



Lufthansa Technik

More mobility for the world

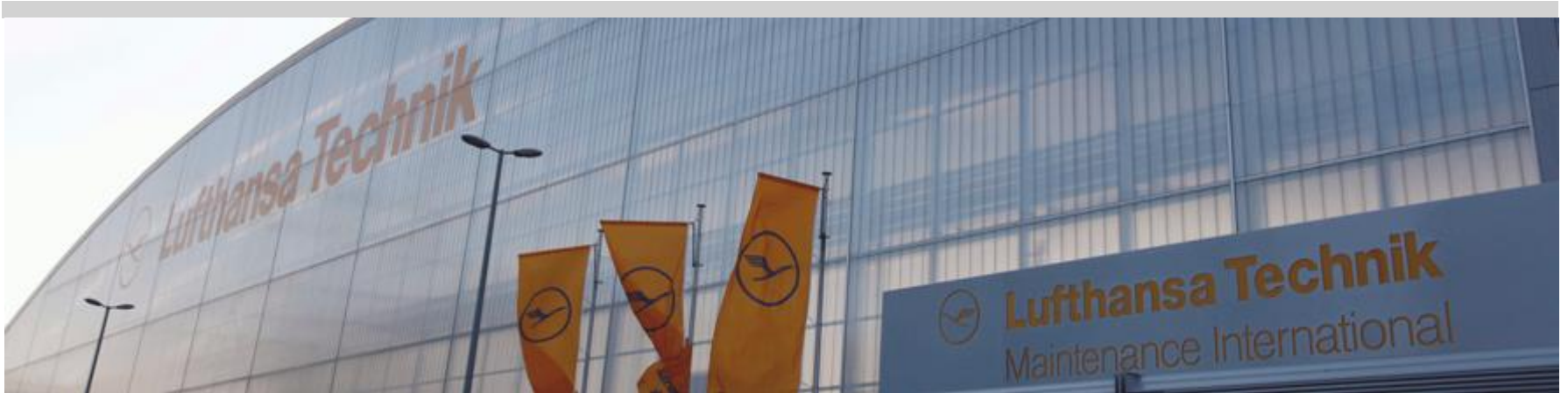


MRO USA 2009, Dallas/TX

MRO Speak-Out Present and Future Challenges

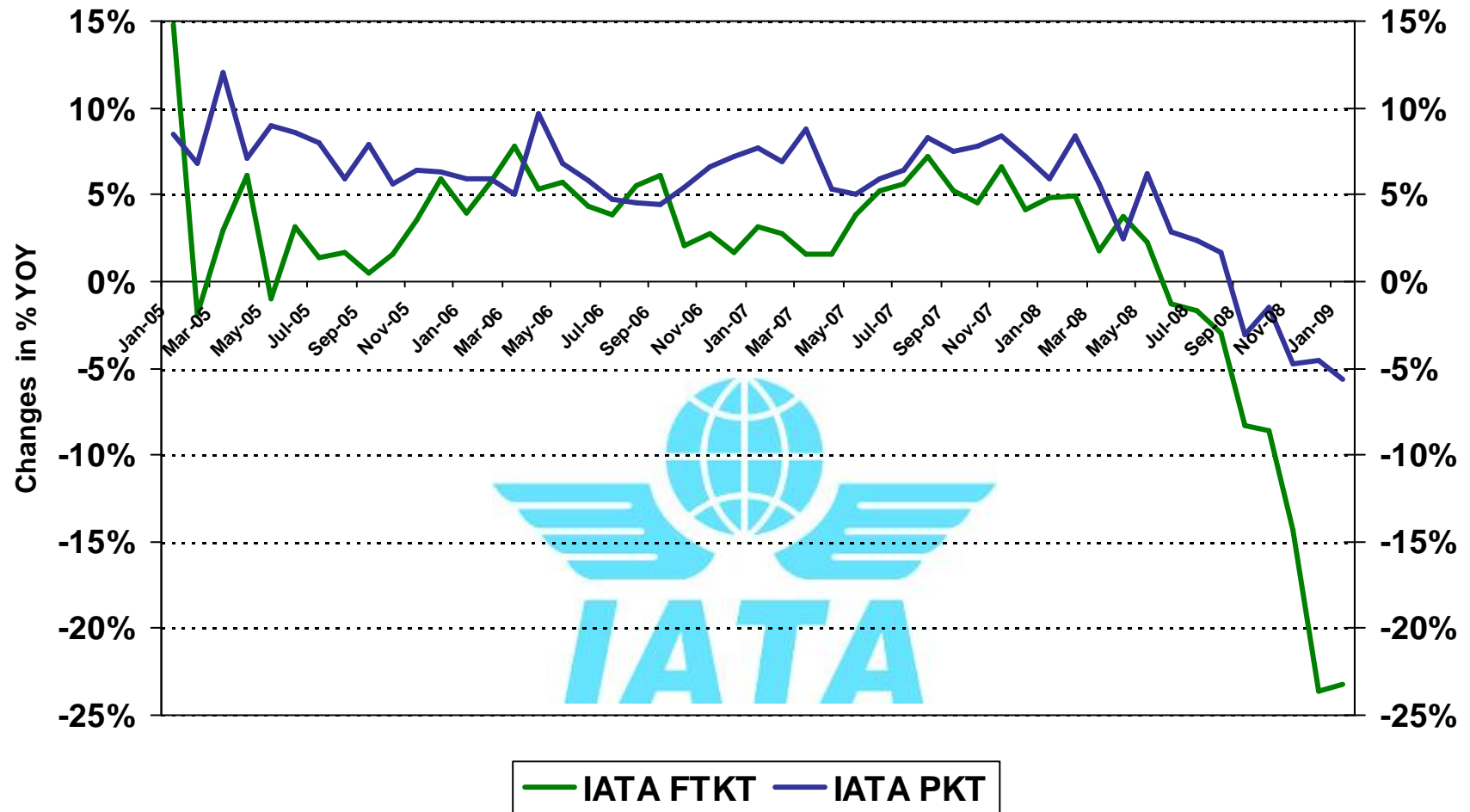
August Wilhelm Henningsen
CEO Lufthansa Technik
23rd April 2009

Lufthansa Technik in 2008



- One of the world's leading providers of technical services for commercial and VIP aircraft
- 26.000 employees in more than 30 operating companies worldwide
- Services for more than 670 customers
- **...and in 2009??**

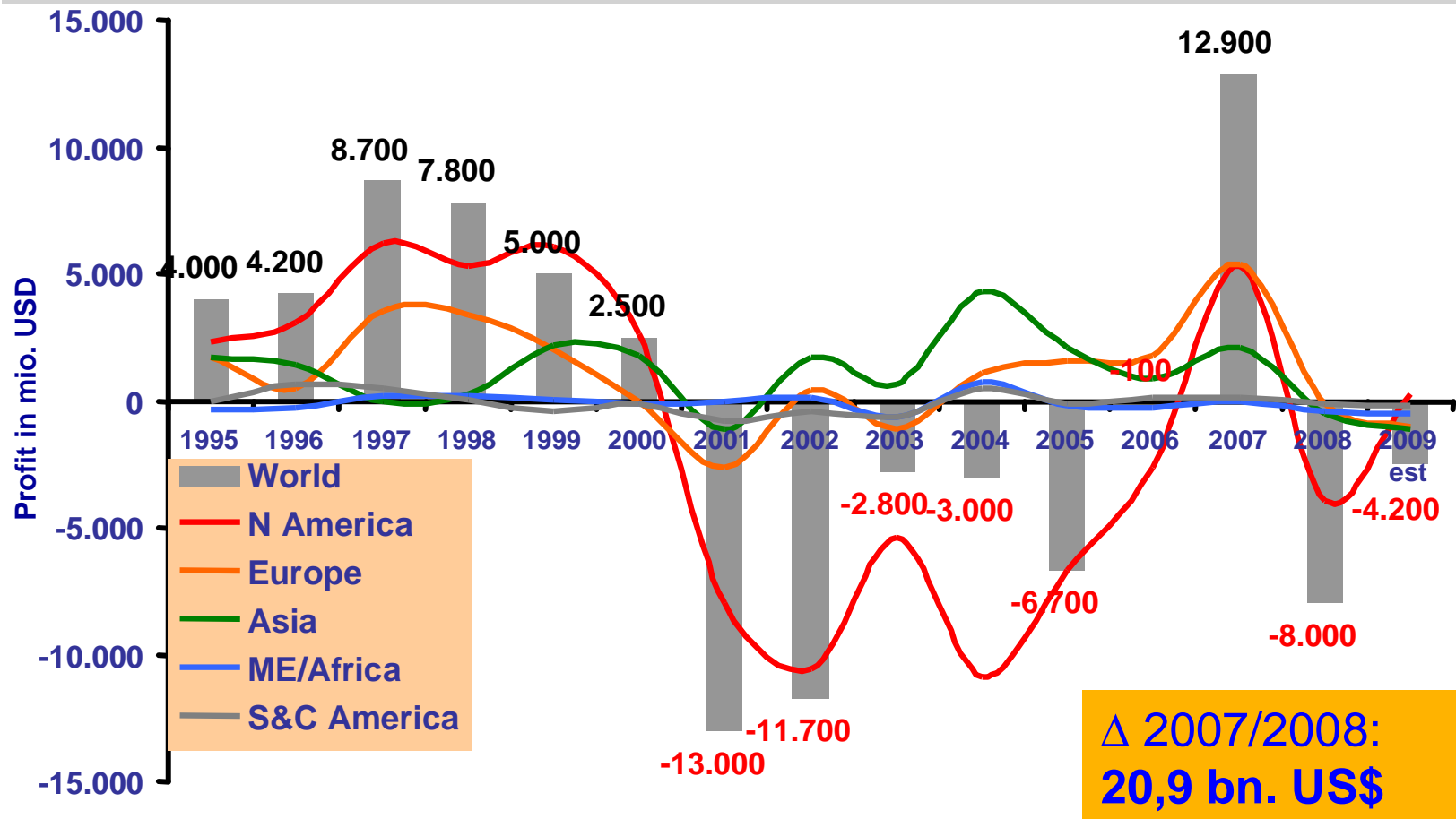
Since May 2008 passenger and cargo transport have dropped drastically



Source: CGN RW/K; IATA
Last updated: 01.03 2009

FTKT: Freight Tones Kilometers Transported
PKT: Passenger Kilometers Transported

A loss of 4.2 billion US-Dollars for the global Airline Industry in 2009 is forecasted by IATA



Source: IATA, March. 2009, LHT, Rolls Royce, ICAO/Airline , Calyon Securities, Monitor/Airline Business/R-R analysis
 Status: March 2009

MRO Business

A „late indicator“ of the current crisis

Cargo and passenger business already hit

- Cargo traffic down > 20%
- Passenger traffic down 5% to 10%
- Significant decrease of SLF
- Shift from premium class bookings to economy class

Massive cost reduction efforts by the airlines

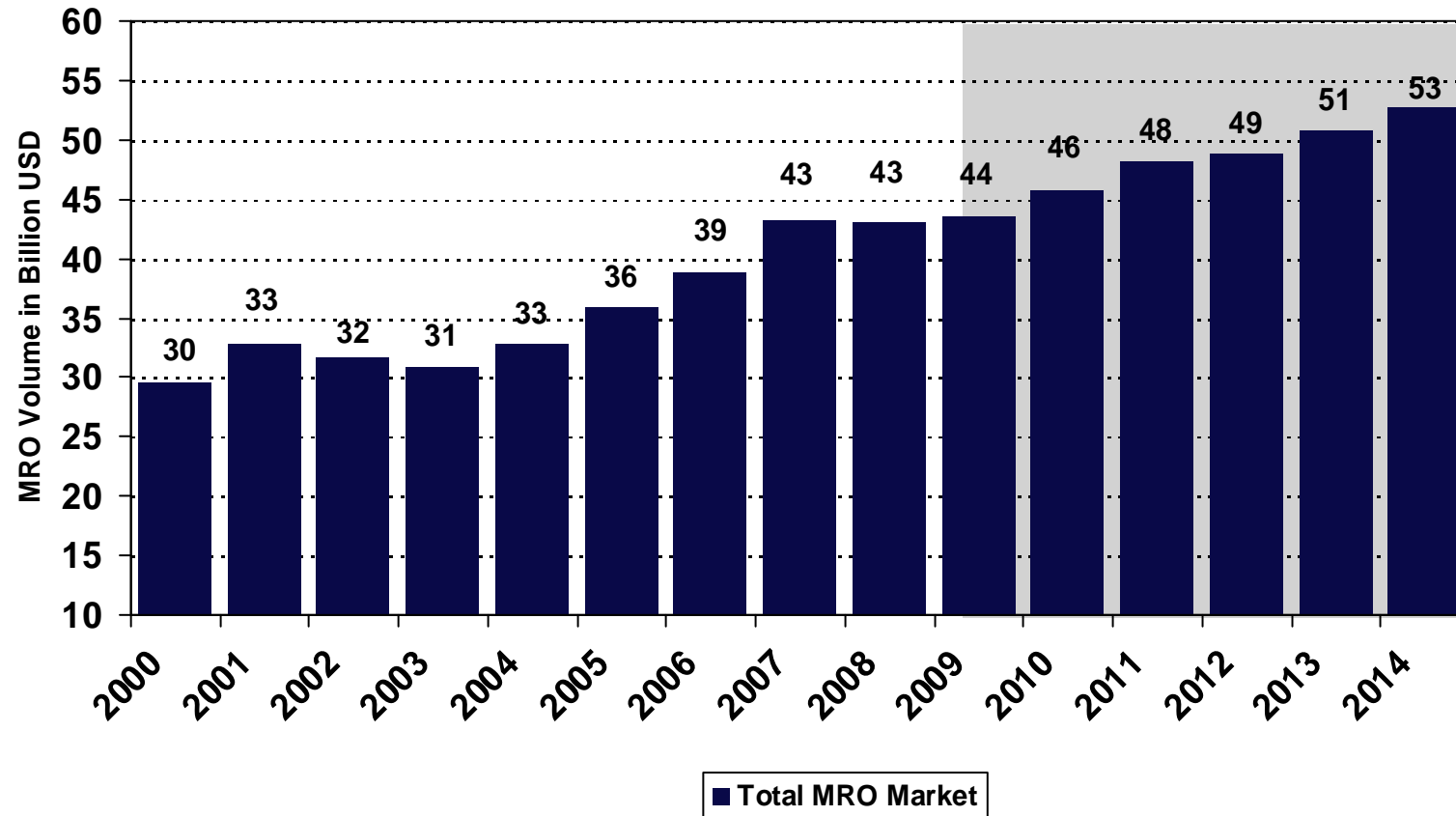
- Increasing number of a/c parked
- Order cancellations
- Deferrals of orders
- Lay-offs
- Adjustments of supplier contracts

First impacts on MRO Business visible

- Less work within existing contracts
- Deferral of maintenance events by customers
- Customer payment behaviour is changing
- First site-closings



... a yearly average growth of 3,6 % was expected for the MRO-Market . . .



Data: all commercial Types incl. (w/b, n/b and RJs)
Without Business Jets, Modifications (ca.. 3,5b\$), CPL, VOM, PTG, ENL,
LHT Portfolio: Extract from PD Portfolio, **LHT Portfolio since 2008 without Embargo Countries**; Source: MRO Initiative 2004ff

...but now the industry faces times of crisis

- **Intensity and duration of current crisis are still unpredictable**
- **All areas of MRO industry will be hit**
- **Experience from the past shows that business recovery needs years**
- **Preparation of different business scenarios:**
 - „Frost“
 - „Strong winter“
 - „Ice Age“



Lufthansa Technik is preparing for „Strong and Icy winter“

Scenario „Strong and icy Winter“

- Significant number of a/c (80s / 90s technology) may additionally be parked
- MRO business faces rock bottom beginning of 2010, reaching pre-crisis level in 2012
- Customers' cost pressure coincides with increase
 - In labour costs and ...
 - Material costs - even in the crisis

→ The MRO industry faces big challenges

Challenges for the Industry

- Drop in demand for MRO services
- Need for capacity adjustment
- Increase of cost-cutting programmes
- Shift of work intensive labour to competitive sites



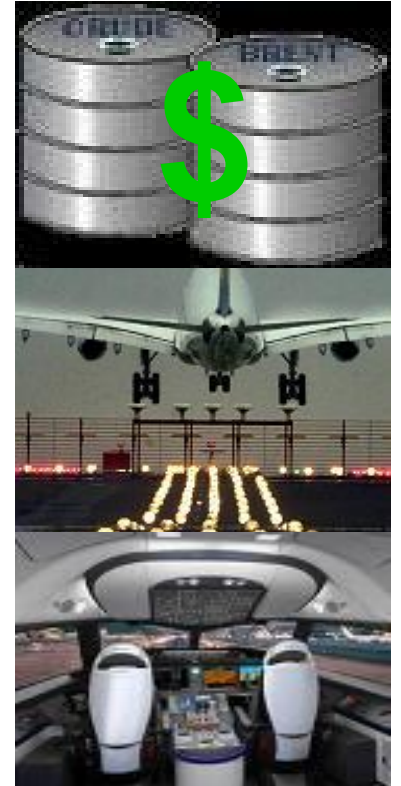
No compromise in high quality, reliability and safety due to cost pressure



Further factors influencing the future MRO market

Also after the crisis MRO-providers face difficult conditions:

- Tense economic situation
- Financial situation of airlines depends on:
 - Recovery of air traffic
 - Fuel price fluctuation
 - Emission trading
 - Recovery of financial markets
 - Material and labour cost developments
- MRO over-capacities
- Introduction of new a/c types / materials / technologies



 **A permanent pressure to change will challenge the MRO industry**

After every icy winter there will be a new spring...



Actions taken by Lufthansa Technik: How do we prepare ourselves for the restart after the crisis?

- Focus on strict cost management
- Flexibility in workforce capacity
- Investment in new technologies and repair processes
- Optimization of productivity and efficiency by
 - Lean production / Lean company
 - Supply chain management
 - Cash management
- Adjustment of product portfolio
- Expansion of international network to be close to the customer



We are prepared for both the crisis and economic recovery

Thank you for your attention

