



**Analysts and Investors conference call  
Q3 2013 results  
14 November 2013**



# Management summary

## Key highlights in Q3 2013

- Topline development was satisfactory:
  - Capacity is down by 5.8% (seats) and 3.9% (ASK)
  - Load factor down by 0.4%pts. due to weaker passenger numbers (-5.6%)
  - Revenue per ASK improved by 0.5%
- Turbine was delivered – EUR 200m are secured for full year 2013.
- Cost per ASK (excluding fuel) are nearly on last year's level although this year's quarter was impacted by the increase in non-influence able cost items, i.e. navigation fee and airport charges.
- EBIT compared to previous year's quarter increased by 14.2% but not in line with expectations due to less demand.
- After the first nine months and due to the continuing price weakness, the Company should now only be able to come close to achieving market consensus in 2013 with positive one-off effects and higher other operating income. This is currently being pursued.

# 3<sup>rd</sup> quarter financial performance [€m]

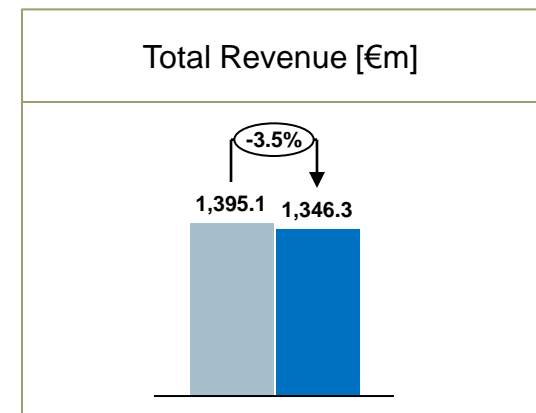
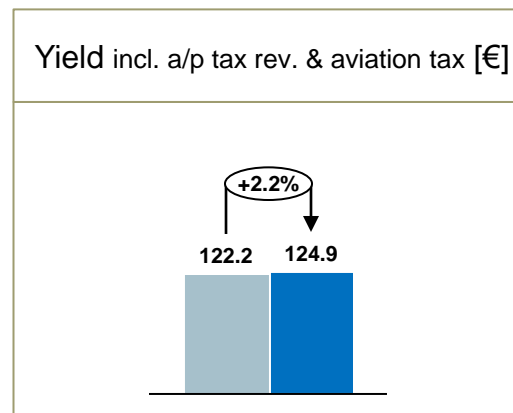
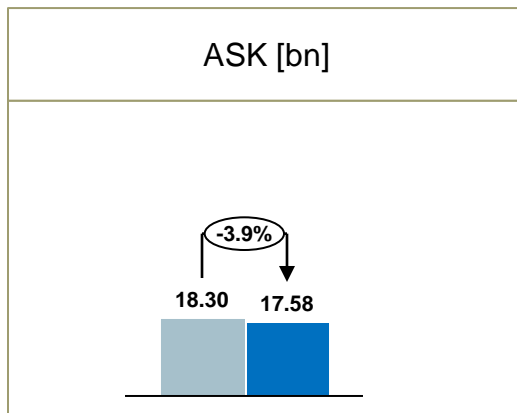
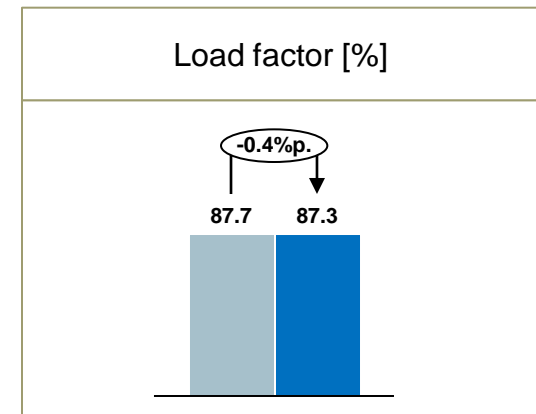
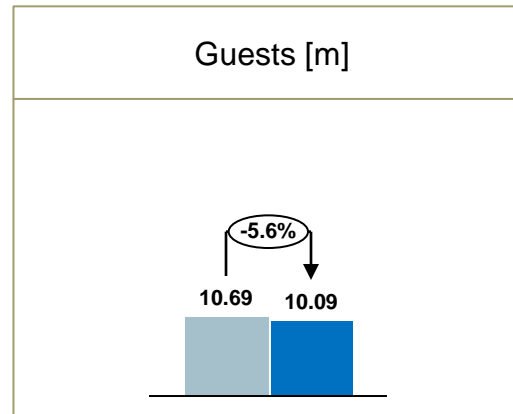
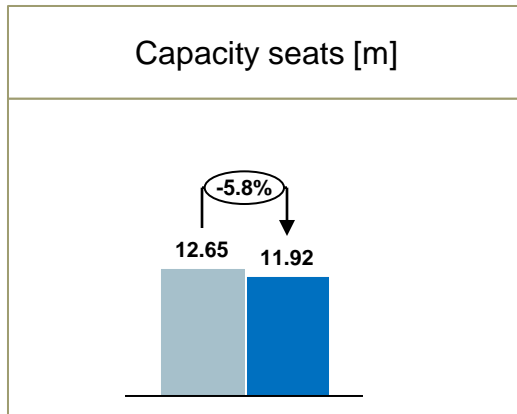
■ Q3/12 ■ Q3/13 actual

| Revenue   | EBITDAR            | EBIT         | Net result |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
|---|--------------------|--------------|------------|---------|--------------|---------|--|---------|--------------|-------|-------|--------------|-------|---|---------|-----------|-------|-------|--------------|-------|---|---------|-----------------|-------|-------|--------------|-------|---------|-----------------|------------------|--------------------|--------------|-------|
| <p>Total revenue decreased by 3%, however against 6% less seats, the revenue quality improved.</p> <table border="1"> <tr> <th>Quarter</th> <th>Revenue [€m]</th> </tr> <tr> <td>Q3/12</td> <td>1,395.1</td> </tr> <tr> <td>Q3/13 actual</td> <td>1,346.3</td> </tr> </table> | Quarter            | Revenue [€m] | Q3/12      | 1,395.1 | Q3/13 actual | 1,346.3 | <p>EBITDAR increased by 3%.</p> <table border="1"> <tr> <th>Quarter</th> <th>EBITDAR [€m]</th> </tr> <tr> <td>Q3/12</td> <td>279.5</td> </tr> <tr> <td>Q3/13 actual</td> <td>287.1</td> </tr> </table> | Quarter | EBITDAR [€m] | Q3/12 | 279.5 | Q3/13 actual | 287.1 | <p>EBIT improved by 14% due to better operational performance and less cost of ownership.</p> <table border="1"> <tr> <th>Quarter</th> <th>EBIT [€m]</th> </tr> <tr> <td>Q3/12</td> <td>101.2</td> </tr> <tr> <td>Q3/13 actual</td> <td>115.6</td> </tr> </table> | Quarter | EBIT [€m] | Q3/12 | 101.2 | Q3/13 actual | 115.6 | <p>Net result has decreased due to higher net financing costs driven by FX and derivatives valuation (based on restated net result)</p> <table border="1"> <tr> <th>Quarter</th> <th>Net result [€m]</th> </tr> <tr> <td>Q3/12</td> <td>105.2</td> </tr> <tr> <td>Q3/13 actual</td> <td>101.0</td> </tr> </table><br><table border="1"> <tr> <th>Quarter</th> <th>Net result [€m]</th> </tr> <tr> <td>Q3/12 (restated)</td> <td>66.6<sup>1)</sup></td> </tr> <tr> <td>Q3/13 actual</td> <td>101.0</td> </tr> </table> | Quarter | Net result [€m] | Q3/12 | 105.2 | Q3/13 actual | 101.0 | Quarter | Net result [€m] | Q3/12 (restated) | 66.6 <sup>1)</sup> | Q3/13 actual | 101.0 |
| Quarter   | Revenue [€m]       |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Q3/12   | 1,395.1            |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Q3/13 actual  | 1,346.3            |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Quarter   | EBITDAR [€m]       |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Q3/12   | 279.5              |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Q3/13 actual  | 287.1              |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Quarter   | EBIT [€m]          |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Q3/12   | 101.2              |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Q3/13 actual  | 115.6              |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Quarter   | Net result [€m]    |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Q3/12   | 105.2              |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Q3/13 actual  | 101.0              |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Quarter   | Net result [€m]    |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Q3/12 (restated)  | 66.6 <sup>1)</sup> |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |
| Q3/13 actual  | 101.0              |              |            |         |              |         |  |         |              |       |       |              |       |   |         |           |       |       |              |       |   |         |                 |       |       |              |       |         |                 |                  |                    |              |       |

1) Q2 2012 as reported

# 3<sup>rd</sup> quarter operational development

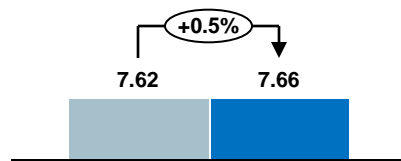
■ Q3/12 ■ Q3/13



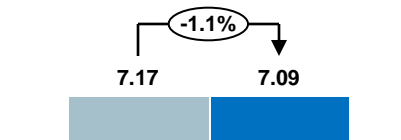
# 3<sup>rd</sup> quarter operational development

■ Q3/12 ■ Q3/13

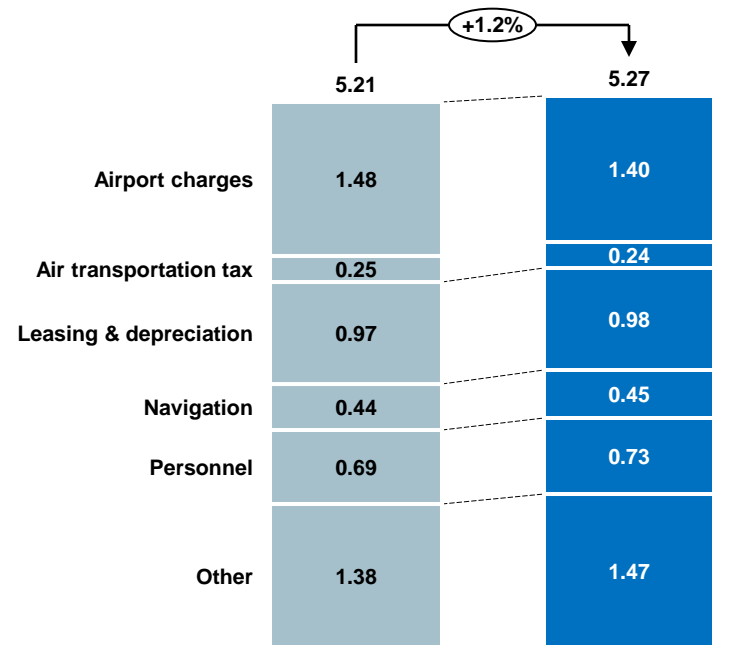
Q3 revenue<sup>1)</sup> per ASK [€c]



Q3 cost<sup>2)</sup> per ASK incl. fuel [€c]



Q3 cost <sup>2)</sup> per ASK excl. fuel [€ct]



1) Total revenue 2) Cost on EBIT level excluding other operating result

## Development of expenses – Turbine effects are offset by cost increases mainly of airport & navigation charges

|  | Q3 2012          | Q3 2013          | Δ Q3/13 vs Q3/12 |              |
|--|------------------|------------------|------------------|--------------|
|  | [EURm]           | [EURm]           | [EURm]           | [ %]         |
| <b>Expenses for materials and services</b> | <b>994.565</b>   | <b>928.916</b>   | <b>-65.649</b>   | <b>-6,6%</b> |
| Fuel                                       | 355.807          | 321.185          | -34.622          | -9,7%        |
| A/P and handling charges                   | 271.411          | 246.018          | -25.393          | -9,4%        |
| Operating leases                           | 160.854          | 151.941          | -8.913           | -5,5%        |
| Navigation                                 | 80.015           | 79.720           | -295             | -0,4%        |
| Air transportation tax                     | 45.831           | 41.332           | -4.499           | -9,8%        |
| Catering costs                             | 39.206           | 39.415           | 209              | 0,5%         |
| Other                                      | 41.441           | 49.305           | 7.864            | 19,0%        |
| <b>Personnel expenses</b>                  | <b>126.732</b>   | <b>127.572</b>   | <b>840</b>       | <b>0,7%</b>  |
| <b>Other operation expenses</b>            | <b>172.248</b>   | <b>170.426</b>   | <b>-1.822</b>    | <b>-1,1%</b> |
| Technical cost                             | 59.828           | 65.666           | 5.838            | 9,8%         |
| IT   | 4.539            | 3.083            | -1.456           | -32,1%       |
| Advertising                                | 11.066           | 11.098           | 32               | 0,3%         |
| Sales & distribution                       | 35.564           | 34.070           | -1.494           | -4,2%        |
| Insurance                                  | 4.976            | 4.455            | -521             | -10,5%       |
| Other                                      | 56.275           | 52.054           | -4.221           | -7,5%        |
| <b>TOTAL OPERATING EXPENSES</b>            | <b>1.293.545</b> | <b>1.226.914</b> | <b>-66.631</b>   | <b>-5,2%</b> |
| <b>Depreciation</b>                        | <b>17.479</b>    | <b>19.546</b>    | <b>2.067</b>     | <b>11,8%</b> |

- DOCs declined in line with capacity reduction and benefit from lower fuel price
- Handling charges also in line with capacity reduction only due to Turbine as charges in general increased, especially in Spain
- Catering cost increased structurally due to more long-haul passengers

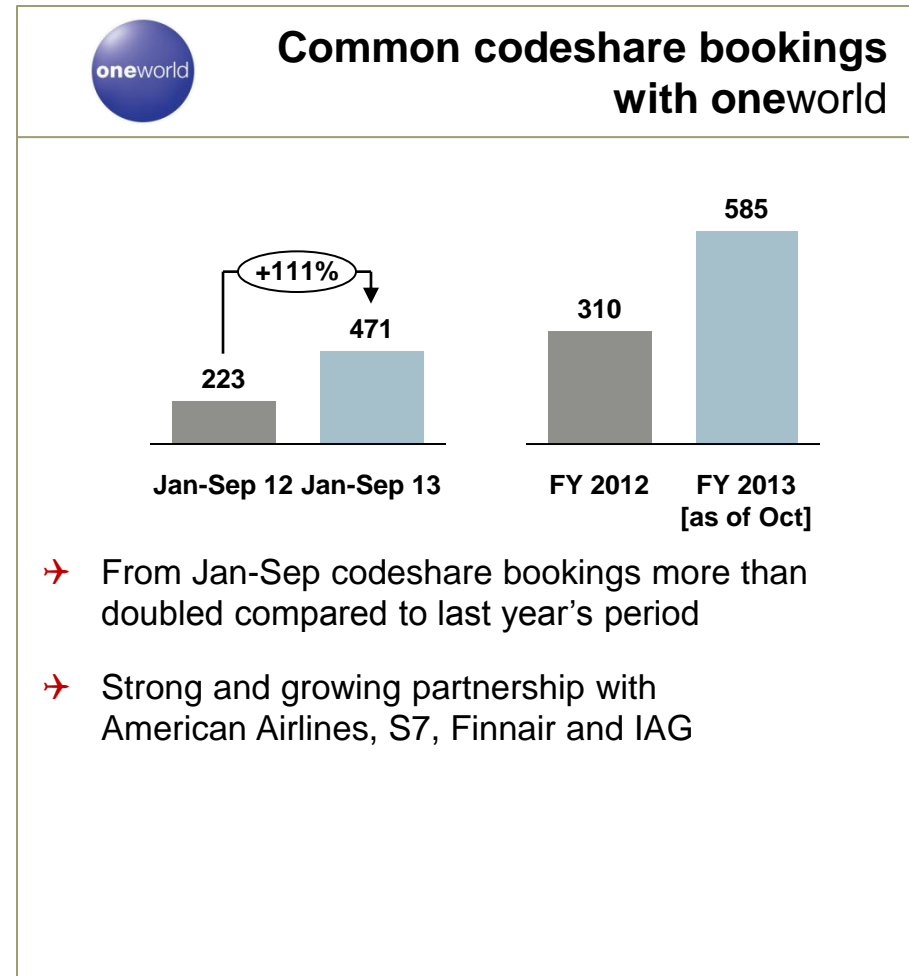
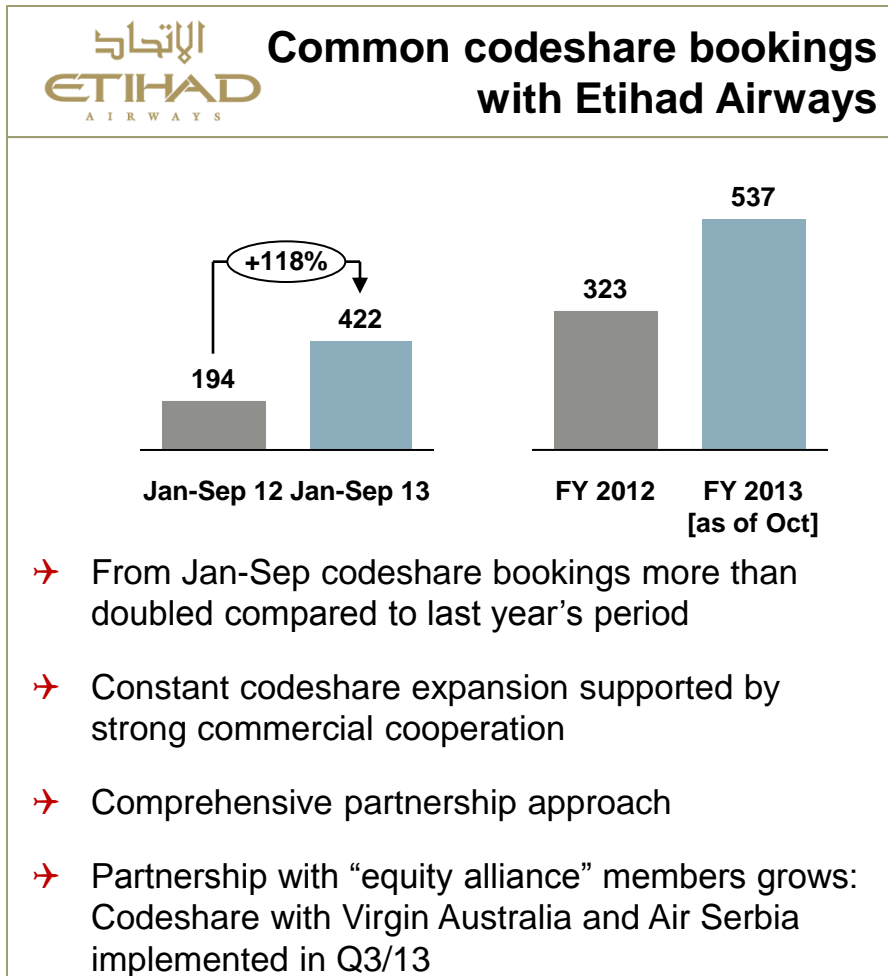
- Salary increases were offset by less FTE and higher productivity

- Compensation payments due to passenger claims and court verdicts interpreting EU regulations also have a negative impact on others
- Technical cost increased due to fleet restructuring measures

- Depreciation grew due to exceptional write offs

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

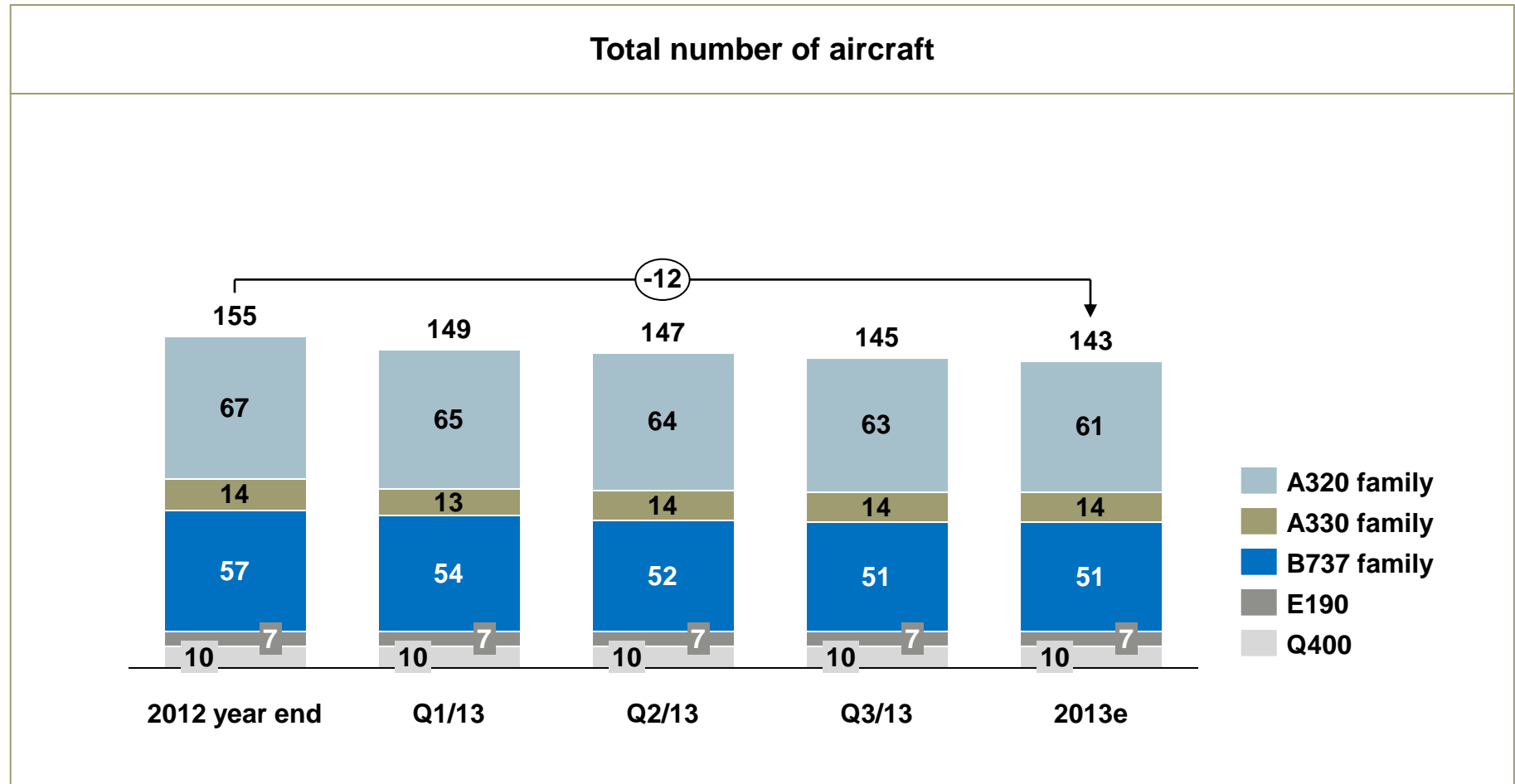
Development of codeshare bookings by alliance [guests in thds.]



Source: AB Codeshare Report,

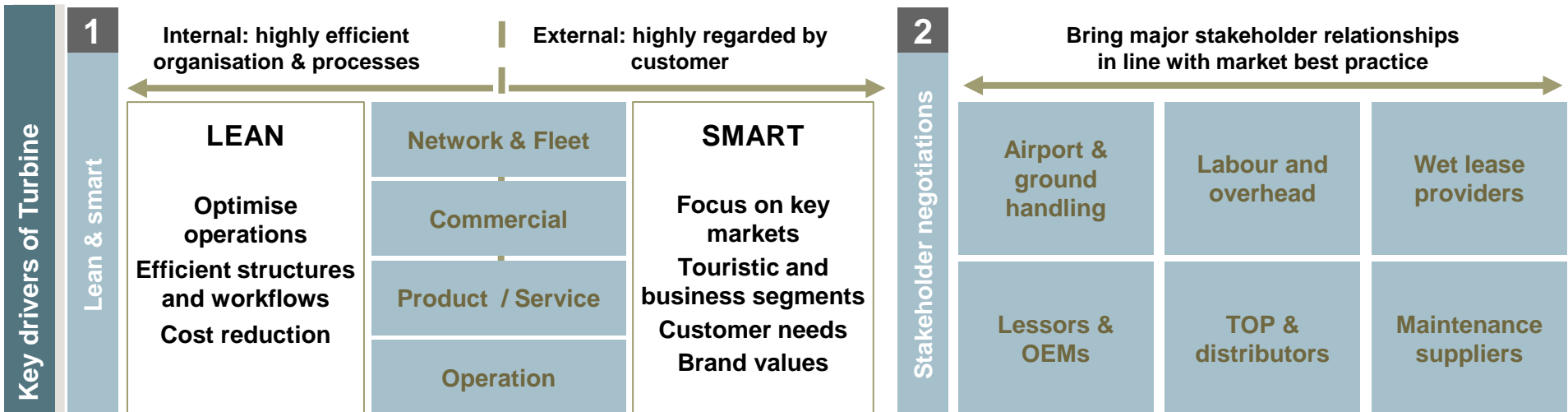
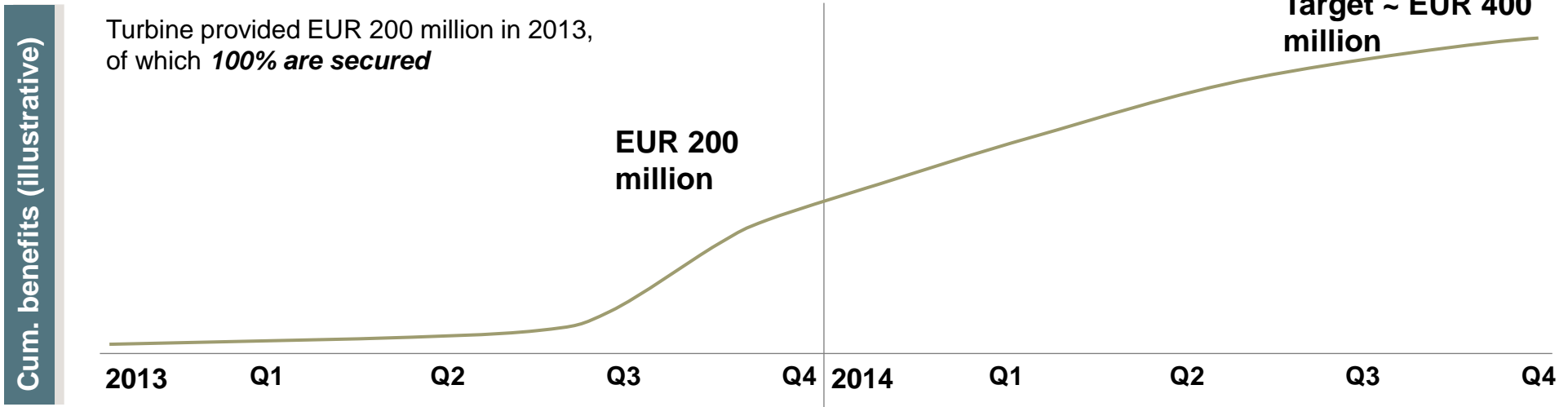
# Fleet development

## Number of aircraft





# Turbine – successfully implementing improvement measures



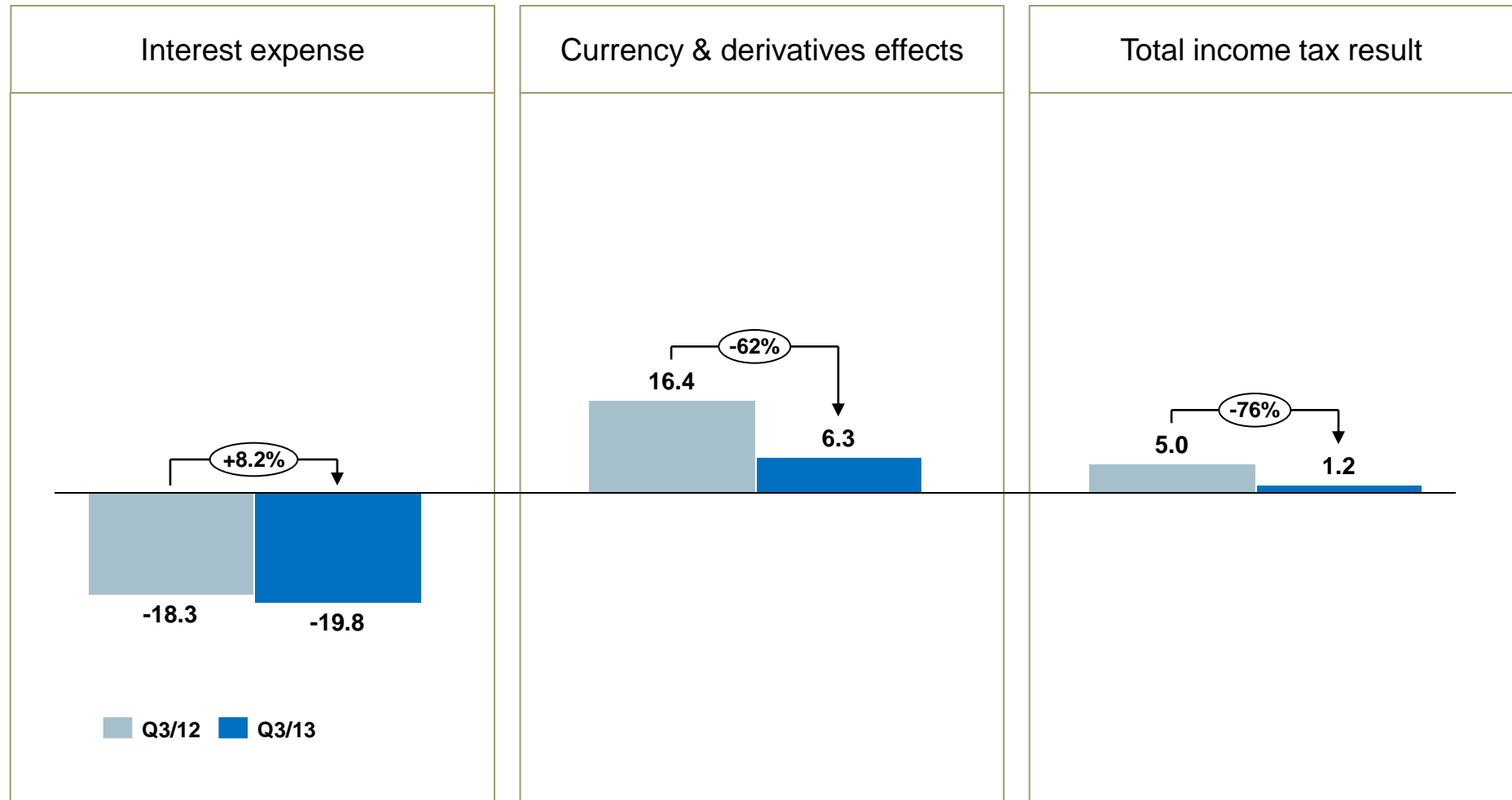
## Turbine target of EUR 200m for 2013 fulfilled

| 1   | Area                            | Activities   |
|---|---------------------------------|--|
| Lean & smart  | <b>Network &amp; Fleet</b>      | 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   |
|   |                                 | Fuel efficiency  |
|   | <b>Service initiatives</b>      | Continuous improvement of internet services, excess-baggage payments at check-in, internet-based process for tracking lost luggage, etc.       |
|   | <b>Commercial / Ancillaries</b> | 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 |
|   | <b>Human resources</b>          | Headcount reduction of 562 FTEs until end of September   |
| Consolidation Service Centre + Customer Service and Spin-off to external partner (~200 FTEs planned for Q4) |                                 |  |
| 2   |                                 |  |
| Stakeholder negotiations  | <b>Other stakeholders</b>       | 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   |

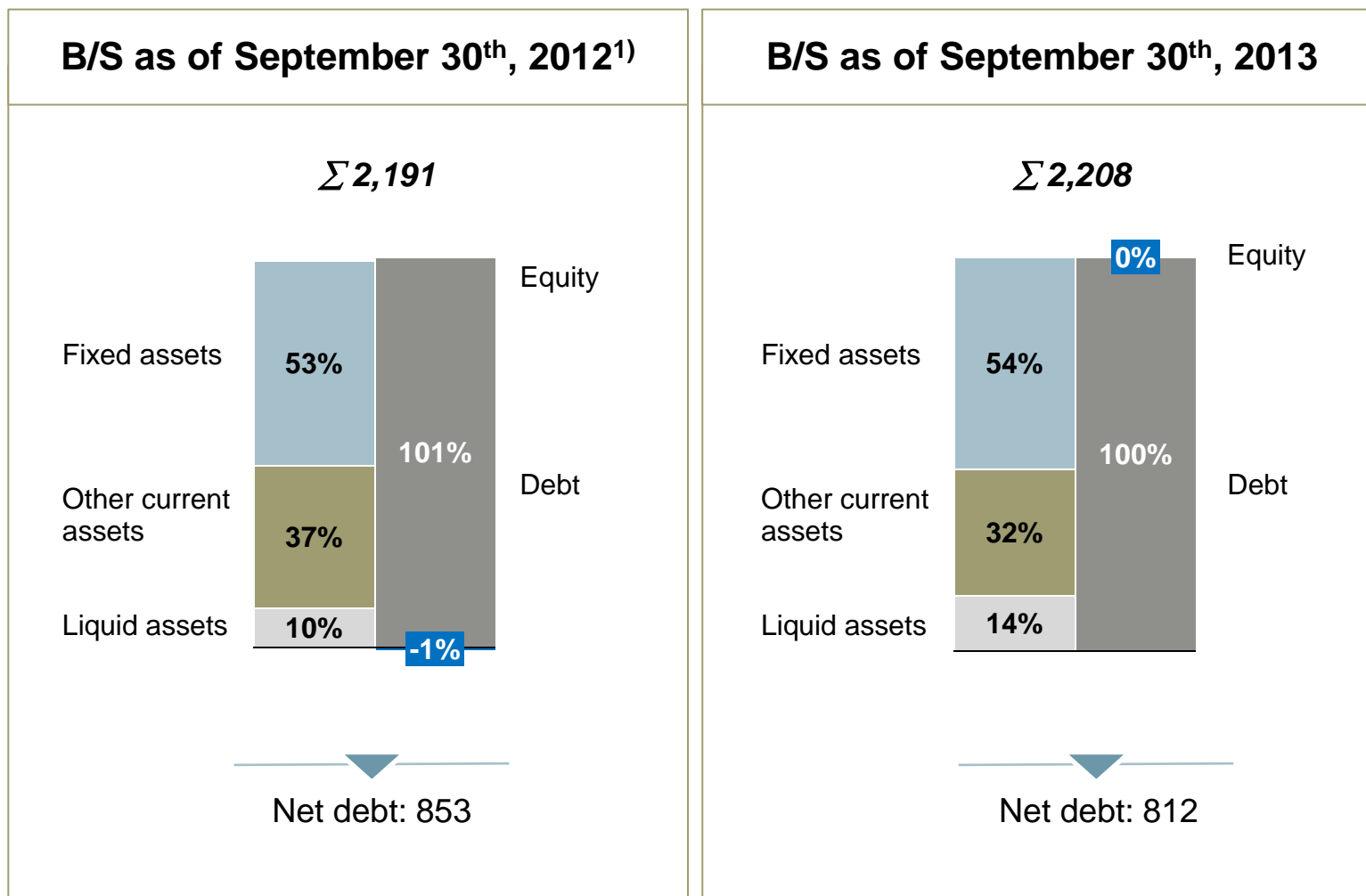
# Financial result and income tax development – Q3 2013

[EUR m]

## Breakdown of financial result



# Preliminary balance sheet structure [EURm]



1) Q3 2012 restated

## Guidance for Q4 2013

### Operational performance



#### Capacity

- 3% capacity reduction in Q4/13 with focus on short-haul routes

#### Capacity utilization and income

- Increasing load factor through continuing effects from network reduction, improved sales platform and partnerships

### Result



#### Revenue

- Weaker yields will lead to lower revenue despite expected increase in load factor

#### Expenses

- Cost per ASK excl. fuel will decrease in the course of the remaining quarter

#### Result

- Recent full year market expectations can only be almost reached through one-off effects and higher other operating income.

### Balance sheet



#### Balance sheet

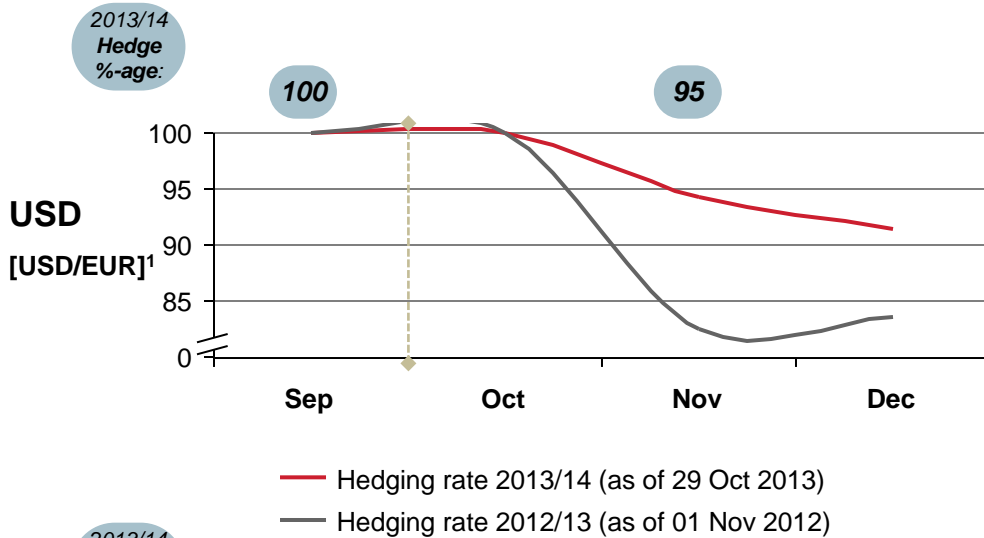
- Liquidity improved through the issued convertible bond
- Equity ratio target of 15-20% by mid term remains valid
- Deleveraging is the key objective for 2013; initiatives are on the way and 7 aircraft have already been sold after the reporting period (Net debt decrease EUR -131m). New target is being set at around EUR 650m towards year end

**After the first nine months of the year and in light of the continuing challenging market conditions, the Company should now only be able to come close to achieving market consensus in 2013 with positive one-off effects and higher other operating income. This is currently being pursued.**

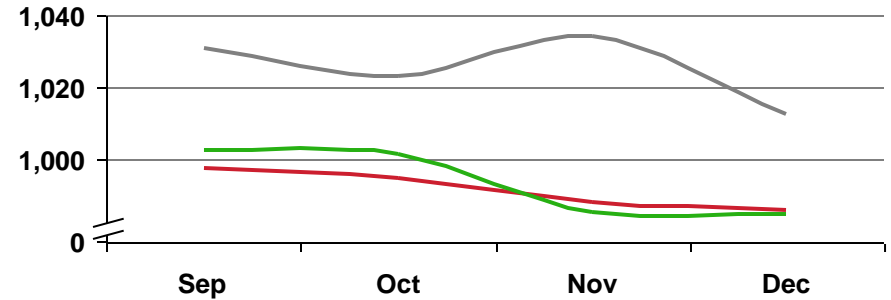
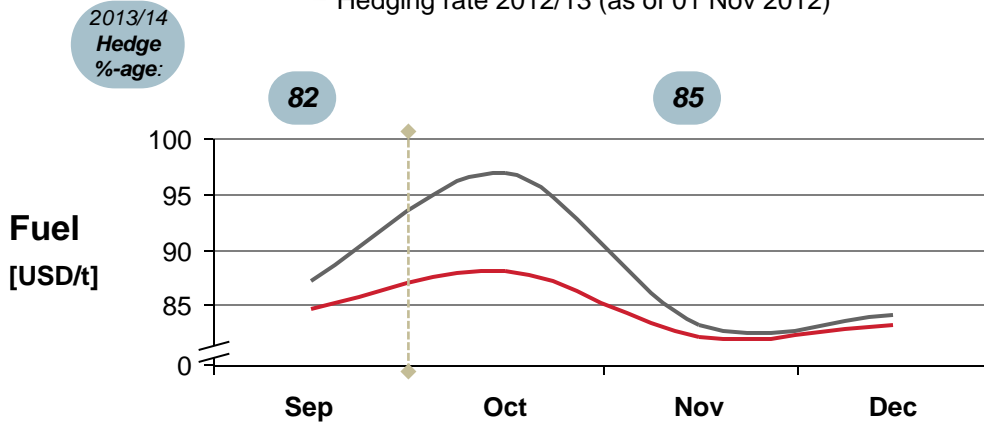
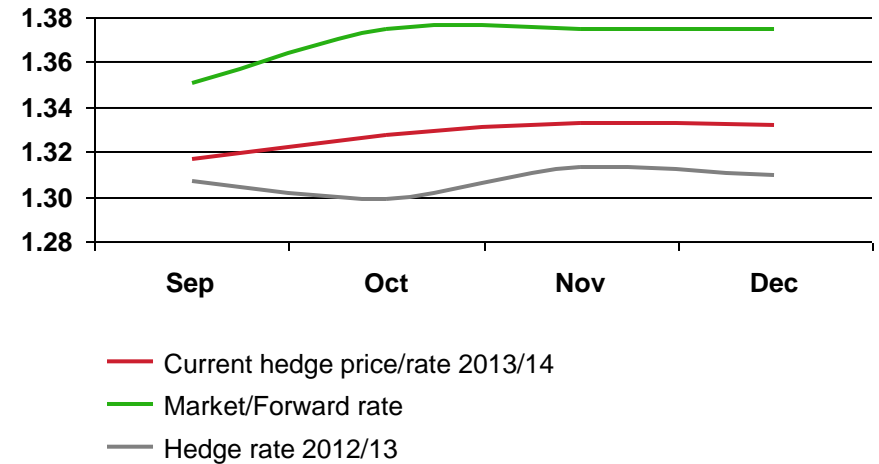
## **B.** Back up

# Hedging result on fuel and USD

## Hedging profile<sup>1)</sup> [%]



## Price/ FX Rate development



1) as of 29 Oct 2013 | as of 01 Nov 2012; excl. differentials