



Lufthansa Systems

Moving Your Business Ahead

Key Data

2003

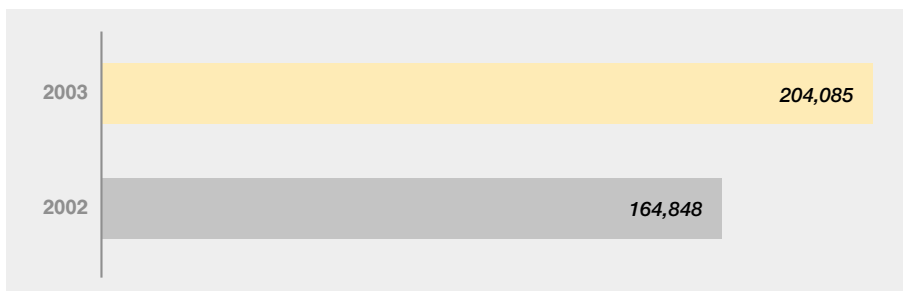




Lufthansa Systems Key Data 2003

Revenue in thousands euros	2003	2002
Airline Core Applications	473,560	425,925
Airline Services		
Infrastructure Services		
Systems Integration	96,313	93,103
Cargo & Logistics		
Administration & Finance		
MRO		
Business Process Outsourcing	40,858	38,373
Airline Flight Support		
BPO & Services		
Total Revenue	610,731	557,401
EBIT	46,844	44,704

Revenue outside the Lufthansa Group in thousands euros





Business development at Lufthansa Systems in 2003

The business year 2003 was greatly affected by the continuing economic crisis in the airline industry. Nevertheless, the company managed to exceed its revenue target of 610.7 million euros and increase sales to customers outside the Lufthansa Group by over 20%. The profit from ordinary operations was 42.9 million euros.

Lufthansa Systems maintained its commitment to expanding its already comprehensive range of products and services in 2003. Thanks to the continued modularization of the MultiHost reservation and passenger handling system, the product line now fully meets the needs of airlines of all sizes. Lufthansa Systems' Business Process Outsourcing services and integrated offshore solutions also evolved in line with market requirements and in response to an increased demand for the outsourcing of entire business processes.

Important projects

In 2003, Lufthansa Systems took over the management of the entire IT infrastructure for Thomas Cook AG, including desktop services, computer and network services, and the management of its telecommunications and Internet connections. Lufthansa Systems also assumed responsibility for the operational management of DekaBank GmbH's IT systems.

FlyNet (Internet on board) is the world's first portal solution on board an aircraft. In partnership with Tomorrow Focus, a Burda subsidiary, Lufthansa Systems is delivering the portal technology and content and is implementing communications between ground systems and a total of 80 aircraft. Lufthansa Systems was also involved in the trial phase at the beginning of 2003.

D-Check for Lufthansa Systems

In the summer of 2001, the Lufthansa Group instituted a comprehensive review of its systems and processes. Known as D-Check, the efficiency improvement program was designed to improve the long-term profitability of the Group. D-Check was successfully completed in 2003 and earnings improvements worth a total of 32.0 million euros were achieved based on Lufthansa Systems projects.



Strategy and outlook

Lufthansa Systems focuses on the international airline and aviation market, where it is recognized as one of the world's leading and most experienced IT service providers.

Today, Lufthansa Systems is the only provider to offer customers an integrated full service portfolio from a single source. The portfolio is comprised of consulting, software development and software integration services aimed at every stage of the airline and aviation process chain. All of these services benefit from the valuable experience the company has gained from being part of the Lufthansa Group. This unique background gives Lufthansa Systems a significant competitive advantage.

An important element of the corporate strategy is winning customers from outside the airline and aviation market for our technology and infrastructure services. Here, we are targeting companies that have similar needs in terms of quality, security and reliability as airline customers. A broad customer base minimizes risk and optimizes the cost structure.

The airline industry expects the current difficult business environment to continue during 2004. However, the airline and aviation IT market does seem to be recovering from the worst effects of the Iraq war and SARS crisis in 2003.

Many airlines now face the task of adjusting their structures and reducing their costs to meet the changed situation. This leads us to expect an increased demand for outsourcing services. Over recent years, we have seen an increased demand for the outsourcing of complete business processes.

Lufthansa Systems offers airlines a comprehensive choice of Business Process Outsourcing (BPO) services, an area in which the company expects to achieve above average growth.

To supplement the traditional licensing and consulting business, Lufthansa Systems continues to expand its Application Service Providing (ASP) offerings. During 2004, we expect to generate a significant share of revenues from existing customers with whom we already enjoy stable, long-term relationships.

Business outside the Group is scheduled to follow the same growth trend as in recent years. In addition to its „home“ market EMEA (Europe, Middle East, Africa), Lufthansa Systems is currently opening up the American market. There are also increased opportunities in the Asian market, although these are characterized by longer preliminary and decision making cycles.



The Lufthansa Systems business model: committed to process orientation

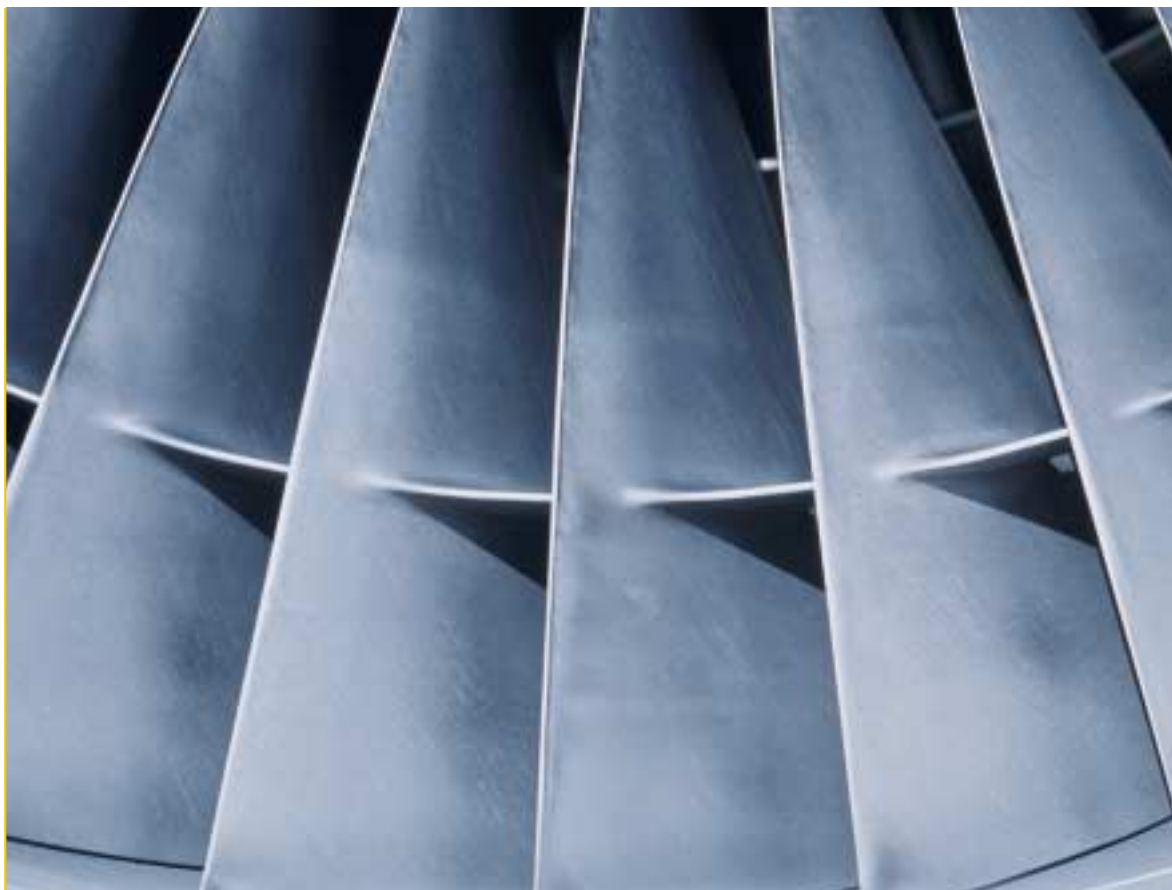
Lufthansa Systems is a full-service IT provider and specialist for the airline and aviation industry. Thanks to our in-depth airline know-how and our comprehensive technological expertise, we have become one of the world's leading IT providers to the airline and aviation industry. More than 4,400 employees in Germany and in 13 international offices provide prompt and efficient service to our customers worldwide.

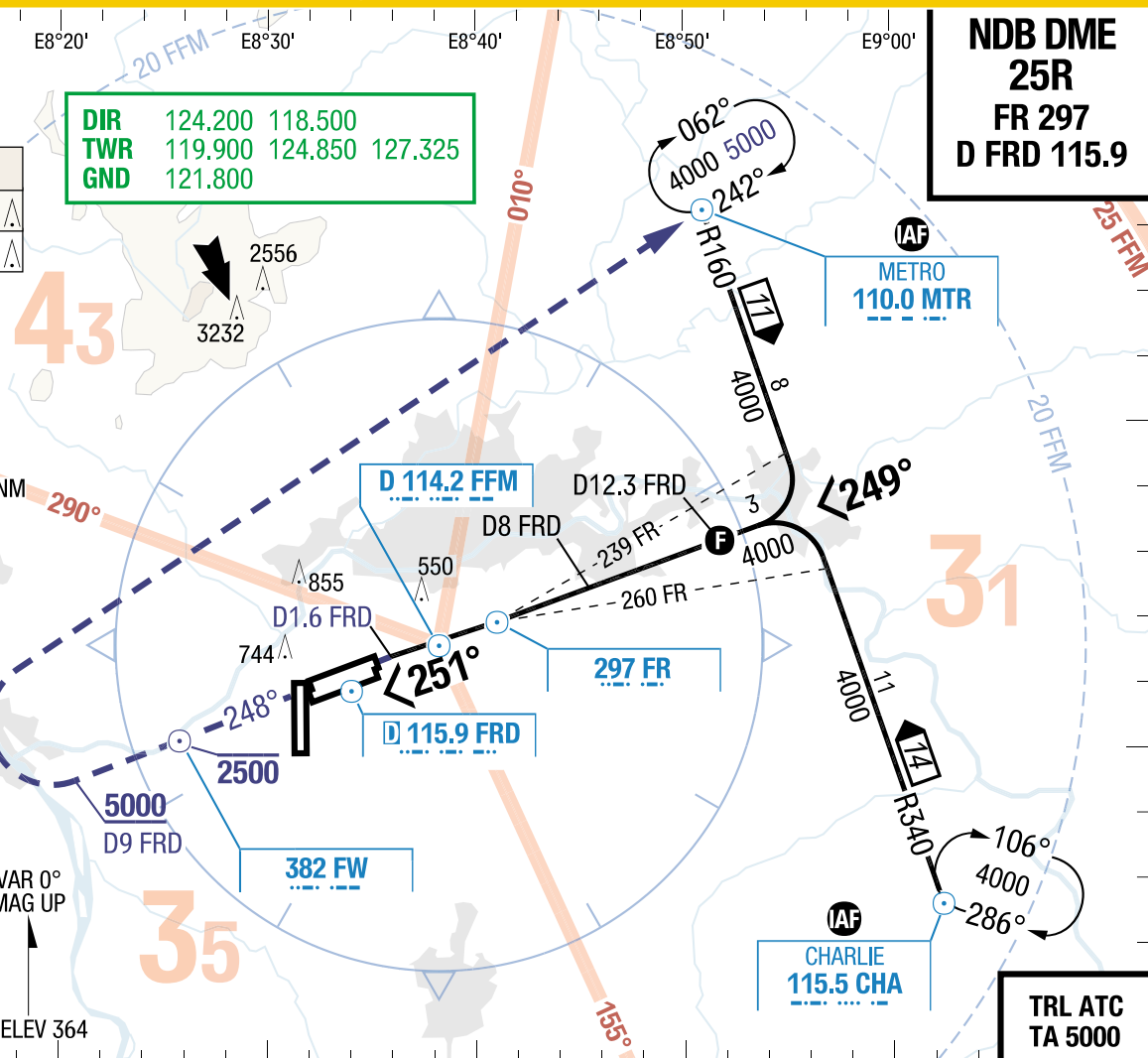
We create business value

One of Lufthansa Systems' business objectives is to deliver IT solutions that add direct value for business customers. To achieve this objective, we undertake comprehensive Current State Analyses together with our customers to identify the potential for immediate cost savings, quality improvements or the generation of additional revenues.

IT solutions for all needs

Lufthansa Systems' portfolio is focused on the processes of our customers. Our products and services concentrate on optimizing all business processes in the airline and aviation industry and range from network planning, revenue management and pricing, to reservation, check-in, baggage handling, route planning, logistics and aircraft maintenance.





Lufthansa Systems not only develops individual applications, but also integrates them in complex IT platforms. We support our customers at all times during the deployment of the IT project – from consulting and design to implementation and, finally, to the day-to-day management of the systems in our data center. Because of our close cooperation with airlines, our IT solutions must meet the highest standards in terms of security, high availability and customization. We successfully meet this challenge thanks to our state-of-the-art technologies. Including Lufthansa, currently over 100 airlines throughout the world take advantage of our services.

Customized IT solutions for Passenger Airlines

Our product and service portfolio supports passenger airlines in the efficient and productive planning and control of their resources and in the seamless management of their passenger-related sales and handling processes.

The MultiHost solution plays a key role in our portfolio. It provides airlines with all functionalities required for automating the core processes of sales, ticketing and passenger handling, and allows for an optimum of interaction by integrating them. By offering MultiHost on a modular base, Lufthansa Systems is able to adapt to the different business models of network airlines, regional and low-cost carriers and to provide solution packages that meet the specific requirements of a wide variety of airlines.

The NetLine product line, which covers the entire range of the airline's network planning and control processes, gives Lufthansa Systems a leading position in the international market. NetLine enables carriers to increase the efficiency of their entire fleet operations, respond more quickly and economically to flight plan changes and optimize their crew management. Thanks to NetLine's modular design, even individual components create measurable additional value for customers. However, the full potential of the solution can only be realized by combining and integrating the various modules.

Revenue management is a key factor in determining an airline's competitiveness. Our ProfitLine solution is based on sophisticated analysis, forecasting and optimization methods and reflects our many years of experience in this field. ProfitLine helps carriers to optimize their capacity utilization and to measure and simulate the impact of market changes and the competitive situation. Airlines can thus achieve the highest possible average revenue per flight.

Experience in Business Process Outsourcing

Business Process Outsourcing (BPO) has been gaining in importance for the airline and aviation industry over recent years. Lufthansa Systems has more than ten years of BPO experience with particular focus on revenue accounting, airline flight support and revenue management. With our BPO services, we assume complete responsibility for the business processes of our customers, and so offer them, in addition to sustainable cost savings, increased flexibility and the ability to concentrate on their core competencies.

Lufthansa Systems is a strong partner for the optimization of revenue accounting systems. In addition to revenue accounting, the complete software solution SIRAX delivers comprehensive planning and controlling information.

In the area of route planning, our Lido OC solution provides customers with current aeronautical data for flight preparation. Our Electronic Route Manual enables pilots to bring onboard electronic airport and route charts on a workpad, giving them immediate access to all flight route information. For flight preparation, these charts are available online and offline and offer a substantial reduction in the crew's workload.



Experts in systems integration

Systems integration has been a key element of the Lufthansa Systems product and service portfolio for a number of years. Experienced consultants and developers support customers from all sectors in developing and implementing new software solutions, as well as integrating them with existing applications. Lufthansa Systems has in-depth expertise of SAP applications and specific airline and aviation know-how.

The seamless exchange of information across unit and company boundaries is business-critical for many companies of all industries. Recorded data can often be applied to many business processes. Lufthansa Systems helps its customers to implement the required IT solutions. The objective: to increase the efficiency and speed of company procedures in order to gain or consolidate a competitive advantage.

In particular, companies in the airline and aviation industry are able to benefit from our expertise as systems integrator. Lufthansa Systems has many years of experience and specific know-how in the areas of Maintenance, Repair and Overhaul (MRO), and the SAP solution Aerospace & Defense plays a key role in the services we provide. Our consultants work closely with our customers to optimize company-specific business processes. Lufthansa Systems satisfies the demanding quality and safety requirements in the field of aircraft maintenance and repair by managing the applications in its own data center.

Customized IT infrastructure services

In the segment Infrastructure Services, Lufthansa Systems plans and manages IT solutions for large and medium-sized companies of all industries. As a full-service provider, we offer a full-range portfolio of products and services, carefully customized to meet individual needs. This ranges from ongoing consulting services to operational support for highly advanced heterogeneous IT systems.

For example, we offer our customers the entire range from full outsourcing to part outsourcing of their IT systems to us. Outsourcing is commonly accompanied by server consolidation, since standardization of the hardware reduces operating costs while at the same time improving cost transparency. Network management is an important component of our infrastructure services. We design, implement and manage a multitude of powerful global networks for our customers.

Innovative and powerful telecommunications networks represent another area of our activities. This includes wireless networks (wireless LAN) and network-based telephone services (Voice over IP). Working alongside well-known manufacturers of IP-based telephone services, Lufthansa Systems delivers customer-focused solutions for integrating speech and data. We offer digital trunking solutions to companies that require high-quality customized wireless solutions.

The cooperation with Lufthansa Systems is conducted on the basis of a series of agreements. These Service Level Agreements (SLAs) determine the scope and quality of the IT services we provide. Customers thus receive exactly the services they need and pay only for what they use.

Lufthansa Systems provides customers with ASP solutions including software, computing capacity and helpdesk services. They are all centrally located at our data center in Kelsterbach, and accessible via a secure, high availability data connection. The benefit of ASP is that it requires no initial investment and costs are entirely demand-related.



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