 2013

## Business Units
- LHP; LX; OS; SN (primary focus)
- GTS / ATS (Call Center subs.)

## Project Approach

### Project streams

<table>
<thead>
<tr>
<th>Project streams</th>
<th>Targets</th>
<th>Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Short-term adaptations</td>
<td>Adaptation of services (SLAs, opening hours, languages)</td>
<td>~3 M€</td>
</tr>
<tr>
<td></td>
<td>Optimization of processes regarding costs and quality (rebooking/interfaces)</td>
<td></td>
</tr>
<tr>
<td>2 Structural optimization</td>
<td>Identification of right model in-house vs. outsourcing regarding cost and quality</td>
<td>~7 M€</td>
</tr>
<tr>
<td></td>
<td>Identification of optimal location portfolio regarding cost and quality</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Joint sourcing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organizational design, location, economics and steering of internal and external service providers</td>
<td></td>
</tr>
<tr>
<td>3 Evaluation of harmonized group set-up</td>
<td>Standardization and streamlining of processes</td>
<td>&gt;10 M€ (long-term potential)</td>
</tr>
<tr>
<td></td>
<td>Joint IT solution (sales front-end GUI, telephone system)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bundling of resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Call avoidance through shifting of services to online and social channels</td>
<td></td>
</tr>
</tbody>
</table>

## Next Steps
- Review Board Mid June 2013
- Project End Aug/Sept 2013
**Airline.com**

**Target**
- Common website for the LH Group Airlines, reflecting the different brands and products
- Compile a business case to realize a common LH Group website

**Impact**
- > 8m EUR cost reduction by reducing operational costs (~2016)
- Offering the LH Group product portfolio via all websites of the group (to be evaluated)
- Offering a consistent service portfolio via all group websites (to be evaluated)
- Synergies in developing new functionalities (to be evaluated)

**Timeline**
- Pre Study starts June 2013
- Pre Study ends November 2013

**Business Units**
- Lufthansa Passage, SWISS, Austrian Airlines, Brussels Airlines, Lufthansa Systems

**Project Approach**

- I. Optimization of individual LH Group airlines
  - Lufthansa
  - Austrian
  - SWISS
  - Pre-study new.com

- II. Evaluation of joint group set-up
  - Lufthansa
  - SWISS
  - Austrian
  - Brussels Air
  - Close coordination
  - Evaluation of target design for LH group airlines
    - One joint platform, or
    - Four individual systems, but collaboration in modules

**Next Steps**
- Kick off meeting June 2013
**Procurement**

**Target**
- Realize synergy potentials through joint sourcing
- Identify and implement optimal procurement model per commodity group
- Strengthen procurement function and procurement network within LH group

**Impact**
- SCORE contribution of external suppliers of at least 500m EUR

**Timeline**
- Finalize implementation of optimal procurement models until December 2013
- All business units

**Optimization of structure:**
- Improve processes between departments and procurement ("advanced procurement")
- Set-up of nine "branch councils" to evaluate and implement business unit overlapping procurement measures
- Evaluation of synergy potentials and identification of optimal procurement model per commodity group
- Introduction of corporate and lead buy models for commodity groups with significant synergy potential

**Target breakdown and focus on measure implementation:**
- Break down of overall procurement target per business unit and commodity group
- Inclusion of target matrix in incentive agreements of all CFOs and CPOs
- Regular status review of top procurement measures to safeguard target achievement

**Next Steps**
- RfP to outsource procurement of indirect material (June 2013)
- Implement lead buy model for maintenance material and services (Q3 2013)
- Implement lead buy model for catering logistics (Q3 2013)
- Implement corporate buy for real estate (Q3 2013)
- Implement lead buy model for procurement of cabin interior (Q4 2013)
- Implement corporate buy for fees and charges (Q1 2014)

**Project Approach**
## Cargo Synergies

### Target
- Identify and realize cost synergies between Lufthansa Cargo and Swiss World Cargo
- Identify and implement internal best practices regarding commercial steering

### Impact
- **Production**: Procurement of warehouse handling services, joint pooling of loading devices, road feeder services: **16 M€**
- **Sales**: Optimization of commercial steering, joint local sales: **under evaluation**

### Timeline
- Phase I: "Production synergies" concluded in May 2013
- Phase II: "Sales synergies" from June to December 2013

### Business Units
- Lufthansa Cargo
- Swiss World Cargo

### Project Approach
- **Phase I**:
  - Benchmarking of warehouse handling cost per station
  - Implementation of regional lead buyer concept
  - Realization of identified potentials through joint tender and target costing
  - Merge of existing individual loading device pools
  - Establish joint steering and ordering of road feeder services

- **Phase II**:
  - Benchmarking of all in yields per tradelane and sales unit cost per station
  - Identification and implementation of best practices, e.g. steering KPI for belly capacities
  - Increase of all in yields and profit contribution per flight through intensified cooperation of sales steering units
  - Analysis of preconditions for joint sales (Staff allocation, IT systems, etc.) and conducting test cases in local markets

### Next Steps
- Monitor realization of identified production synergies
- Commence phase II