Analysts and Investors conference call

Q2 2013 results

15 August 2013

Management summary

Key highlights in Q2 2013

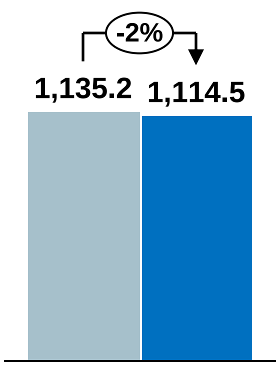
- EBIT improved compared to previous year's quarter and overperformed versus consensus
- Net loss has been reduced by two thirds
- Topline development good:
  - Capacity is down by 8% (seats) and 6% (ASK)
  - Load factor up +4%pts.
  - Revenue per ASK improved by nearly 5%
- Turbine will be delivered – 80% are already secured for full year 2013
- The company confirms expectations for the full year 2013, however reaching the targets is more challenging

2nd quarter financial performance [€m]

Q2/12 Q2/13 actual

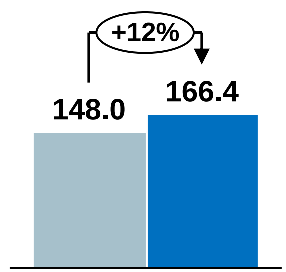
Revenue

Total revenue nearly on previous year's level, despite less ASK → indication for better topline quality



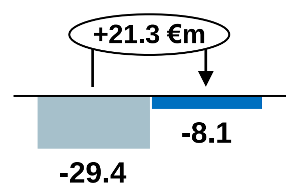
EBITDAR

EBITDAR improved by 12%



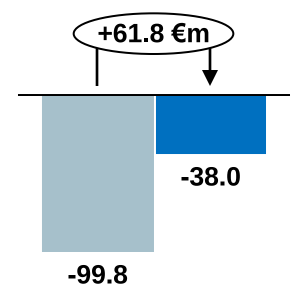
EBIT

EBIT is in line with EBITDAR development

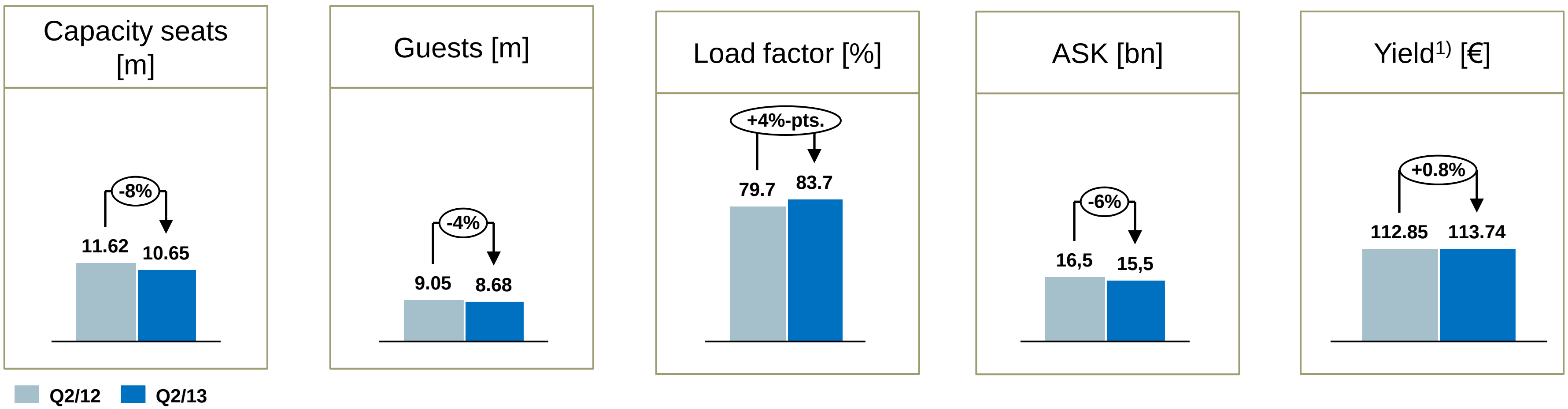


Net result

Net result improved clearly due to better operating and financial result



2nd quarter operational development



Comments

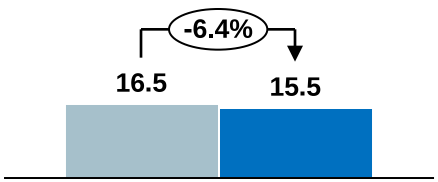
- Following the streamlining of the network, capacity is down by 8% compared to last year’s quarter
- Versus that the number of guests declined by 4% compared to last year’s quarter
- ASK reduced by 6% compared to last year`s quarter
- Hence, load factor increased by 4%-age points compared to last year’s quarter
- Yield slightly increased by 0.8% compared to last year’s quarter

1) Yield based on IFRS flight revenue including a/p tax revenue

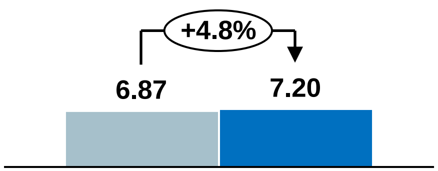
2nd quarter revenue and cost per ASK development

Q2/12 Q2/13

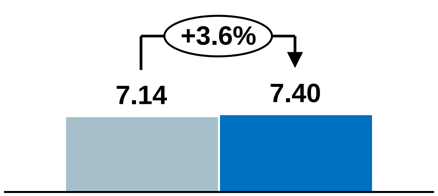
ASK [bn]



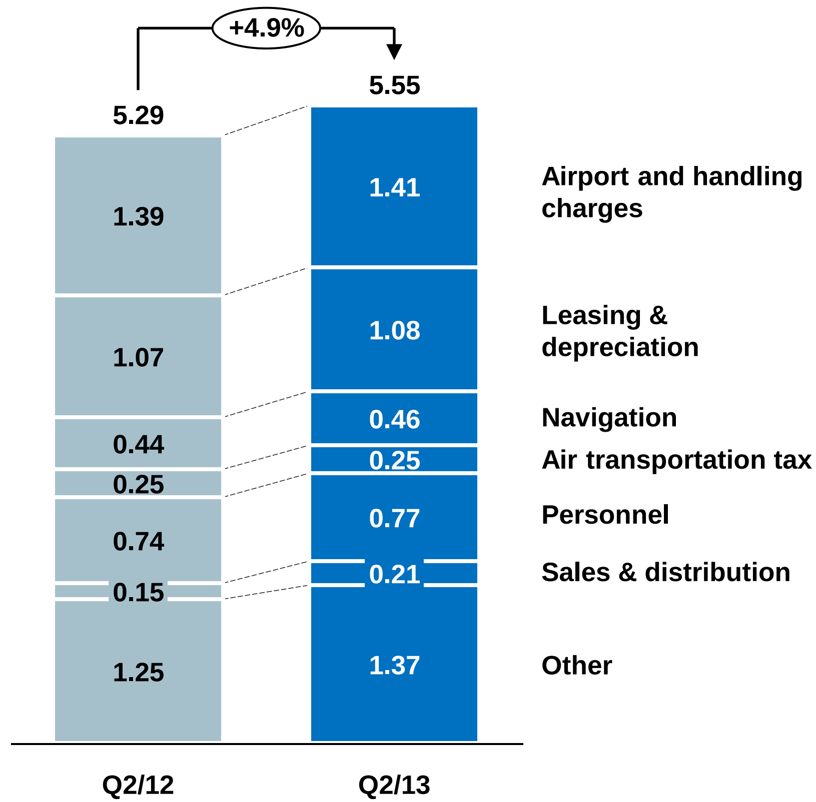
Q2 revenue[1] per ASK [€c]



Q2 cost[2] per ASK incl. fuel [€c]



Q2 cost [2] per ASK excl. fuel [€ct]



1) Total revenue excl. other operating result 2) Cost on EBIT level excluding lease outs, EUR 10m turnaround charges and other operating result

Development of expenses – Turbine effects will come through in the third quarter of 2013

	Q2 2012	Q2 2013	Δ Q2/13 vs Q2/12	
	€ ['000]	€ ['000]	€ ['000]	[%]
Expenses for materials and services	**720,409**	**695,069**	**-25,340**	**-3.5%**
Fuel	305,651	286,211	-19,440	-6.4%
A/P and handling charges	229,302	218,319	-10,983	-4.8%
Navigation	72,461	71,725	-736	-1.0%
Air transportation tax	40,547	37,921	-2,626	-6.5%
Catering costs	34,627	34,314	-313	-0.9%
Other	37,821	46,579	8,758	23.2%
Personnel expenses	**123,105**	**118,546**	**-4,559**	**-3.7%**
Other operation expenses	**158,870**	**173,664**	**14,794**	**9.3%**
Technical cost	59,582	60,402	820	1.4%
Sales & distribution (incl. commissions)	24,166	32,963	8,797	36.4%
IT related expenses	5,407	4,450	-957	-17.7%
Advertising	14,711	11,610	-3,101	-21.1%
Insurance	3,759	4,522	763	20.3%
Other	51,245	59,717	8,472	16.5%
TOTAL OPERATING EXPENSES	**1,002,384**	**987,279**	**-15,105**	**-1.5%**
Cost of aircraft ownership	**177,433**	**174,478**	**-2,955**	**-1.7%**

- DOCs declined in line with capacity reduction
- Handling charges also in line with capacity reduction, however, airport charges increased due to charge increases in Spain
- Catering cost increased structurally due to more long-haul passengers

- In line with Turbine initiatives

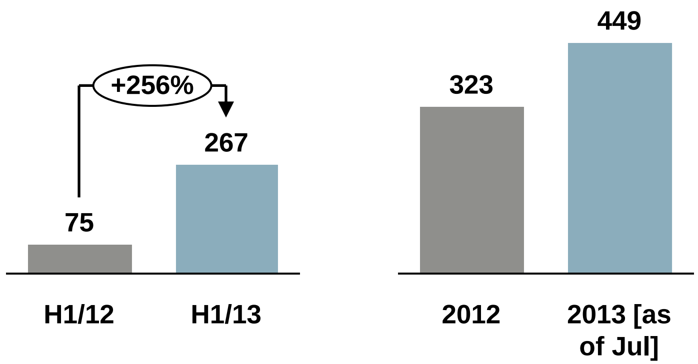
- Sales & distribution cost are the main cost driver; this is due to the implementation of new booking systems and distribution channel inventory
- Major cost driver in “other” are the turnaround charges which amount to EUR 10m in the second quarter of 2013
- Compensation payments due to passenger claims and court verdicts interpreting EU regulations also have a negative impact on others

- Depreciation grew due to a reclassification of four former held for sale aircraft
- Stronger US dollar for lease expenses

Strategic partnership with Etihad Airways and codeshare performance with oneworld® are well on track

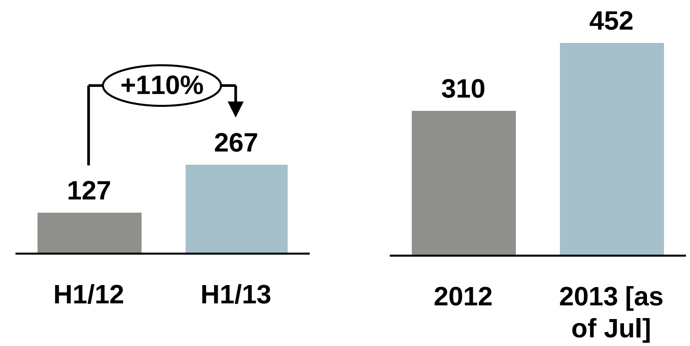
Development of codeshare bookings by alliance [guests in thds.]

Common codeshare bookings with Etihad Airways



- During first half bookings have been nearly quadrupled compared to last year's period
- Constant codeshare expansion supported by strong commercial cooperation
- Comprehensive partnership approach
- Partnership with "equity alliance" members grows: Codeshare with Virgin Australia and Air Serbia announced on July 15th and 17th

Common codeshare bookings with oneworld



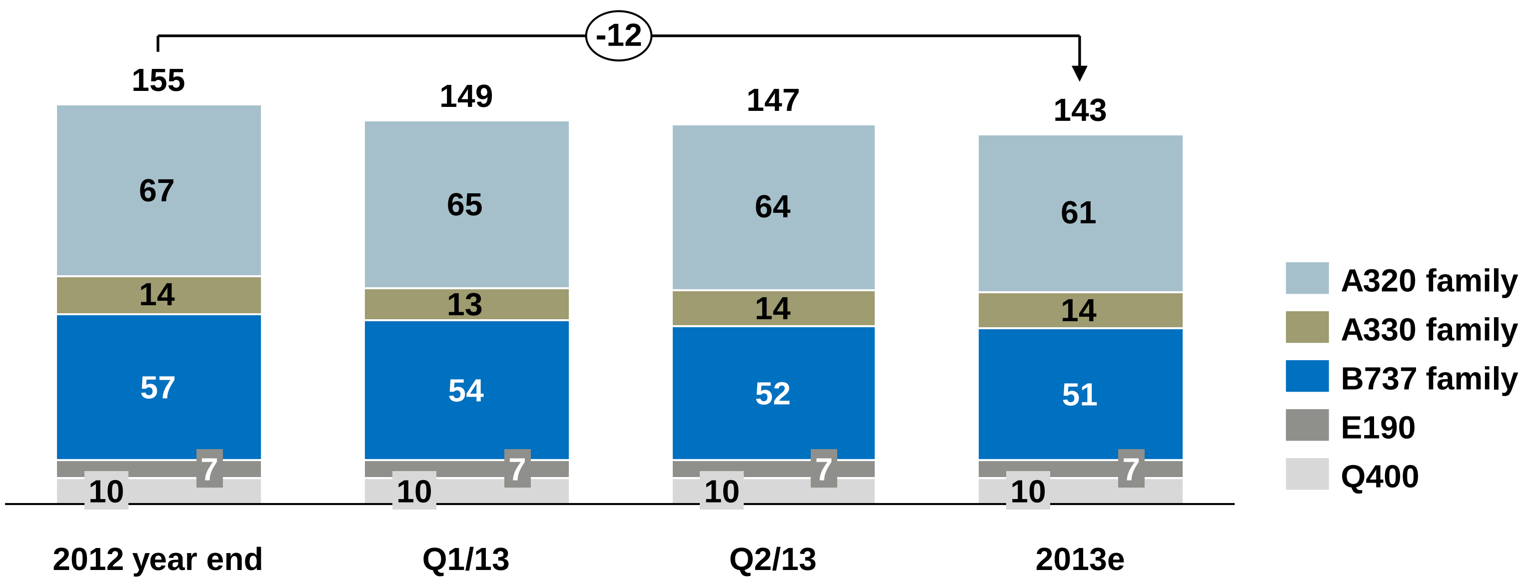
- During first half bookings have been doubled compared to last year's period
- Impressive growth rate in first half is expected to be continued mainly with partnerships with American Airlines, S7 and IAG

Source: AB Codeshare Report, AB/EY consolidated advance booking report, July 12th

Fleet development

Number of aircraft

Total number of aircraft



What we are doing to fix our core business…

Turbine combines internal structural changes and negotiations with major stakeholders

1 Lean & smart

Internal: highly efficient organisation & processes | **External: highly regarded by customer**

LEAN

Optimise operations

Efficient structures and workflows

Cost reduction

- Network & Fleet
- Commercial
- Product / Service
- Operation

SMART

Focus on key markets
Touristic and business segments
Customer needs
Brand values

2 Stakeholder negotiations

Bring major stakeholder relationships in line with market best practice

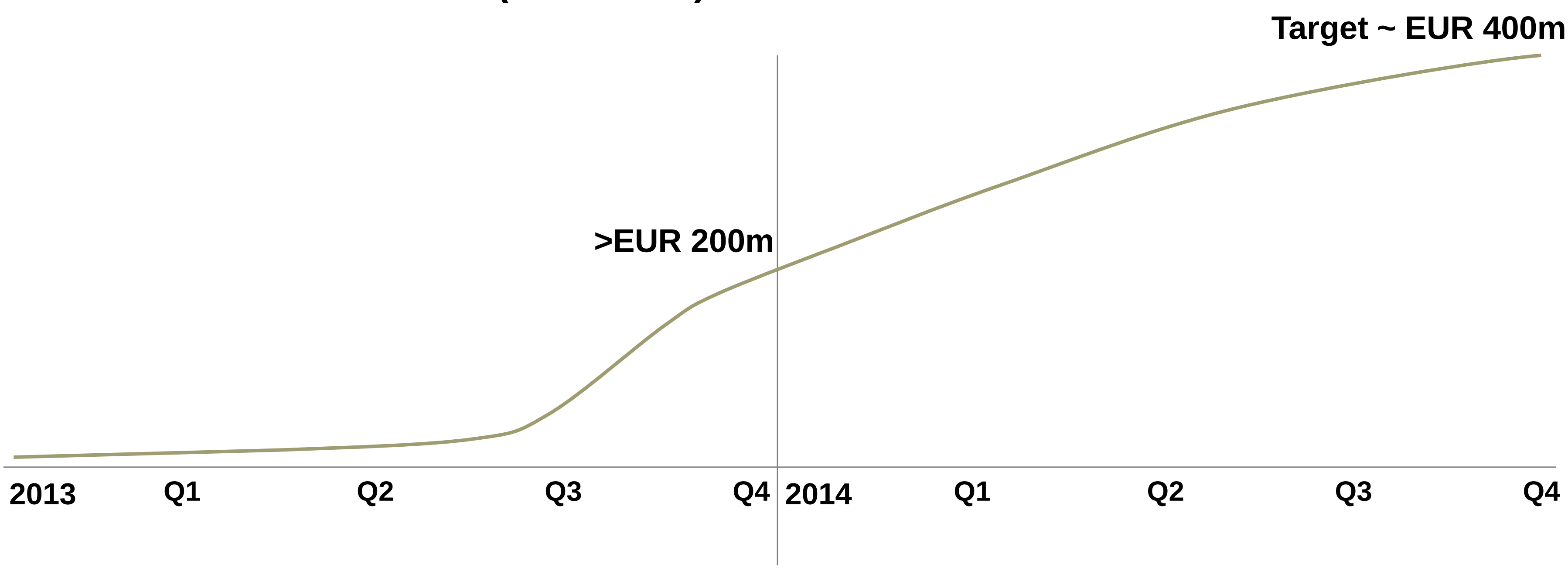
Airport & ground handling	Labour and overhead	Wet lease providers
Lessors & OEMs	TOP & distributors	Maintenance suppliers

Turbine progress: On track

1	Area	Activities
Lean & smart	**Network & Fleet**	Summer schedule: -80 routes versus previous summer, 14% increase in frequency per route on remaining 440 city pairs
		Winter schedule: new stationing concept to consolidate fleet bases
	Service initiatives	Continuous improvement of internet services, excess-baggage payments at check-in, internet-based process for tracking lost luggage, etc.
	Human resources	Headcount reduction of ~300 FTEs until end of July
		Consolidation Service Centre + Customer Service and Spin-off to external partner (~200 FTEs planned for Q4)
	Commercial / Ancillaries	Ancillary revenue initiatives: 72 hours fare-lock, seat reservation, Service Card
		Booking incentives for travel agents in Germany, Austria, Switzerland and various sales-increasing initiatives with our partner Etihad Airways
	Operations	New boarding procedures introduced, esp. group boarding to reduce turnaround times
2	**Labour**	Union agreements with all employee groups (pilots, cabin, ground); long term settlements, no increase of salary tables in 2013; productivity enhancements
Stakeholder negotiations	**Other stakeholders**	Agreements with important airports to reduce costs & increase efficiency
		Lessors: reduction of leasing costs through successful negotiations
		Maintenance: achievement of better terms & conditions from key suppliers

Turbine: Timeline for achieving financial targets confirmed

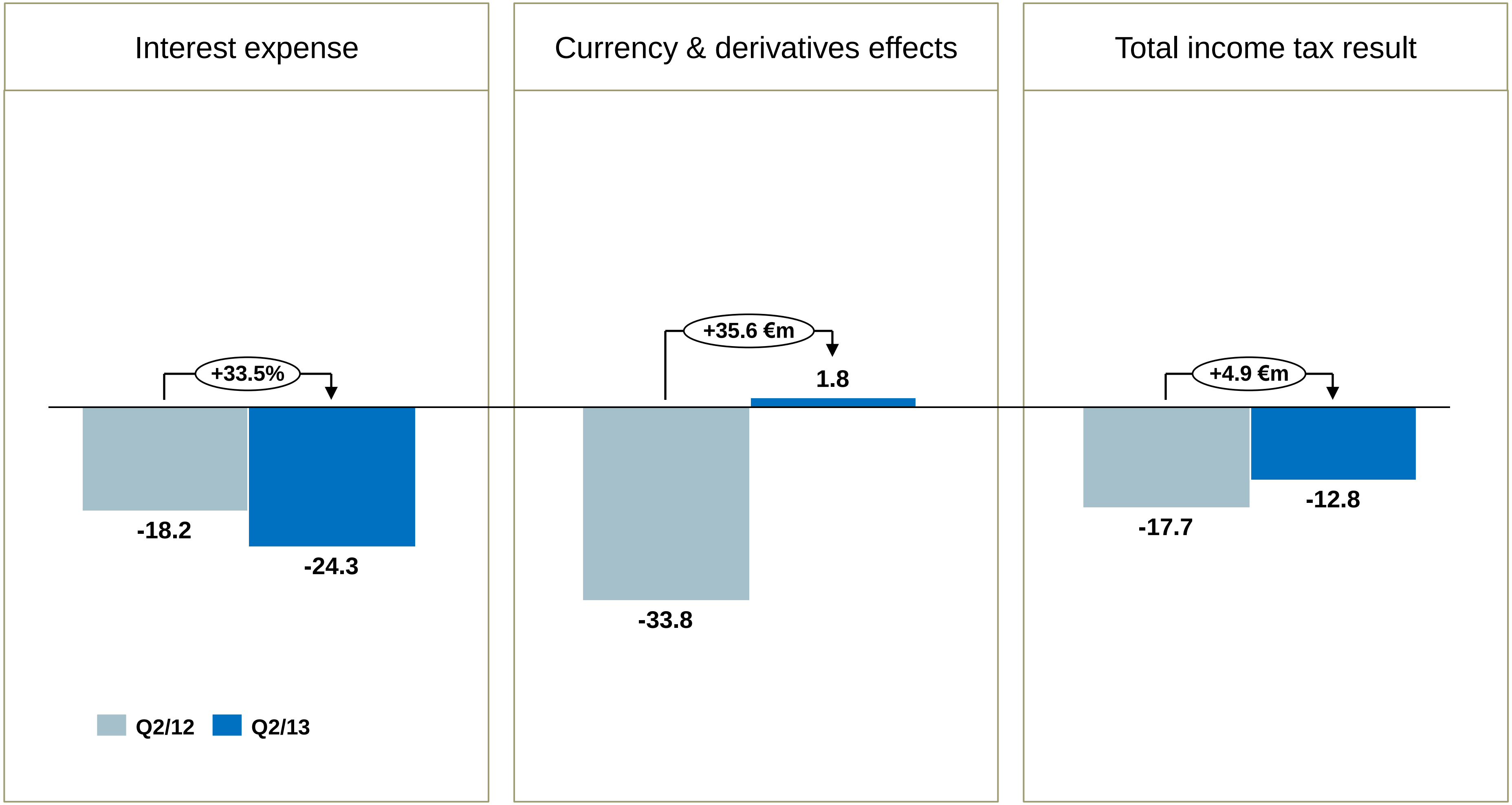
Cumulative benefit 2013/14 (illustrative)



- Effects of >EUR 200m on EBIT level targeted in 2013
- Majority of effects in 2013 ramp up from **Q3** onwards
- **Q1/Q2** with over proportional fix costs, i.e. aircraft, aircraft redeliveries, personnel etc.
- Program will deliver ~EUR 400m on EBIT level compared to 2012
- Realisation of network effects full on track

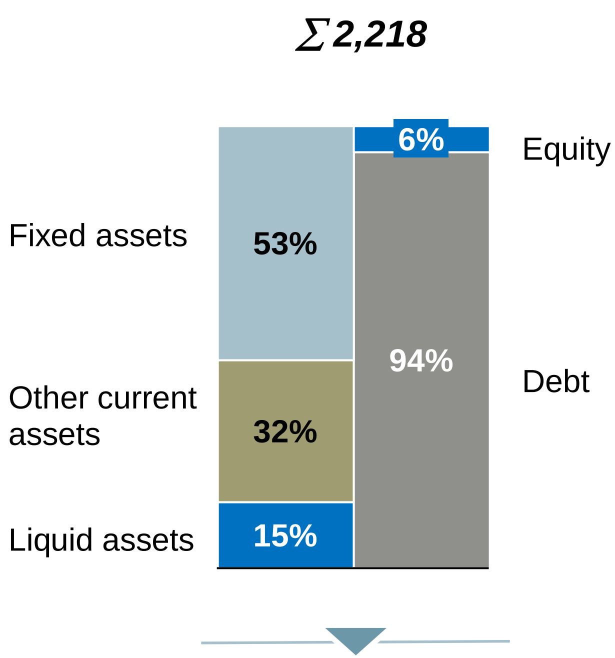
Financial result and income tax development – Q2 2013 [EUR m]

Breakdown of financial result



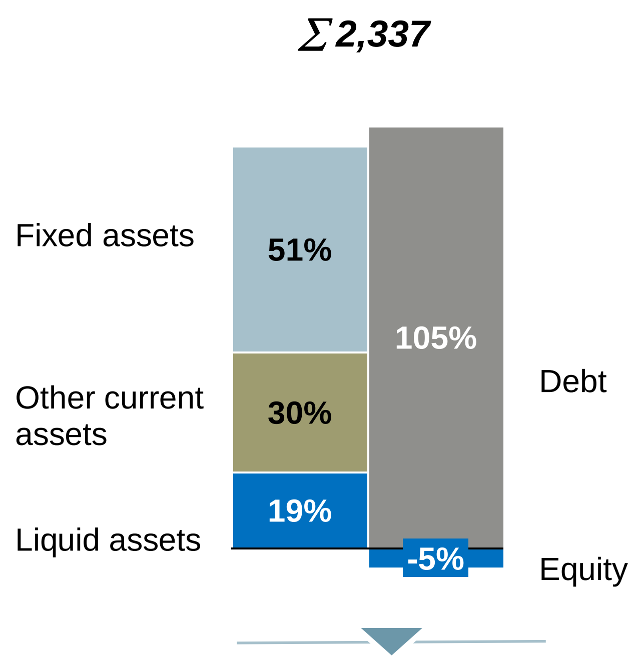
Balance sheet structure [€m]

B/S as of Dec 31st, 2012



Net debt: 770

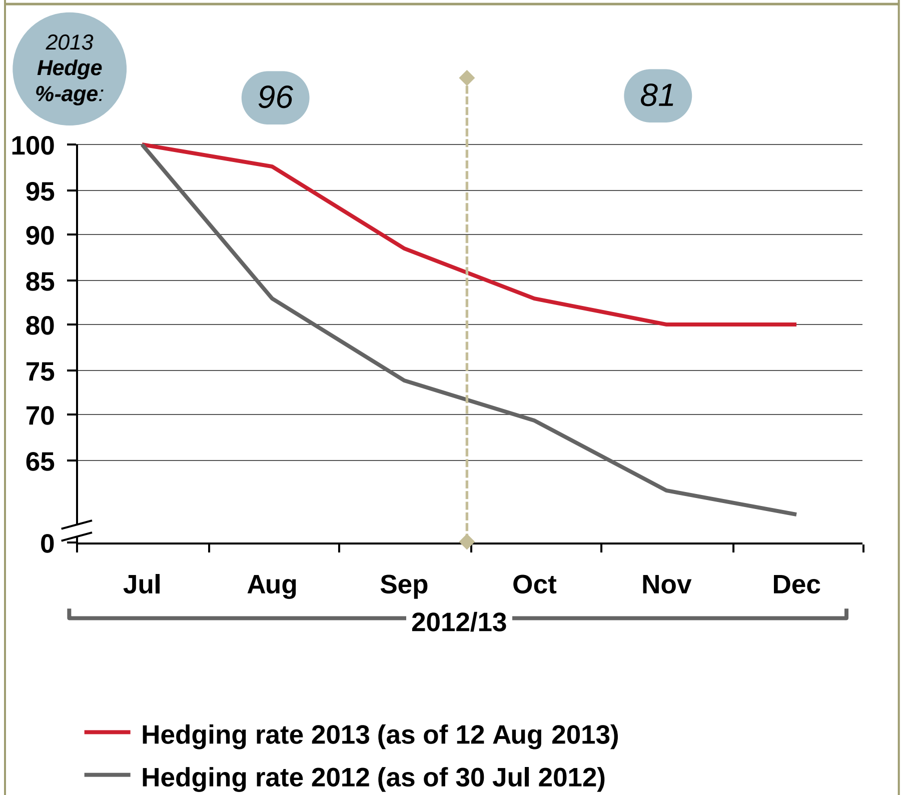
B/S as of June 30th, 2013



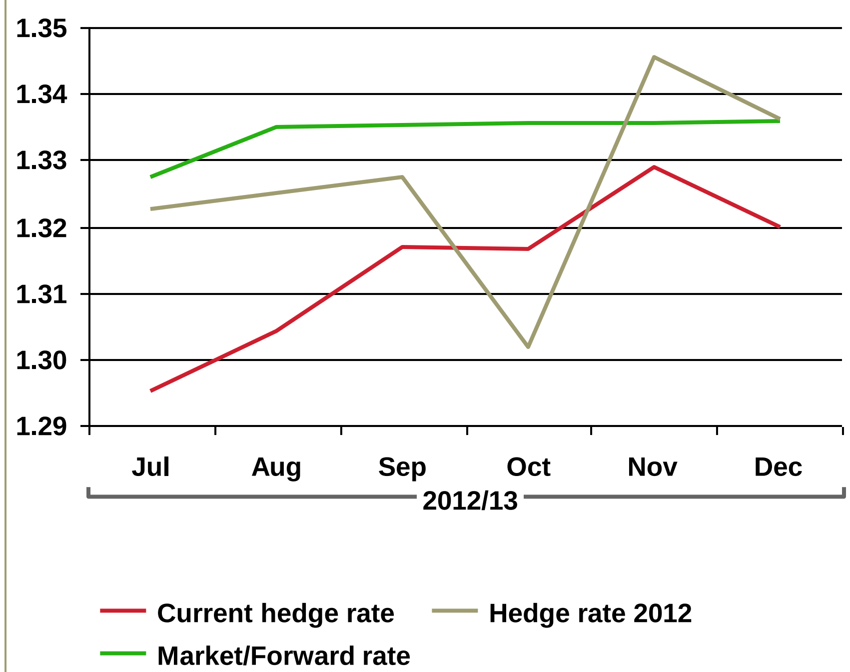
Net debt: 706

Dollar hedging

Hedging profile [%]



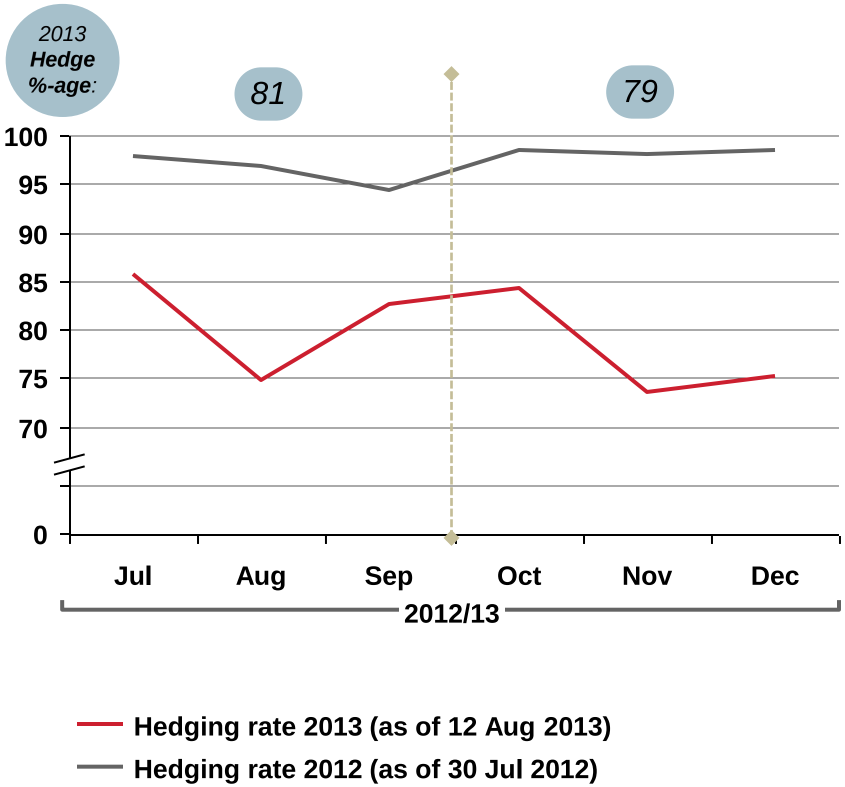
FX rate development [USD/EUR][1)]



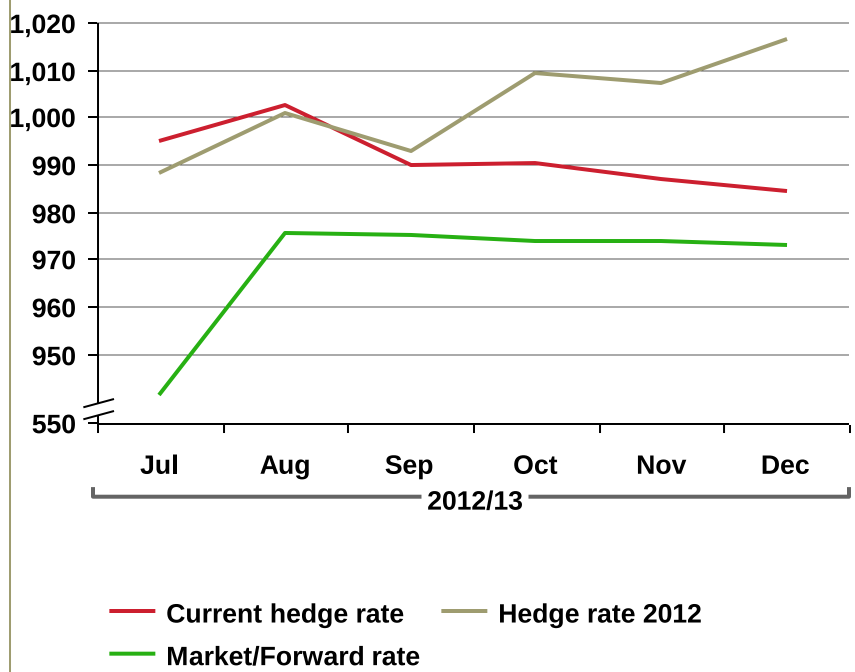
1) as of 12 Aug 2013 I as of 30 Jul 2012

Fuel hedging

Hedging profile [%]



Price development [USD/t] 1)



1) as of 12 Aug 2013 I as of 30 Jul 2012; excl. differentials

Guidance for 2013

Operational performance

Capacity

- Increase in long haul
- Decrease in short and medium haul

Capacity utilization and income

- Increasing load factor through network reduction, improved sales platform and partnerships, but business environment in Europe still challenging

Result

Revenue

- Growth in revenue through yield and load factor expected – despite capacity reduction

Expenses

- Cost per ASK excl. fuel will decrease in the course of the year
- Structural cost increases will be offset through Turbine

Result

- Break even EBIT

Balance sheet

Balance sheet

- Liquidity improved through the issued convertible bond and good booking intakes
- Equity ratio target of 15-20% by mid term
- Deleveraging is the key objective for 2013; initiatives are on the way
- Net debt target remains to be around EUR 500m by the end of 2013

Target more challenging