Lufthansa Group

What
drives us.

What
defines us.

How
we work.

Focused on our way.

1st Interim Report Jan. – March 2014

Lufthansa Group overview

Key figures Lufthansa Group

		Jan. – March 2014	Jan. – March[3] 2013	Change in %
Revenue and result				
Total revenue	€m	6,462	6,628	−2.5
of which traffic revenue	€m	5,161	5,338	−3.3
Operating result	€m	−245	−359	31.8
EBIT	€m	−232	−496	53.2
EBITDA	€m	108	−2	
Net profit / loss for the period	€m	−252	−458	45.0
Key balance sheet and cash flow statement figures				
Total assets	€m	29,249	29,749	−1.7
Equity ratio	%	17.9	15.4	2.5 pts
Net indebtedness	€m	1,639	1,700	−3.6
Cash flow from operating activities	€m	855	979	−12.7
Capital expenditure (gross)	€m	859	718	19.6
Key profitability and value creation figures				
Adjusted operating margin[1]	%	−3.5	−5.2	1.7 pts
EBITDA margin	%	1.7	0.0	1.7 pts
Lufthansa share				
Share price at the quarter-end	€	19.02	15.24	24.8
Earnings per share	€	−0.55	−1.00	45.0
Traffic figures[2]				
Passengers	thousands	21,738	21,638	0.5
Passenger load factor	%	75.6	76.1	−0.5 pts
Freight and mail	thousand tonnes	458	462	−0.8
Cargo load factor	%	71.6	70.5	1.1 pts
Available tonne-kilometres	millions	9,299	9,207	1.0
Revenue tonne-kilometres	millions	6,780	6,751	0.4
Overall load factor	%	72.9	73.3	−0.4 pts
Flights	number	231,584	234,299	−1.2
Employees				
Employees as of 31.3.	number	117,922	116,588	1.1

[1] Performance indicator to enable comparison with other airlines: (operating result + write-backs of provisions) / revenue.
[2] Previous year's figures have been adjusted.
[3] Previous year's figures have been adjusted due to IFRS 11.

Date of publication: 6 May 2014.

Contents

Ladies and gentlemen,

Our business was affected by a wide variety of factors in the first quarter of 2014. The mild winter in Germany and Europe and the development of fuel prices had a positive impact on our airlines. As expected, the new depreciation policy for aircraft and reserve engines also improved earnings. However, a number of strikes, particularly at Frankfurt Airport, and the detrimental performance of several foreign currencies proved challenging for our day-to-day business. Overall, we were able to improve our operating result compared with last year. We are satisfied with this development.

Nonetheless, the performance of the Passenger Airline Group, our largest operating segment, remains extremely volatile and directly dependent on market conditions. The performance of the Passenger Airline Group, and thereby of the Lufthansa Group as a whole, over the rest of the year will be largely dependent on developments in currently weak demand, and fluctuating fuel prices.

The success of our Company therefore remains dependent upon our broad diversification as a global aviation group. Our service segments are not only global leaders in their industries. They are also a consistent guarantors for our success. The MRO and IT Services segments improved their results in the first quarter, as did the Passenger Airline Group. The Logistics and Catering segments saw a slight downturn in their results, but we remain confident about their performance over the remainder of the year.

By constantly improving our product we want for example to strengthen our airlines. This includes investing in the continual renewal of the fleet and product, both of which are continuing apace this year. Our new, cutting-edge and quiet fleet, fitted with the newest cabin layouts for maximum passenger comfort, will keep us among the top international quality carriers. Lufthansa Passenger Airlines' introduction of the Premium Economy Class this year represents another step in this direction. However, we will have to earn the money for these investments in the future, too.

In order to be able to benefit from our diversification in future as well we are permanently revising and updating our portfolio. We intend to split the IT Services segment into three separate companies. The infrastructure area is to be spun off into a partnership with an international IT services provider, in order to create growth prospects and new opportunities. Preserving jobs and sites will be an important criterion when it comes to our choice of partner. The two other areas will continue to exploit their good market opportunities as independent companies within the Lufthansa Group. Consolidating our Miles & More activities in an independent company will sharpen the focus on our frequent fliers and further improve the service for them. This will also provide us with the opportunity to develop Miles & More futher for the benefit of all customers by making use of new growth opportunities. Activities like these will allow us to create perspectives for shareholders, customers and employees in all segments and sub-areas with promising market opportunities.

It is our employees who make the Lufthansa Group what it is: an outstanding company, globally present, with its roots in Germany. Our workforce of around 118,000 staff on the ground and in the air work hard every day to make us a better company and to enable us to meet the challenge of constant change. Our own transformation is far from over. Our SCORE programme continues to make good progress and is contributing significantly to the improvement in our earnings. The programme is not finished yet, but we already know that a lot of what we have instituted – particularly a culture that is braver and more open to change – will become a consistent part of our day-to-day work.

We have also made changes in our Executive Board. Carsten Spohr has assumed the role of Chairman of the Executive Board and CEO. Karl Ulrich Garnadt is in charge of Lufthansa German Airlines, and Bettina Volkens has taken on the role of Chief Human Resources Officer at Lufthansa Passenger Airlines in addition to her previous responsibilities. As an Executive Board team, we are delighted to have the opportunity to shape the future of this great company together with our employees.

Thank you for your continued trust.

Carsten Spohr
Chairman of the Executive Board

Simone Menne
Member of the Executive Board

Karl Ulrich Garnadt
Member of the Executive Board

Bettina Volkens
Member of the Executive Board

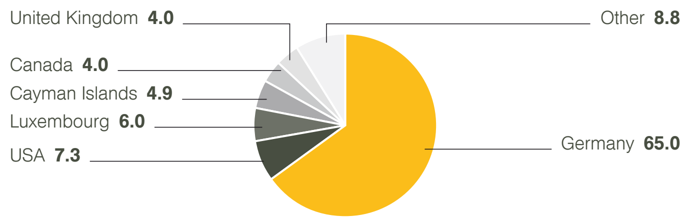
Harry Hohmeister
Member of the Executive Board

Lufthansa share

The Lufthansa share stood at EUR 19.02 at the end of the first quarter of 2014. This represents an increase of 23.3 per cent over the start of the year. It thereby performed much better than the DAX index, which was stagnant during the same period (+0.0 per cent). Despite this good performance, analysts believe that the share price has even more potential. At the end of the quarter, the average target price was EUR 20.73.17 out of 31 analysts recommend the share as a buy.

The Annual General Meeting accepted the proposal of the Executive Board and the Supervisory Board to pay a dividend of EUR 0.45 per share for the 2013 financial year. This represents a dividend ratio of 30 per cent of the 2013 operating result, and thereby conforms to the existing dividend policy. The Lufthansa Group's dividend policy will be reviewed in the course of 2014. This is mainly due to the adjustment made to the depreciation policy and the related positive earnings contributions, which have no impact on the Company's cash flow. Irrespective of possible adjustments, the Lufthansa Group will continue to allow its shareholders to participate in the Company's success by way of a reliable dividend policy.

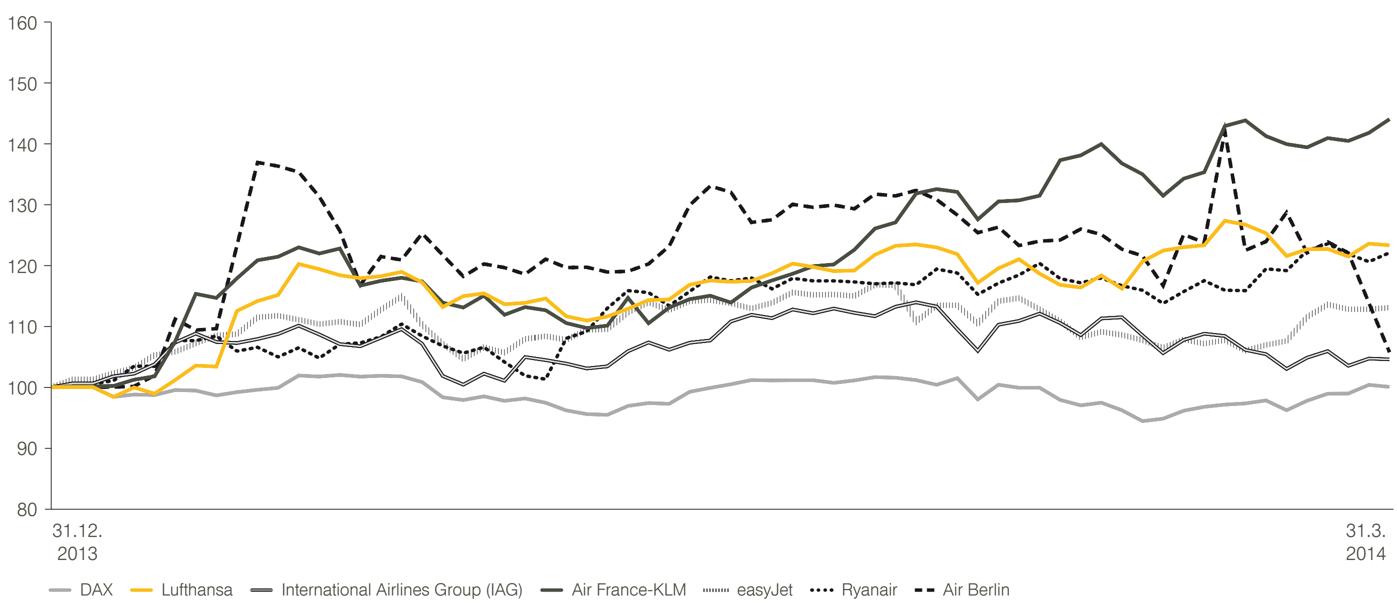
Shareholder structure by nationality in % (as of 31.3.2014)



Free float: 100%

The free float for Lufthansa shares was unchanged at 100 per cent at the end of the quarter. 65.0 per cent of Lufthansa shares were held by German investors. As in the previous year, the largest individual shareholders were BlackRock Inc. with 5.43 per cent, The Capital Group Companies with 5.34 per cent and Templeton Global Advisors Limited with 5.00 per cent. Up-to-date information on the shareholder structure is provided regularly on our website i www.lufthansagroup.com/investor-relations.

Performance of the Lufthansa share, indexed as of 31.12.2013, compared with the DAX and competitors, in %



Interim management report

Economic environment and sector performance

GDP growth 2014* compared with previous year

in %	Q1	Q2	Q3	Q4	Full year
World	3.1	2.9	3.0	3.1	3.0
Europe	1.6	1.5	1.6	1.7	1.6
Germany	2.4	1.8	2.0	2.3	2.1
North America	2.5	2.6	2.2	2.2	2.4
South America	1.7	1.9	2.6	2.9	2.3
Asia/Pacific	5.3	4.9	4.9	5.0	4.9
China	7.3	7.4	7.6	7.7	7.5
Middle East	3.4	3.5	3.6	4.0	3.6
Africa	3.6	3.8	4.3	4.5	4.1

Source: Global Insight World Overview as of 15.4.2014.
* Forecast.

Macroeconomic situation The global economy grew by 3.1 per cent in the first quarter, exceeding the growth in the same period last year (1.9 per cent) by a significant margin. Performance differed widely between individual regions, however. At 4.6 per cent, emerging economies continued to post the highest growth rates, while the industrialised economies grew by 2.2 per cent. The European Union member states also returned to a course of growth. The economy of the European Union grew by 1.4 per cent in the first quarter after contracting in 2013.

Since the beginning of the year, the oil price has fallen from USD 110.80/barrel to USD 107.76/barrel as of 31 March 2013. The average price in the first quarter of USD 107.91/barrel was 4.1 per cent lower than last year's figure. At the same time, the jet fuel crack (price difference between crude oil and kerosene) was around 17.4 per cent lower than last year. Overall, the kerosene price went down year on year by an average of 5.6 per cent. The Lufthansa Group's hedging result depressed the result by EUR 20m. Fuel costs for the Lufthansa Group came to EUR 1.5bn overall (previous year: EUR 1.7bn).

Against the same period last year, the euro increased in strength compared with most currencies. A by 3.8 per cent weakened US dollar had a positive impact on costs. Income presented a mixed picture. While the British pound appreciated by 2.6 per cent, the Japanese yen weakened against the euro by 15.8 per cent. The Chinese renminbi also lost 1.7 per cent against the euro.

The Swiss franc remained nearly unchanged against the euro. Overall, exchange rate effects depressed the operating result for the first quarter by EUR 25m.

Development of crude oil, kerosene and currency

		Minimum	Maximum	Average	31.3.2014
ICE Brent	in USD/bbl	105.78	111.20	107.91	107.76
Kerosene	in USD/t	943.00	1 017.75	972.50	953.75
USD	1 EUR/USD	1.3486	1.3925	1.3703	1.3772
JPY	1 EUR/JPY	136.75	145.07	140.86	141.96
CHF	1 EUR/CHF	1.2122	1.2372	1.2233	1.2177
CNY	1 EUR/CNY	8.1713	8.6216	8.3575	8.5585
GBP	1 EUR/GBP	0.8175	0.8396	0.8280	0.8257

Sector developments Increasing confidence in the sustainability of the economic recovery had a positive impact on global demand for air travel. According to the calculations of the International Air Transport Association (IATA), revenue passenger-kilometres worldwide rose by 6.9 per cent year on year in the first two months of the year. European airlines recorded growth of 6.7 per cent, which is unusually high for this core market. Once again, however, the strongest growth came from Middle Eastern carriers. They sold 16.0 per cent more passenger-kilometres year on year in the first two months of the quarter.

The premium segment grew by 5.1 per cent globally.

The cargo business was more subdued than the passenger business in the first quarter. Globally, revenue tonne-kilometres went up by 3.6 per cent overall in the first two months of the year. As in passenger traffic, the situation here varied significantly across the regions. Middle Eastern freight carriers grew by 11.3 per cent compared with the same period last year. European airlines grew by 5.7 per cent, but North American airlines by just 0.2 per cent.

The trend of mergers and partnerships in the airline industry continued in 2014. In addition to A++, the leading transatlantic joint venture between the airlines of the Lufthansa Group and its Star Alliance partners United Airlines and Air Canada, various competitors expanded their partnerships. Delta and Virgin Atlantic, for instance, established a transatlantic joint venture in the first quarter, which will complement the existing joint ventures on North American routes. oneworld alliance member Finnair joined the transatlantic joint venture between IAG and American Airlines. TAM and US Airways joined the oneworld alliance at the end of the first quarter. They both left the Star Alliance as a result of their mergers with LAN (TAM) and American Airlines (US Airways).

In Europe, Etihad Airways, from the United Arab Emirates, has been providing feeder flights to and from various European airports since the first quarter with the Swiss airline Darwin Airlines, in which Etihad Airways holds an interest, under the name of Etihad Regional. Etihad and Air Berlin are also in negotiations about reorganising the economic relationship between the airlines, while Etihad is also negotiating with Alitalia about a possible equity investment.

The rating agency Standard & Poor's awarded investment grade ratings to Ryanair and Westjet in the first quarter of 2014 (BBB+ and BBB– respectively). This makes the Lufthansa Group, alongside these two, Southwest Airlines and Air New Zealand the only five airlines worldwide with such a rating.

Course of business

As expected, performance differed between business segments and regions in the first quarter of 2014. While the performance of foreign currencies and strikes had a negative impact on business, a fall in fuel costs and lower depreciation resulting from the new depreciation policy for aircraft and reserve engines had a positive impact on the result.

The Lufthansa Group's revenue decreased year on year, primarily due to the strength of the euro. By contrast, the operating result increased significantly, but remained negative in the traditionally weaker first quarter. The Passenger Airline Group, MRO and IT Services segments increased their earnings contributions, while Logistics and Catering recorded downturns.

Significant events For the Lufthansa Group, the first quarter of 2014 was marked by various strikes. A number of security companies at Frankfurt Airport went on strike on 21 February 2014 in response to a call by the trade union ver.di. This resulted in delays and cancellations throughout the day affecting all of the Lufthansa Group airlines, and also caused problems for passengers, particularly at Frankfurt Airport.

On 27 March 2014, the trade union ver.di again called for nationwide warning strikes at German airports, this time in the course of negotiations for the public sector. In Frankfurt and Munich, the strikes forced the airlines of the Lufthansa Group to cancel almost every domestic and European flight scheduled to leave between 6 a.m. and 2 p.m. on that day. The strikes did not affect Germanwings flights or those operated by Lufthansa's regional subsidiaries to and from Munich.

Around 5,400 cockpit staff at Lufthansa Passenger Airlines, Germanwings and Lufthansa Cargo went on strike between 2 and 4 April 2014 as part of ongoing wage negotiations. The strike was called by the Vereinigung Cockpit pilots' union (VC) following a strike ballot held in March 2014. Lufthansa Passenger Airlines and Germanwings had to cancel around 3,800 flights on these dates because of the strike. The cancellations affected some 425,000 passengers and 4,500 tonnes of freight. The strike was preceded by protracted and intense talks and negotiations on salaries and future transitional benefits for pilots wishing to take voluntary retirement. Negotiations with the Vereinigung Cockpit pilots' union resumed following the three-day strike.

SCORE Implementation of the SCORE programme is progressing in all areas of the Lufthansa Group. Alongside further cost-saving initiatives, the programme increasingly focused on structural measures and those designed to increase revenue during the reporting period.

The transition to Germanwings is at an advanced stage. Some 50 Airbus A319 aircraft were already flying with the new Germanwings livery by the end of the first quarter. The transition from Lufthansa to Germanwings started this spring in Düsseldorf, the final and by far the largest site. The process will be implemented step by step over the course of this summer flight schedule, and is due for completion by the start of 2015.

Lufthansa Passenger Airlines presented its new 'Premium Economy Class' in March. The product is positioned between Economy Class and Business Class, and passengers will be able to book tickets from May 2014 before the product is launched on long-haul routes in November 2014.

The negotiations relating to the settlements of interest and severance payments for the site in Cologne were also concluded in March. The migration of activities from headquarters to the new Lufthansa Global Business Services began at the end of April and should be successfully completed by the end of 2014.

Lufthansa Technik is boosting its commitment in the areas of product and service innovations and research and development. A central innovation management function in Hamburg will make these activities more professional and significantly increase the financial commitment, from EUR 50m over the past five years to EUR 200m in the coming four years.

Staff and management The Lufthansa Group made additional changes to the Executive Board after appointing the new Chairman of the Executive Board and CEO of Deutsche Lufthansa AG. Carsten Spohr (47) took over as Chairman of the Executive Board and CEO from Christoph Franz on 1 May 2014. Karl Ulrich Garnadt (57) took over from Carsten Spohr as Chairman of the Executive Board of Lufthansa German Airlines. The Supervisory Board of Deutsche Lufthansa AG appointed Karl Ulrich Garnadt to the Group's Executive Board at its meeting on 12 March 2014. He has worked for the Lufthansa Group since 1979, including many years in a range of senior management functions at Lufthansa Passenger Airlines and Lufthansa Cargo, and has been Chairman of the Executive Board and CEO of Lufthansa Cargo AG since January 2011. Karl Ulrich Garnadt became the Executive Board member responsible for Lufthansa Passenger Airlines on 1 May 2014.

The Supervisory Board of Lufthansa Cargo AG also appointed Peter Gerber (50) to succeed Karl Ulrich Garnadt as its new Chairman of the Executive Board and CEO. Peter Gerber has been responsible for Human Resources, IT and Services on the Executive Board of Lufthansa German Airlines since June 2012. Prior to that, he was in charge of Finance, IT and Human Resources on the Executive Board of Lufthansa Cargo from 2009 to May 2012. He also took up his new position on 1 May 2014.

Dr Bettina Volkens, who has been Chief Human Resources Officer of Deutsche Lufthansa AG and the Executive Board's Chief Officer for Human Resources and Legal Affairs since 1 July 2013 will also become Chief Human Resources Officer at Lufthansa German Airlines as of 1 May 2014.

Changes in reporting standards and in the group of consolidated companies Until the end of the financial year 2012, new commercial aircraft and reserve engines were depreciated over a period of twelve years to a residual value of 15 per cent. According to an analysis of the Company undertaken when the 2013 financial statements were being prepared, technological developments and economically induced higher requirements towards cost-efficiency have resulted in significant changes to the forecast useful economic life of the commercial aircraft and reserve engines used in the Lufthansa Group. In line with the fleet strategy, which takes these aspects into account, as well as with external considerations, new commercial aircraft and reserve engines will now be depreciated over a period of 20 years to a residual value of 5 per cent, starting in the financial year 2013. The adjustment to their useful lives was made prospectively as a change in an accounting estimate in accordance with IAS 8.32. The change was therefore not made retrospectively for interim reporting periods in previous years. As a result of the change in the accounting estimate of the useful economic life of these assets, depreciation and amortisation was EUR 83m lower in the first quarter of 2014.

In accordance with IFRS 11 Joint Arrangements, which became mandatory as of 1 January 2014, the equity investment in Aerologic GmbH is no longer accounted for using the equity method. Instead, the earnings, assets and liabilities of this company are now recognised in the consolidated financial statements on a pro rata basis. The figures for the previous year have been adjusted accordingly. However, this change had no material effect in the first quarter of 2014 or in the same period of the previous year.

The other standards and interpretations mandatory for the first time as of 1 January 2014 did not have a significant effect on the Group's net assets, financial and earnings position as shown in the present interim report. For further details, see the notes to the consolidated financial statements starting on p. 30.

There have been no significant changes to the group of consolidated companies since this time last year. The individual changes compared with year-end 2013 and 31 March 2013 are shown in the table on p. 30. These changes had no significant effect on the consolidated balance sheet and income statement in comparison with the same period last year.

Earnings position

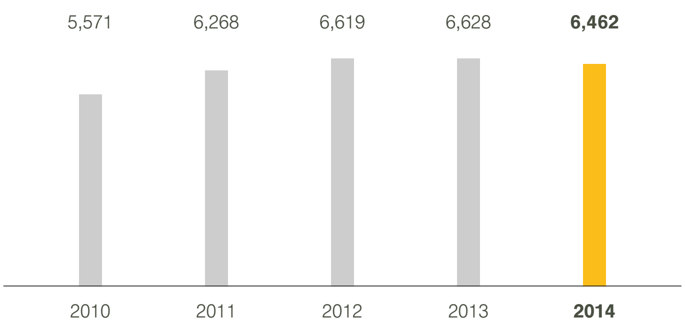
Traffic figures of the Lufthansa Group's airlines*

		Jan. – March 2014	Jan. – March 2013	Change in %
Passengers carried	thousands	21,738	21,638	0.5
Available seat-kilometres	millions	58,362	58,109	0.4
Revenue seat-kilometres	millions	44,104	44,249	−0.3
Passenger load factor	%	75.6	76.1	−0.5 pts
Freight / mail	thousand tonnes	458	462	−0.8
Available cargo tonne-kilometres	millions	3,425	3,389	1.1
Revenue cargo tonne-kilometres	millions	2,453	2,390	2.6
Cargo load factor	%	71.6	70.5	1.1 pts
Total available tonne-kilometres	millions	9,299	9,207	1.0
Total revenue tonne-kilometres	millions	6,780	6,751	0.4
Overall load factor	%	72.9	73.3	−0.4 pts
Flights	number	231,584	234,299	−1.2

* Previous year's figures have been adjusted.

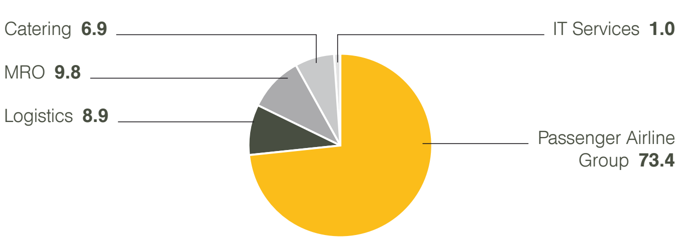
Revenue and income The airlines in the Lufthansa Group improved their traffic figures in the passenger business year on year in the first quarter of 2014, while the cargo business declined. The airlines carried around 21.7 million passengers, a rise of 0.5 per cent. The transport of freight and mail, on the other hand, fell to 458 thousand tonnes (–0.8 per cent). The individual performance data for the separate segments is presented in the respective chapters.

Revenue development in €m (Jan. – March)



Despite the slight increase in traffic figures (measured in available seat-kilometres) in the passenger business, sales (measured in revenue passenger-kilometres) fell by 0.3 per cent year on year in the first quarter. In the freight business, sales (in revenue tonne-kilometres) went up by 2.6 per cent. Traffic revenue for the Group contracted by 3.3 per cent to EUR 5.2bn. Lower prices (–1.0 per cent) and negative exchange rate effects (–2.4 per cent) more than offset an increase in volumes that improved revenue slightly (+0.1 per cent) and led to a decrease in income. The Passenger Airlines Group accounted for EUR 4.5bn (–3.5 per cent) of traffic revenue and the Logistics segment for EUR 566m (–2.4 per cent).

External revenue share of the business segments in % (as of 31.3.2014)



At EUR 1.3bn, other revenue was 0.9 per cent up on the previous year. Of the total, the MRO segment generated EUR 634m (+1.3 per cent), Catering EUR 445m (+2.8 per cent) and IT Services, which was unchanged on the previous year, EUR 63m. The airborne companies in the Passenger Airline Group and Logistics segment contributed EUR 159m (–5.4 per cent) to other revenue.

Overall, the Group's revenue decreased by 2.5 per cent on the previous year's figure to EUR 6.5bn. The development of revenue over the last five years is shown in the adjacent chart.

The Passenger Airline Group's share of total revenue fell in the first quarter to 73.4 per cent (–0.7 percentage points). The distribution of revenue by segment and region is shown in the segment reporting starting on p. 35.

Other operating income decreased by 5.2 per cent to EUR 514m. Higher profits from the disposal of current financial investments (EUR +16m) and write-ups of non-current assets (EUR +14m) were offset by lower exchange rate gains (EUR –61 million). The other individual items did not vary significantly compared with the same quarter last year.

Total operating income therefore fell by EUR 182m, or 2.5 per cent, to EUR 7.0bn.

Revenue and income

	Jan. – March 2014 in €m	Jan. – March 2013 in €m	Change in %
Traffic revenue	5,161	5,338	–3.3
Other revenue	1,301	1,290	0.9
Total revenue	**6,462**	**6,628**	**–2.5**
Changes in inventories and work performed by the entity and capitalised	46	34	35.5
Other operating income	514	542	–5.2
Total operating income	**7,022**	**7,204**	**–2.5**

Expenses Operating expenses fell by EUR 462m (– 6.0 per cent) to EUR 7.2bn. The cost of materials and services at the Lufthansa Group fell by 4.0 per cent to EUR 3.9bn, however. Within the cost of materials and services, fuel costs fell by 9.4 per cent to EUR 1.5bn, despite a slight increase in traffic. In addition to the 4.4 per cent decrease in fuel prices (after hedging), the movement of the US dollar and lower volumes reduced expenses by 4.0 per cent and 1.0 per cent respectively. The expenses for other raw materials, consumables and supplies rose by 4.7 per cent to EUR 646m.

Expenses

	Jan. – March 2014 in €m	Jan. – March 2013 in €m	Change in %
Cost of materials and services	3,933	4,099	– 4.0
of which fuel	1,517	1,674	– 9.4
of which fees and charges	1,168	1,177	– 0.8
of which operating lease	15	26	– 42.3
Staff costs	1,798	1,788	0.6
Depreciation	340	490	– 30.6
Other operating expenses	1,134	1,290	– 12.1
Total operating expenses	**7,205**	**7,667**	**– 6.0**

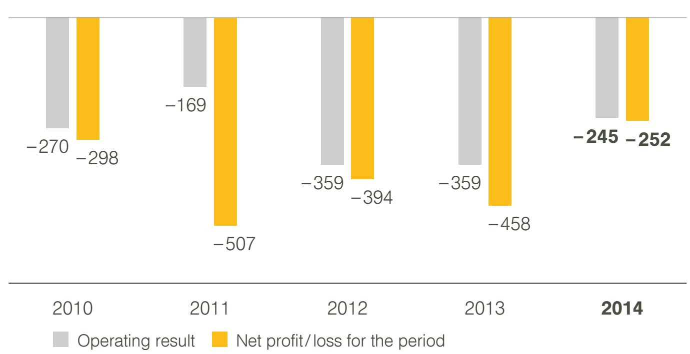
Fees and charges declined by 0.8 per cent overall to EUR 1.2bn. While handling charges went down by 7.4 per cent, security fees (+ 7.4 per cent), take-off and landing fees (+ 3.3 per cent) and passenger fees (+ 5.2 per cent) went up. Expenses for the air traffic tax remained steady year on year at EUR 76m. Other purchased services totalled EUR 602m, 4.6 per cent less than last year, primarily due to lower charter expenses and expenses for operating leases.

Staff costs increased by 0.6 per cent. This is primarily due to the additions to the group of consolidated companies, whereby the average number of employees rose by 1.1 per cent to 117,922. On the contrary, staff costs were reduced by a decline in restructuring costs as part of SCORE as well as by exchange rate effects. Depreciation and amortisation decreased by EUR 150m, or 30.6 per cent, in total, to EUR 340m.

Accompanying the change in the depreciation of aircraft (EUR – 75m), the adjustment to the useful economic life of commercial aircraft reduced depreciation and amortisation by a total of EUR 83m. Impairment losses fell from EUR 75m in the previous year to EUR 3m in the current reporting period, and related to a Canadair Regional Jet 700. In the previous year, impairment losses were recorded for four Airbus A340-300s, five Boeing 737-500s, three B737-300s and four Canadair Regional Jet 700s.

Other operating expenses shrank by 12.1 per cent to EUR 1.1bn. In addition to lower exchange rate losses (EUR – 118m), fewer agency commissions (EUR – 12m) and reduced expenses for computerised distribution systems (EUR – 11 million), SCORE expenses of EUR 17m recorded in the same period last year led to a further decrease. These declines in expenses were primarily offset by greater indirect staff costs as well as those for external staff (EUR + 17m). The individual other items did not vary significantly compared with last year.

Operating result and net profit / loss for the period in €m (Jan. – March)



Earnings development Profit from operating activities increased by EUR 280m to EUR – 183m. The operating result, which is regularly adjusted for the items shown in the table on p. 8, was up EUR 114m at EUR – 245m.

The result from equity investments decreased overall by EUR 4m to EUR – 8m in the reporting period. Net interest, on the other hand, improved to EUR – 75m (previous year: EUR – 83m).

The result from other financial items fell by EUR 12m to EUR –41m. As in the previous year, this was entirely due to changes in the market value of financial derivatives recognised through profit and loss. Earnings before interest and taxes (EBIT) reflect the changes in the operating result, the result from equity investments and from other financial items and came to EUR –232m at the end of the first quarter (previous year: EUR –496m).

Earnings before taxes (EBT) went up by EUR 272m to EUR –307m. As the pre-tax result was negative, income taxes diminished the loss by EUR 59m (previous year: EUR 125m). Deducting minority interests (EUR 4m) leaves a net loss for the period of EUR 252m (previous year: EUR –458m). Earnings per share improved from EUR –1.00 to EUR –0.55 compared with the same period in the previous year.

Cash flow and capital expenditure

The cash flow from operating activities of EUR 855m in the first quarter of 2014 was down EUR 124m on the same period in the previous year. Starting from a profit before income taxes that was EUR 272m higher than in the previous year, the elimination of non-cash depreciation and amortisation and of cash flows attributable to investing and financing activities had a negative impact of EUR 166m on cash flow from operating activities compared with the previous year. Changes in the working capital and income tax payments resulted in further declines of EUR 195m and EUR 47m respectively. Gross capital expenditure came to EUR 859m (previous year: EUR 718m), of which 13 aircraft (one Airbus A380, three Boeing 747-8s, one B777-200, one B777F, one A330-300, four A320s and two A319s) as well as aircraft overhauls and down payments accounted for EUR 755m. An additional EUR 57m was

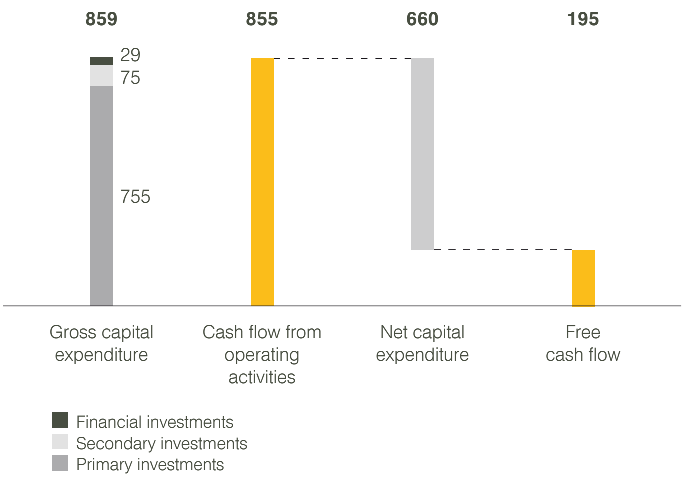
Reconciliation of results

in €m	Jan. – March 2014 Income statement	Jan. – March 2014 Reconciliation with operating result	Jan. – March 2013 Income statement	Jan. – March 2013 Reconciliation with operating result
Total revenue	**6,462**	**–**	**6,628**	**–**
Changes in inventories	46	–	34	–
Other operating income	514	–	542	–
of which book gains and current financial investments	–	–35	–	–12
of which income from reversal of provisions	–	–20	–	–14
of which write-ups on capital assets	–	–15	–	–1
of which period-end valuation of non-current financial liabilities	–	–10	–	–6
Total operating income	**7,022**	**–80**	**7,204**	**–33**
Cost of materials and services	–3,933	–	–4,099	–
Staff costs	–1,798	–	–1,788	–
of which past service cost	–	0*	–	0*
Depreciation	–340		–490	
of which impairment losses	–	3	–	75
Other operating expenses	–1,134		–1,290	
of which impairment losses on assets held for sale – non-operating	–	0*	–	5
of which expenses incurred from book losses and current financial investments	–	11	–	5
of which period-end valuation of non-current financial liabilities	–	4	–	51
Total operating expenses	**–7,205**	**18**	**–7,667**	**137**
Profit / loss from operating activities	**–183**	**–**	**–463**	**–**
Total from reconciliation with operating result	–	–62	–	104
Operating result	**–**	**–245**	**–**	**–359**
Result from equity investments	–8	–	–4	–
Other financial items	–41	–	–29	–
EBIT	**–232**	**–**	**–496**	**–**
Write-downs (included in profit from operating activities)	340	–	490	–
Write-downs on financial investments, securities and assets held for sale	–	–	4	–
EBITDA	**108**	**–**	**–2**	**–**

* Rounded below EUR 1m.

invested in other property, plant and equipment. Intangible assets accounted for EUR 18m of the remaining capital expenditure. Financial investments of EUR 29m related almost solely to loans. Losses and additions related to reparable spare parts resulted in a net cash outflow of EUR 16m.

Cash flow and capital expenditure in €m (as of 31.3.2014)



The funding requirement was partly covered by interest and dividend income (EUR 139m in total) and by proceeds of EUR 30m from the disposal of assets – mostly aircraft. The purchase and sale of current securities and funds resulted in a net cash inflow of EUR 371m. A total of EUR 289m in net cash was therefore used for capital expenditure and cash management activities (previous year: EUR 580m).

Free cash flow, defined as cash flow from operating activities less net capital expenditure, came to EUR 195m and was EUR 271m lower than last year.

Net financing cash flow was EUR 1.2bn. Some new borrowing of EUR 34m was offset by debt repayments of EUR 1.1bn in total, interest paid of EUR 116m and dividends paid to minority shareholders of EUR 4m. The majority of the debt repayments relate to the scheduled repayment of an unsecured euro bond of EUR 850m.

Cash and cash equivalents fell by EUR 645m to EUR 762m. This includes a decrease of EUR 6m in cash balances due to exchange rate movements. The internal financing ratio was 99.5 per cent (previous year: 136.4 per cent). Overall, cash including current securities at the end of the first quarter fell to EUR 3.6bn (previous year: EUR 5.2bn). The detailed cash flow statement can be found on p. 29.

Assets and financial position

The Group's total assets rose slightly by EUR 141m to EUR 29.2bn as of 31 March 2014 compared with year-end 2013. Non-current assets rose by EUR 670m, while current assets decreased by EUR 529m.

Within non-current assets, the item aircraft and reserve engines rose by EUR 497m to EUR 12.9bn. The balance sheet amounts of investments accounted for using the equity method fell by EUR 53m, largely due to dividends received. The decrease of EUR 41m in other equity investments is largely due to the sale of shares in The Airline Group Limited. Derivative financial instruments decreased by EUR 59m (mainly due to currency and fuel hedging). Claims related to deferred tax assets increased by EUR 302m, primarily due to the negative after-tax result and an increase in pension provisions, which was the result of the discount rate going down from 3.75 per cent to 3.5 per cent.

In current assets, receivables increased by EUR 611m, mainly for seasonal and billing reasons. The fall in current financial derivatives (EUR –117m) relates to fuel price, foreign exchange and interest rate hedges. Cash and cash equivalents, consisting of current securities, bank balances and cash-in-hand, went down by EUR 1.0bn to EUR 3.7bn due to the repayment of financial liabilities. The proportion of non-current assets in the balance sheet total rose from 66.7 per cent at year-end 2013 to 68.7 per cent currently.

Shareholders' equity (including minority interests) fell by EUR 884m (–14.5 per cent) to EUR 5.2bn as of the reporting date. This decline is largely due to the negative after-tax result of EUR 248m, an increase in pension provisions without effect on profit and loss (EUR 455m) and negative changes in the market value of financial instruments (EUR –163m). The equity ratio fell from 21.0 per cent at the end of 2013 to 17.9 per cent.

Non-current liabilities and provisions went up by EUR 625m to EUR 12.7bn, while current borrowing rose by EUR 400m to EUR 11.4bn. Within non-current borrowing, pension provisions went up by EUR 660m, mainly due to a fall in the discount rate from 3.75 per cent to 3.5 per cent. Financial liabilities fell by EUR 95m, primarily due to maturities. The increase in derivative financial instruments (EUR +66m) relates mainly to existing foreign exchange and interest rate hedges.

Within current liabilities and provisions, other provisions decreased by EUR 79m, in part as a result of the use of provisions formed for restructuring measures carried out in the course of SCORE. The decrease in current financial liabilities (EUR –958m) is largely due to the repayment of a euro bond in the amount of EUR 850m. In addition, trade payables and other financial liabilities climbed (EUR +225m) – largely for seasonal and billing reasons – as did liabilities from unused flight documents (EUR +1.2bn).

Net indebtedness fell to EUR 1.6bn as of 31 March 2014 (year-end 2013: EUR 1.7bn). The debt repayment ratio, i.e. the adjusted cash flow from operating activities in relation to net indebtedness including pension provisions, improved to 35.6 per cent (previous year: 33.5 per cent). It is therefore above the minimum figure of 35 per cent set by the Lufthansa Group. The intended target of 45 per cent has not yet been reached, however.

Calculation of net indebtedness

	31 March 2014 in €m	31 Dec. 2013 in €m	Change as of 31 Dec. 2013 in %
Liabilities to banks	1,138	1,254	–9.3
Bonds	965	1,812	–46.7
Other non-current borrowing	3,181	3,271	–2.8
	5,284	**6,337**	**–16.6**
Other bank borrowing	29	56	–48.2
Group indebtedness	**5,313**	**6,393**	**–16.9**
Cash and cash equivalents	857	1,552	–44.8
Securities	2,817	3,146	–10.5
Net indebtedness	**1,639**	**1,695**	**–3.3**
Pension provisions	5,378	4,718	14.0
Net indebtedness and pensions	**7,017**	**6,413**	**9.4**

Group fleet – Number of commercial aircraft

Lufthansa Passenger Airlines inclusive Germanwings and regional airlines (LH), SWISS (LX), Austrian Airlines (OS) and Lufthansa Cargo (LCAG) as of 31.3.2014

Manufacturer / type	LH	LX	OS	LCAG	**Group fleet**	of which finance lease	of which operating lease	Change as of 31.12.13	Change as of 31.3.13
Airbus A310					0			–	–2
Airbus A319	73	5	7		85	10	6	+2	+2
Airbus A320	66	28	16		110	18	2	+4	+12
Airbus A321	62	8	6		76	4		–	+1
Airbus A330	19	17			36		2	–	–
Airbus A340	44	15			59	3	3	–2	–4
Airbus A380	11				11			+1	+1
Boeing 737	25				25			–4	–16
Boeing 747	31				31			+2	+1
Boeing 767			6		6	2		–	–
Boeing 777			5	3	8	1		+2	+4
Boeing MD-11F				17	17			–1	–1
Bombardier CRJ	52				52			–1	–3
Bombardier Q-Series			14		14			–	–
ATR	7				7		3	–1	–4
Avro RJ		20			20		6	–	–2
Embraer	43				43			–	–3
Fokker F70			9		9			–	–
Fokker F100			15		15			–	–
Total aircraft	**433**	**93**	**78**	**20**	**624**	**38**	**22**	**2**	**–14**

Passenger Airline Group business segment

Key figures Passenger Airline Group					of which Lufthansa Passenger Airlines[3]		
		Jan. – March 2014	Jan. – March 2013	Change in %	**Jan. – March 2014**	Jan. – March 2013	Change in %
Revenue	€m	4,900	5,069	–3.3	3,557	3,672	–3.1
of which with companies of the Lufthansa Group	€m	156	157	–0.6			
Operating result	€m	–332	–363	8.5	–286	–292	2.1
Segment result	€m	–322	–448	28.1			
EBITDA[1]	€m	–41	–74	44.6	–55	–74	25.7
Segment capital expenditure	€m	686	611	12.3			
Employees as of 31.3.	number	55,253	55,004	0.5	40,280	40,248	0.1
Passengers[2]	thousands	21,738	21,638	0.5	15,777	15,545	1.5
Available seat-kilometres[2]	millions	58,362	58,109	0.4	42,320	42,317	0.0
Revenue seat-kilometres[2]	millions	44,104	44,249	–0.3	31,650	31,934	–0.9
Passenger load factor[2]	%	75.6	76.1	–0.5 pts	74.8	75.5	–0.7 pts

[1] Before profit/loss transfer from other companies.
[2] Previous year's figures have been adjusted.
[3] Including Germanwings and regional partners.

Business and strategy The carriers at Lufthansa Passenger Airlines (including Germanwings), as well as SWISS and Austrian Airlines operate in an airline group and realise significant synergies through cooperation between the companies. In addition to the airlines mentioned above, the Lufthansa Group also holds equity interests in the carriers Brussels Airlines, JetBlue and SunExpress. The group's multi-hub strategy, which comprises the hubs in Frankfurt, Munich, Zurich, Vienna and Brussels, offers passengers a dependable choice of connections for planning their travel wishes individually. By developing its product portfolio in a structured manner and continuing to harmonise flight timetables and processes, the airline group offers passengers a finely meshed global route network with 274 destinations in 106 countries.

The Passenger Airline Group continually invests in enhancing the comfort of its passengers and in improving the ecological sustainability of its flight operations with regard to fuel and noise emissions. A total of 23 next-generation commercial aircraft are expected to be delivered this year. In addition to the latest in-flight products for passengers, this will also lead to a noticeable difference for people living near airports. Depending on the model, the new aircraft are up to 30 per cent quieter than their predecessors. Fuel efficiency and CO_2 emissions per passenger will be improved significantly and reduce unit costs. By 2025, the Lufthansa Group expects to take delivery of 261 aircraft with a list value of some EUR 32bn.

Markets and competition The market structure and the economic performance of airlines worldwide remained dependent on regional market factors in the first quarter of the new financial year. In North America, for instance, the airlines that emerged from consolidation again recorded above-average profitability. The five largest competitors have a market share of 90 per cent between them.

In Europe, the three biggest airline groups Lufthansa Group, Air France/KLM and IAG hold around 40 per cent of the market alongside the two major low-cost carriers Ryanair and easyJet. Systems are increasingly converging here. Ryanair is focusing its business model to become an airline that is looking to extend its appeal to a more discerning customer base by accessing major airports and entering into partnerships with global distribution systems. This will result in an increase in average yields and average costs.

In the long-haul business between Europe and Asia, the intense competition caused by a large number of rapidly growing market players and increasing overcapacity in the market is adversely affecting economic performance. In order to counteract the steadily increasing competitive pressure, particularly from aggressively expanding state-owned Gulf airlines, the Passenger Airline Group is responding with programmes to cut unit costs and is making investments to drive up product and service quality.

Existing partnerships are constantly being enhanced and new partnerships are reviewed. The A++ North Atlantic joint venture with United Airlines and Air Canada as well as the J+ Japan joint venture with ANA support the sustainable and profitable course of growth.

As part of a Group restructuring, the bonus programme Miles & More will be spun off into a legally independent company in order to make Europe's leading customer loyalty scheme – with more than 25 million members – even more successful and attractive to customers. Resolutions to this effect were passed in the first quarter by the Executive Board and Supervisory Board, as well as the Annual General Meeting of Deutsche Lufthansa AG on 29 April 2014.

Course of business and operating performance The course of business in the first quarter of 2014 was impacted by the warning strike held by the ver.di trade union at a number of German airports in March and by the strike of the security staff, also represented by ver.di, at Frankfurt Airport. Hundreds of flights had to be cancelled, which caused problems for the customers and companies of the Passenger Airline Group.

From April 2014 onwards, the airlines in the Passenger Airline Group will uniformly levy surcharges for intercontinental connections on the basis of the entire route flown rather than the individual segments, as before. This will remove the difference between passengers with connecting flights and those with direct flights. Ticket surcharges for flights within Europe will also be adjusted at the same time, and will be differentiated based on travel class, as is already the case for intercontinental flights.

The airlines in the Passenger Airline Group increased the number of passengers to 21.7 million (+0.5 per cent) in the first quarter of 2014. Although the number of flights fell by 1.2 per cent, capacity (measured in available seat-kilometres) was up by 0.4 per cent. Revenue seat-kilometres fell slightly by 0.3 per cent, leading the passenger load factor to fall by 0.5 percentage points to 75.6 per cent. Average yields per revenue seat-kilometre fell by 3.2 per cent, primarily due to exchange rate movements. Traffic revenue declined by 3.5 per cent.

Traffic revenue and average yields were down year on year in all traffic regions. Sales in the Europe traffic region were slightly up on last year. However, a decrease of 4.8 per cent in average yields pushed traffic revenue down by 3.3 per cent. Sales also declined slightly in the Americas region. Because of this and a downturn in average yields (–2.3 per cent), traffic revenue fell by 3.1 per cent. Sales in the Asia/Pacific region remained stable. However, this region also reported a downturn in average yields (–2.7 per cent), leading to lower traffic revenue (–2.7 per cent). The Middle East/Africa region saw a more significant drop in sales. As average yields also fell (–2.8 per cent), traffic revenue was down by 7.7 per cent.

Revenue and earnings development Despite a slight improvement in traffic (measured in available passenger-kilometres), the business segment saw a decline in sales in the first quarter of the financial year. Traffic revenue fell by 3.5 per cent to EUR 4.5bn due to the negative trend in prices (–1.0 per cent) and exchange rates (–2.2 per cent). Sales volumes remained largely stable at –0.3 per cent.

Other operating income also fell, by EUR 87m or 28.7 per cent. This was due to lower exchange rate gains (EUR –51m) and a year-on-year fall of EUR 27m in income from the reversal of write-downs recognised on other assets. Total operating income therefore declined by 4.8 per cent to EUR 5.1bn.

Operating expenses fell even more sharply by 5.0 per cent year on year to EUR 5.4bn. At EUR 3.4bn, the cost of materials and services was 5.0 per cent lower than last year. While fuel costs were down by 9.3 per cent – largely due to pricing and exchange rate movements – fees and charges fell by 1.1 per cent to EUR 1.1bn.

Trends in traffic regions Passenger Airline Group

	Net traffic revenue in €m external revenue		Number of passengers in thousands		Available seat-kilometres in millions		Revenue seat-kilometres in millions		Passenger load factor in %	
	Jan. – March 2014	Change in %	**Jan. – March 2014**	Change in %	**Jan. – March 2014**	Change in %	**Jan. – March 2014**	Change in %	**Jan. – March 2014**	Change in pts
Europe	2,074	–3.3	17,317	1.1	19,835	2.8	13,515	1.6	68.1	–0.8
America	1,206	–3.1	1,966	–1.0	18,755	1.7	14,884	–0.8	79.4	–2.0
Asia / Pacific	817	–2.7	1,426	–1.6	13,802	–1.3	11,253	0.0	81.5	1.0
Middle East / Africa	386	–7.7	1,029	–4.9	5,971	–6.5	4,451	–5.0	74.6	1.2
Total	**4,483**	**–3.5**	**21,738**	**0.5**	**58,362**	**0.4**	**44,104**	**–0.3**	**75.6**	**–0.5**

Lower handling charges (–8.7 per cent) were primarily offset by pricing-related increases in passenger fees (+5.2 per cent) and security fees (+7.4 per cent). Within other purchased services (–0.8 per cent), charter expenses (–37.5 per cent) and expenses for operating leases (–50.0 per cent) went down, while external MRO services were up 5.3 per cent.

While the number of employees went up by 0.5 per cent, staff costs rose by 2.8 per cent, in part due to increased in expenses for profit-sharing.

Depreciation and amortisation fell by EUR 81m to EUR 268m due to the change in the depreciation policy for aircraft.

Other operating expenses fell by EUR 55m, or 6.8 per cent, to EUR 754m, largely due to a reduction in exchange rate losses (EUR –26m), lower agency commissions (EUR –10m) and a decline in expenses for computerised global distribution systems (EUR –11m). Comments on the earnings contributions from the individual airlines can be found on the following pages.

Other segment income came to EUR 35m (previous year: EUR 13m), and primarily comprised income from the write-back of provisions (EUR 18m) and write-ups of eleven Canadair Regional Jet 700s (EUR 15m).

Other segment expenses came to EUR 6m (previous year: EUR 84m), EUR 3m of which was attributable to impairment losses on a Canadair Regional Jet 700 that was held for sale. The result of the equity valuation of EUR –19m (previous year: EUR –14m) relates to SunExpress, SN Airholding and Terminal 2 Betriebsgesellschaft in Munich. The segment result improved overall by EUR 126m to EUR –322m.

Segment capital expenditure of EUR 686m was 12.3 per cent higher than last year and was mainly incurred for new aircraft. As part of the ongoing fleet modernisation, the Passenger Airline Group acquired twelve new aircraft in the first quarter. For detailed information, please see from p. 35.

Lufthansa Passenger Airlines

Lufthansa Passenger Airlines (including Germanwings) is the largest airline in Germany, with around 16 million passengers transported in the first quarter of 2014. Its business is focused on passenger transportation as a quality carrier with full network capacities. The transfer of European traffic outside the hubs in Frankfurt and Munich to Germanwings, which began in 2013, was consistently continued in the first quarter of 2014. All of the decentral routes (with the exception of hub connections and long-haul flights from Düsseldorf) are to be served exclusively by Germanwings by the end of 2014. Lufthansa Passenger Airlines (including Germanwings) flies to a total of 235 destinations in 78 countries.

Capacity – measured in available seat-kilometres – at Lufthansa Passenger Airlines is to grow by 4 per cent in 2014 compared with the same period in the previous year, whereby capacity at Lufthansa Passenger Airlines is to grow by 5 per cent in the 2014 summer flight timetable compared with the same period in the previous year.

Lufthansa Passenger Airlines is anticipating average annual growth of 3 per cent for the medium term. The company expects the pressure from competitors to increase further due to their disproportionate growth, which will also have an adverse effect on pricing.

Lufthansa Passenger Airlines put the first A380 with the new Business Class into operation at the end of the first quarter. Additional Airbus A330 and A320 aircraft were handed over in the first three months of the year, while Germanwings took delivery of two A319s. This included the first Airbus A320 with new, noise-reducing vortex generators, which Lufthansa Passenger Airlines is installing on its own initiative to proactively protect residents near airports against noise.

Lufthansa Passenger Airlines continues to invest in product improvements. The introduction of the new Premium Economy Class for Lufthansa Passenger Airlines was an important milestone in this regard. The new class was presented to the public for the first time in March 2014, and can be booked on long-haul flights from May 2014 onwards. The Boeing 747-8 will be the first aircraft to feature it from November 2014 onwards. The new seats will gradually be fitted on the entire long-haul fleet within twelve months. With the seats, which offer up to 50 per cent more room than traditional Economy Class, Lufthansa Passenger Airlines wants to position itself at the top of this segment within the international competitive environment.

After a mild winter that had little impact on operations, Lufthansa Passenger Airlines' course of business was adversely affected in the first quarter by the strikes described in the Passenger Airline Group chapter.

The critical foreign currency situation in Venezuela also had negative impacts. Cash from ticket sales in the Venezuelan Bolivar can yet not be exchanged due to foreign currency restrictions imposed by the Venezuelan government. Lufthansa Passenger Airlines is responding to the situation with targeted capacity adjustments, such as deploying smaller aircraft or selectively reducing frequencies. A significant amount of cash reserves remains tied up in Venezuela. The holdings were provisioned accordingly.

An upturn in sales in the Europe traffic region was the main reason for a 1.5 per cent increase in passenger numbers in the first quarter, while the number of flights went up by just 0.4 per cent. However, since Lufthansa Passenger Airlines' total revenue went down by 0.9 per cent even as capacity remained stable, the passenger load factor fell 0.7 percentage points to 74.8 per cent. A total of 15.8 million passengers flew with Lufthansa Passenger Airlines including Germanwings in the first three months of the year.

Lufthansa Passenger Airlines recorded revenue of EUR 3.6bn in the first quarter of 2014. This was down 3.1 per cent on the previous year, largely due to pricing and exchange rate movements. The operating result was nonetheless up slightly year on year at EUR −286m (+2.1 per cent) despite continued expenses for product improvements, primarily because of lower depreciation and amortisation and a decrease in fuel costs. Total operating income and operating expenses went down by 4.6 per cent and 4.5 per cent respectively.

Other Group airlines

SWISS*

		Jan.–March 2014	Jan.–March 2013	Change in %
Revenue	€m	958	987	−2.9
Operating result	€m	6	−16	
EBITDA	€m	62	60	3.3
Employees as of 31.3.	number	8,663	8,492	2.0
Passengers	thousands	3,720	3,800	−2.1
Available seat-kilometres	millions	11,160	10,927	2.1
Revenue seat-kilometres	millions	8,829	8,716	1.3
Passenger load factor	%	79.1	79.8	−0.7 pts

* Including Edelweiss Air.
Further information on SWISS can be found at www.swiss.com.

SWISS is the biggest airline in Switzerland and flies to 84 destinations in 40 countries from Zurich, Basel and Geneva. SWISS stands for traditional Swiss values and is committed to outstanding product and service quality.

In the first three months of the year, the company's earnings were affected by the increased pressure from competition, particularly in Europe and on routes to Asia and the Middle East. Exchange rate developments, such as the weakness of the Japanese yen or the South African rand, also had a negative impact.

More than 200 measures relating to costs and earnings have been defined and initiated by SWISS as part of the SCORE programme, in order to improve the company's operating result sustainably and in the long term and to finance future investments in aircraft.

Some of the most significant projects were the reorganisation at the base in Geneva, the insourcing of line maintenance, participation in Group-wide fuel management and the planned increase in the earnings capacity of the existing Airbus 320 fleet.

Over the course of the financial year, SWISS will complete the implementation of the new business model and the creation of its own local crew base at the site in Geneva. Customers have been very receptive to the recently introduced pricing structure, and the passenger load factor went up by 7.0 percentage points year on year. The airline expanded the number of destinations that it flies to and from Geneva, from 13 in 2012 to 29 in 2014.

Employees did not approve the forward-looking collective bargaining agreements that had been negotiated with the trade unions that represent cockpit and cabin crew. SWISS is nonetheless committed to moving forward with the necessary restructuring and is working out new solutions with individual staff associations.

In the first quarter of 2014, SWISS carried 3.7 million passengers. At 2.1 per cent greater capacity, sales climbed by 1.3 per cent. As a result, the passenger load factor fell by 0.7 percentage points to 79.1 per cent.

SWISS recorded revenue of EUR 958m in the first three months of 2014, down slightly on the previous year's figure of EUR 987m. The operating result went up to EUR 6m (previous year: EUR –16m). This significant increase was largely due to the Lufthansa Group's new depreciation policy. Even when adjusted for this effect, the result was slightly higher than in the previous year. Negative developments affecting income were more than offset by strict cost management.

Austrian Airlines

		Jan. – March 2014	Jan. – March 2013	Change in %
Revenue	€m	403	426	–5.4
Operating result	€m	–54	–56	3.6
EBITDA	€m	–28	–22	–27.3
Employees as of 31.3.	number	6,310	6,265	0.7
Passengers	thousands	2,241	2,294	–2.3
Available seat-kilometres	millions	4,883	4,864	0.4
Revenue seat-kilometres	millions	3,625	3,599	0.7
Passenger load factor	%	74.2	74.0	0.2 pts

Further information on Austrian Airlines can be found at www.austrian.com.

Austrian Airlines is Austria's largest airline, operating a global route network to some 130 destinations with a fleet of 78 aircraft. Since 1 July 2012, the Austrian Airlines Group's flight operations have been pooled at its wholly owned subsidiary Tyrolean Airways.

Austrian Airlines started the first quarter of 2014 well in operating terms. Austrian Airlines is using active capacity management and measures to improve revenue quality in order to counteract the intense competitive situation at Vienna Airport and the resulting weak yields from European traffic. On the cost side, synergies were realised by merging the Tyrolean and Austrian MRO administration teams and by simplifying the administration of flight operations in the first quarter of 2014. However, the negative impact on revenue of the persistently weak Japanese yen and the political unrest in the Middle East, Russia and Ukraine is a significant challenge for the company.

On the basis of the legal opinions it has received, Austrian Airlines continues to expect to emerge victorious from the ongoing legal proceedings dealing with the legality of transferring operations and the validity of the collective bargaining agreement. A final legal ruling is not expected before 2015, however. The transfer of operations being ruled invalid would constitute a substantial financial risk if countermeasures are not taken. It is now focusing on continuing discussions with the works council on the collective agreement, which are intended to bring a lasting solution to the negotiating table irrespective of the court ruling.

The airline will expand capacities on routes to and from North America from summer 2014 on. A Boeing 767 will make five flights a week to the new destination of Newark from 2 July 2014 onwards.

In the first three months of the year, 2.2 million passengers flew with Austrian Airlines. This is 2.3 per cent less than in the same period last year. At 0.4 per cent greater capacity, sales climbed disproportionately by 0.7 per cent. This led to an increase in the passenger load factor of 0.2 percentage points to 74.2 per cent.

At EUR 403m, Austrian Airlines' revenue between January and the end of March 2014 was down 5.4 per cent on last year. The operating result for the first quarter came to EUR –54m. This represents an improvement of EUR 2m (+3.6 per cent) year on year, which was due to expenses decreasing in line with the change of the depreciation policy.

Logistics business segment

Key figures Logistics

		Jan. – March 2014	Jan. – March 2013	Change in %
Revenue	€m	583	600	–2.8
of which with companies of the Lufthansa Group	€m	7	6	16.7
Operating result	€m	21	28	–25.0
Segment result	€m	24	32	–25.0
EBITDA[1]	€m	38	40	–5.0
Segment capital expenditure	€m	72	61	18.0
Employees as of 31.3.	number	4,649	4,584	1.4
Freight and mail[2]	thousand tonnes	399	401	–0.3
Available cargo tonne-kilometres[2]	millions	2,863	2,817	1.6
Revenue cargo tonne-kilometres[2]	millions	2,061	2,015	2.3
Cargo load factor[2]	%	72.0	71.5	0.5 pts

[1] Before profit/loss transfer from other companies.
[2] Previous year's figures have been adjusted.

Business and strategy In addition to Lufthansa Cargo AG, the logistics specialist within the Lufthansa Group, the Logistics segment includes the airfreight container specialist Jettainer GmbH and the equity investment in the cargo airline Aerologic GmbH. Aerologic GmbH has been proportionately consolidated as a joint operation in line with IFRS 11 for the first time since 1 January 2014. The company had previously been accounted for using the equity method. Lufthansa Cargo also holds interests in various handling firms. Lufthansa Cargo markets capacities on its own freighters and chartered cargo aircraft along with belly capacities on passenger planes operated by Lufthansa Passenger Airlines and Austrian Airlines.

Markets and competition Demand on global airfreight markets was slightly lower than expected in the first quarter of 2014. The slight upturn towards the end of 2013 continued in subdued fashion in the first quarter of 2014. Lufthansa Cargo was able to successfully selling the moderate increase in capacity and kept the cargo load factor high at 72.0 per cent (+ 0.5 percentage points). The operating result came in at EUR 21m.

Course of business and operating performance Lufthansa Cargo continued to move foreward with its Lufthansa Cargo 2020 programme in the first quarter of 2014. The fleet expansion, in particular, is delivering visible results. Three new Boeing 777 freighters are now flying for Lufthansa Cargo. The oldest MD-11F was taken out of service from the Lufthansa Cargo fleet in the first quarter and brought to the USA to be sold. Lufthansa Cargo has been operating flights to Shanghai with a B777F since the end of March. This important freighter destination in Lufthansa Cargo's global route network is the first city to be served by a daily flight with the new flagship.

Lufthansa Cargo expanded its relationships with its most important customers in the first three months of the year. The airline acknowledged the logistics companies in the German market that are performing particularly well in the areas of quality and digitalisation. In doing so, Lufthansa Cargo is improving quality and making progress with digitalising processes at every stage of the value chain.

Lufthansa Cargo was presented with an award by its customers in March. Europe's leading cargo airline was given the "Platinum Award" at the renowned 'Air Cargo Excellence Awards' as part of the 2014 World Cargo Symposium in Los Angeles. The American logistics provider Expeditors International also presented Lufthansa Cargo with the '2013 Award of Excellence'.

With its summer flight timetable, which came into effect on 30 March, Lufthansa Cargo is once again providing its customers with a great deal of high-frequency capacity to 299 destinations in 100 countries. 50 cities, mostly in Asia, are served by freighters. The Italian city of Milan is a new addition to the cargo network.

Lufthansa Cargo will remain fully committed to the SCORE programme in 2014. Measures to cut costs and boost revenue will be implemented over the remainder of the year. The marketing of lucrative express products will be expanded, among other things. Using the efficient B777F will cut costs significantly.

Freight volumes remained in line with those of the previous year in the first quarter of 2014. Available tonne-kilometres rose by 1.4 per cent and cargo tonne-kilometres by 2.2 per cent. The cargo load factor went up by 0.6 percentage points compared with the first quarter of 2013.

In the Asia/Pacific region, cargo volumes increased by 4.1 per cent. Cargo tonne-kilometres went up by 3.2 per cent. As capacity was only increased by 1.3 per cent, the load factor climbed by 1.5 percentage points compared with 2013.

Cargo volumes in the Americas traffic region went up by 2.9 per cent year on year. At 3.4 per cent greater capacity, measured in tonne-kilometres, the company increased cargo tonne-kilometres disproportionately by 3.9 per cent. This led to a 0.3 percentage point increase in the load factor.

The Middle East/Africa region recorded a significant downturn in cargo volumes. Transported tonnage was down 9.8 per cent on the first quarter of 2013. While sales to and from Egypt went up again, volumes in the two other primary markets, South Africa and Kenya, went down significantly. Capacity was cut by 7.8 per cent. As cargo tonne-kilometres declined by 11.2 per cent, the load factor fell by 2.1 percentage points.

Freight volumes within Europe fell by 3.0 per cent. Available tonne-kilometres rose by 5.1 per cent but cargo tonne-kilometres only went up by 3.4 percent, causing the load factor to drop by 0.8 percentage points.

Revenue and earnings development A decline in traffic revenue (–2.4 per cent) that was mainly due to exchange rate movements meant that Lufthansa Cargo's revenue for the first quarter of 2014 dropped by 2.8 per cent compared with last year to EUR 583m. Other revenue fell to EUR 12m (–25.0 per cent), in particular due to lower income from aircraft charters. Other operating income went up by 9.5 per cent year on year to EUR 23m, largely as a result of compensation payments. Total operating income fell to EUR 606m (–2.4 per cent).

Operating expenses fell by just 1.3 per cent year on year to EUR 585m. This was largely due to the lower volume-related cost of materials and services, which came to EUR 417m (–3.2 per cent). Within this item, charter expenses fell to EUR 163m due to capacity (–6.3 per cent), fuel costs to EUR 114m (–10.2 per cent) and fees and charges to EUR 67m (–1.5 per cent). However, MRO expenses went up year on year by EUR 6m to EUR 37m (+19.4 per cent) due to maintenance inspections not being equally distributed.

Staff costs fell slightly by 1.0 per cent to EUR 97m. This was primarily due to lower retirement benefit expenses and restructuring costs compared with the first quarter of last year. These went up in 2013 due to the SCORE programme. The companies in the Logistics segment had an average of 4,649 employees in the reporting period (+1.4 per cent).

Depreciation and amortisation went up to EUR 14m due to the change in the depreciation policy and the addition of new Boeing 777 cargo aircraft.

Other operating expenses remained on a par with the previous year.

The Logistics segment generated an operating result of EUR 21m in the reporting period, which was down from the previous year's figure of EUR 28m primarily as a result of the greater number of maintenance inspections compared with the previous year and increased depreciation and amortisation.

Other segment income and expenses remained low. The segment result came in at EUR 24m (previous year: EUR 32m). This includes a result from equity investments of EUR 3m (previous year: EUR 3m) from subsidiaries accounted for using the equity method.

Segment capital expenditure went up to EUR 72m in the reporting period (previous year: EUR 61m). The rise was largely due to the down payments and final payments for new Boeing 777F aircraft.

Trends in traffic regions Lufthansa Cargo

	Net traffic revenue in €m external revenue*		Freight/mail in thousand tonnes		Available cargo tonne-kilometres in millions		Revenue cargo tonne-kilometres in millions		Cargo load factor in %	
	Jan.–March 2014	Change in %	**Jan.–March 2014**	Change in %	**Jan.–March 2014**	Change in %	**Jan.–March 2014**	Change in %	**Jan.–March 2014**	Change in pts
Europe	51	2.0	135	–3.3	159	5.0	83	3.4	52.5	–0.8
America	238	–0.4	126	2.7	1,289	3.7	932	3.9	72.4	0.2
Asia/Pacific	227	–2.6	106	3.8	1,133	1.5	887	3.2	78.3	1.3
Middle East/Africa	50	–13.8	32	–10.2	282	–7.8	158	–11.3	55.8	–2.2
Total	**566**	**–2.4**	**399**	**–0.3**	**2,863**	**1.6**	**2,061**	**2.3**	**72.0**	**0.5**

* Not including Extracharter.

MRO business segment

Key figures MRO

		Jan. – March 2014	Jan. – March 2013	Change in %
Revenue	€m	1,053	994	5.9
of which with companies of the Lufthansa Group	€m	419	368	13.9
Operating result	€m	97	81	19.8
Segment result	€m	106	91	16.5
EBITDA*	€m	135	100	35.0
Segment capital expenditure	€m	43	11	290.9
Employees as of 31.3.	number	20,276	20,048	1.1

* Before profit / loss transfer from other companies.

Business and strategy Lufthansa Technik is the world's leading independent provider of maintenance, repair and overhaul services (MRO) for civilian commercial aircraft. The Lufthansa Technik group includes 31 technical maintenance operations around the world with a total of around 20,000 employees. The company also holds direct and indirect stakes in 55 companies. The newly established INAIRVATION joint venture between Lufthansa Technik AG and LIST components & furniture GmbH joined the Lufthansa Technik Group in March 2014, and provides innovative complete solutions for business and private jet cabins.

Lufthansa Technik's primary strategic goal remains generating profitable growth through product and technology innovations and a greater international presence. Lufthansa Technik AG expanded its partnership with the component supplier UTC Aerospace Systems to provide component maintenance for the Boeing 787, an important step forward in this process. The agreement puts Lufthansa Technik in a position to develop and apply complex repairs for most B787 technologies. Another example is the "Aircraft Production Inspection Program" product for the B787, which Lufthansa Technik is the first MRO company in the world to offer to both commercial airlines and VIP customers.

Markets and competition Seven airlines with a total of 22 aircraft ceased operations in the reporting period, while five start-ups with 19 aircraft commenced operations. Increasing MRO capacities and airlines' persistently tight financial situations are leading to consistently high pricing pressure in the MRO business.

Lufthansa Technik's main competitors are aircraft, engine and component manufacturers, the MRO divisions of other airlines as well as independent providers. Furthermore, the market remains dominated by consolidation among both customers and competitors.

Course of business and operating performance In the reporting period, Lufthansa Technik won one new customer and signed 65 new contracts with a volume of EUR 366m for 2014 and the following years. The number of aircraft serviced under exclusive contracts went up slightly to 2,825 in the reporting period. The main agreements included a total technical support contract with Air Namibia for the new Airbus A330 long-haul fleet, a seven-year total component support agreement for Luxair's Boeing 737NG fleet and a non-exclusive ten-year agreement for overhauling the landing gear of Emirates' Boeing 777-300ER fleet. Israir Airlines, a successful Israeli provider of scheduled and charter flights, has signed a technical operations management agreement with Lufthansa Technik AG for its Airbus A320 fleet. This makes Lufthansa Technik the first foreign MRO provider to be given an aircraft maintenance permit by the Israeli civil aviation authority. Lufthansa Technik remains committed to developing systematic measures for ensuring the future viability of the company and a sustainable increase in earnings as part of the SCORE programme. As in the previous year, these measures will make a significant contribution to the company's operating result. The company is already looking at developing additional measures for subsequent years.

Revenue and earnings development Revenue was up 5.9 per cent year on year in the first quarter of 2014 at EUR 1.1bn. Revenue with Group companies improved by 13.9 per cent to EUR 419m, while external revenue increased to EUR 634m (+1.3 per cent). Other operating income went up significantly compared with the previous year to EUR 64m (+25.5 per cent).

Total operating expenses came to EUR 1.0bn and were up on the previous year (+5.8 per cent), as was revenue. The cost of materials and services went up 12.6 per cent to EUR 535m due to more external production services being used. Staff costs were roughly in line with the previous year.

Lufthansa Technik generated an operating profit of EUR 97m in the reporting period (previous year: EUR 81m). High levels of capacity utilisation and seasonal effects had a considerable impact on the result, which was significantly higher than in the previous year. When the improvement in other segment income is factored in, Lufthansa Technik posted a segment result of EUR 106m (+16.5 per cent). Segment capital expenditure came to EUR 43m (EUR +32m).

Catering business segment

Key figures Catering

		Jan. – March 2014	Jan. – March 2013	Change in %
Revenue	€m	581	569	2.1
of which with companies of the Lufthansa Group	€m	136	136	0.0
Operating result	€m	–4	3	–
Segment result	€m	–7	1	–
EBITDA*	€m	10	8	25.0
Segment capital expenditure	€m	20	19	5.3
Employees as of 31.3.	number	31,065	30,254	2.7

* Before profit/loss transfer from other companies.

Business and strategy The LSG Sky Chefs group consists of 157 companies and its airline catering activities are represented at more than 200 airports in 54 countries. The Group also provides services related to in-flight service, such as in-flight sales programmes and in-flight service equipment, and the associated logistics, as well as consulting and the operation of lounges. The company is also continuously expanding its presence in adjacent markets, such as services for trains and supplying the retail sector.

Markets and competition LSG Sky Chefs has maintained its leading market position despite significant pricing and competitive pressure. Its success is due to quality, its ability to innovate, the increasing flexibility of its business model and the consistent focus on sustainability in its approach to cost management.

Course of business and operating performance Passenger numbers at the airline customers continued to increase in the first quarter of 2014, which led to revenue growth in all LSG Sky Chefs sales regions. Since February, LSG Sky Chefs has been represented at the expanding Russian airport in Rostov-on-Don, as part of its joint venture with Aeroflot, Aeromar. The company acquired all of the shares in Finncatering Oy, a preproduction facility for LSG Sky Chefs Finland Oy, on 1 March 2014. A cutting-edge production facility was opened in Panama at the end of March, in order to meet the sharp increase in demand. The global agreement with customer Delta Air Lines covers 39 locations, 27 of which are in the USA, and was extended for four and five years respectively. A further eight airports in the USA were added to the agreement with Jetblue Airlines, bringing the total to 16. In New Zealand, the important long-haul catering agreements with Emirates and Singapore Airlines will be extended for two and three years respectively. The projects implemented as part of the SCORE programme are running according to plan.

The company's quality standards and innovative strength have once again been recognised by both customers and independent third parties. In February 2014, inspection company Medina presented LSG Sky Chefs with five of its nine global awards for consistently meeting quality and safety standards. Lufthansa Passenger Airlines singled out the LSG Sky Chefs facilities in Hong Kong as a global winner in the course of its inaugural "Best of Catering Award". The Frankfurt International and Dallas facilities were named the best in Europe and North/South America respectively. The equipment and logistics subsidiary SPIRIANT was honoured with four "Good Design Awards 2013" for its product innovations. SPIRIANT was also included in the book 'Germany's Biggest Brands', which was published to mark the 60th anniversary of the German Design Council.

Revenue and earnings development Revenue for the Catering segment developed positively in the first three months of the year. It went up by 7.8 per cent year on year after adjustment for exchange rates. In nominal terms, it rose by 2.1 per cent to EUR 581m. Newly consolidated companies contributed EUR 4m to the revenue growth. External revenue increased to EUR 445m (+2.8 per cent). Internal revenue remained largely unchanged at EUR 136m. Other operating income was down on the previous year at EUR 13m (EUR –9m). This was mainly due to lower reimbursements by the parent company as part of the SCORE programme as well as a fall in exchange rate gains. Overall, total operating income rose slightly by EUR 3m to EUR 594m.

Total operating expenses went up by 1.7 per cent to EUR 598m, which was less than the increase in revenue. The cost of materials and services increased by 2.0 per cent to EUR 254m, primarily as a result of higher sales volumes. In the first three months, LSG Sky Chefs group had an average of 31,065 employees, 2.7 per cent more than in the first quarter a year ago. Staff costs rose at a lower rate of 0.9 per cent to EUR 226m. Depreciation was largely stable year on year at EUR 15m. Other operating expenses rose to EUR 103m (+4.0 per cent) due to the higher volume of business. LSG Sky Chefs posted an operating loss of EUR 4m for the first three months of 2014 (previous year: profit of EUR 3m). The balance of other segment income and expense was roughly zero, as last year. The result of the equity valuation came to EUR –3m (previous year: EUR –2m). The segment result for LSG Sky Chefs was EUR –7m (previous year: EUR 1m). Segment capital expenditure was EUR 1m up on the previous year's first quarter, at EUR 20m.

IT Services business segment

Key figures IT Services

		Jan. – March 2014	Jan. – March 2013	Change in %
Revenue	€m	158	150	5.3
of which with companies of the Lufthansa Group	€m	95	87	9.2
Operating result	€m	5	3	66.7
Segment result	€m	5	2	150.0
EBITDA*	€m	14	11	27.3
Segment capital expenditure	€m	7	6	16.7
Employees as of 31.3.	number	2,707	2,731	−0.9

* Before profit / loss transfer from other companies.

Business and strategy Lufthansa Systems provides a comprehensive portfolio of IT services – from consultancy and development to the implementation of specific applications and their integration, right up to their operation in a global network of data centres. Thanks to its specific knowledge and innovative strength, the company is a leading IT provider for the aviation industry. The company is extremely well positioned in the area of Industry Solutions, particularly in the German-speaking market. The Lufthansa Group intends to split Lufthansa Systems AG into three separate companies by the end of the year as part of the restructuring of its IT. In doing so, the infrastructure division is to be outsourced to a partnership with an international IT services provider. The Lufthansa Group then intends to contract its infrastructure services out to the new partner under a long-term agreement, while retaining as many staff and sites as possible in order to provide opportunities for growth and new opportunities for employees. Airline Solutions and Industry Solutions will remain as independently operating companies in the Lufthansa Group. The company's headquarters are located in Kelsterbach near Frankfurt Airport. Lufthansa Systems has several offices in Germany as well as 16 overseas sites. The company was able to continue its positive performance in the past quarter.

Markets and competition Lufthansa Systems faces intense competition. Technological developments like virtualisation and cloud computing are driving up pressure on prices and margins. The market for IT infrastructure services is particularly competitive. Size provides significant cost advantages in this area. Providers from emerging markets in particular enjoy cost advantages in the airline industry. Lufthansa Systems is therefore concentrating on developing specific airline applications to further optimise business processes, advise on specific issues and harmonise processes for airline IT.

The Industry Solutions segment of Lufthansa Systems has developed into an innovative provider of professional services and applications for selected industries and now has an established position in the German IT market.

Its customer base includes some 300 airlines and more than 150 companies from other industries, with most of whom long-term business relationships exist.

Course of business and operating performance The airline ANA signed a five-year extension to an agreement related to the use of an IT solution to optimise ticket prices. It also chose to use Lufthansa Systems' successful solution for revenue accounting. Japan Airlines became the first customer for the new load planning solution, which will replace an internally developed system used previously. Two new customers, Aegan Air and Eurowings, started using Lufthansa Systems' innovative navigation solutions. In the Industry Solutions segment, agreements related to SAP consultancy services were signed with CSL Behring AG and Sanofi-Aventis, among others. Lufthansa Systems expanded its long-standing partnership with Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft. In the cruise sector, Holland America Line commissioned Lufthansa Systems to install the Velimo infotainment platform and a WiFi network.

Revenue and earnings development Lufthansa Systems continued its course of profitable growth in the first quarter of the current financial year. Revenue rose by 5.3 per cent year on year to EUR 158m. The Lufthansa Group provided revenue of EUR 95m (previous year: EUR 87m). EUR 63m of Lufthansa Systems' revenue came from external customers (previous year: EUR 63m). Other operating income fell to EUR 4m as a result of the decline in severance pay and compensation paid out as part of the SCORE programme (previous year: EUR 6m). This brought total operating income in the reporting period to EUR 162m (previous year: EUR 156m).

The cost of materials and services was slightly lower than in the previous year (EUR 28m) at EUR 27m. Lufthansa Systems had 2,707 employees in the reporting period (previous year: 2,731). Staff costs fell by 3.2 per cent to EUR 61m due to the fall in the amount of severance pay as part of the SCORE programme. Depreciation and amortisation was stable year on year at EUR 9m. Other expenses increased by 11 per cent to EUR 60m. This was mainly due to an increase in external services, This resulted in total operating expenses of EUR 157m (previous year: EUR 153m). Lufthansa Systems generated an operating result of EUR 5m in the reporting period (previous year: EUR 3m). Segment capital expenditure came to EUR 7m in the reporting period (previous year: EUR 6m).

Other

Other

		Jan. – March 2014	Jan. – March 2013	Change in %
Total operating income	€m	349	351	– 0.6
Operating result	€m	– 21	– 103	79.6
Segment result	€m	– 4	– 96	95.8
EBITDA*	€m	– 7	– 82	91.5
Segment capital expenditure	€m	0	2	
Employees as of 31.3.	number	3,972	3,967	0.1

* Before profit / loss transfer from other companies.

The Service and Financial Companies in the Lufthansa Group are pooled in the Other segment. These include AirPlus and Lufthansa Flight Training (LFT) among others. The central Group functions also belong to this segment.

Companies' performance AirPlus customers again did more travelling for business purposes in the first quarter of 2014: The issuing volume of the provider of billing products for business trips was up 9.3 per cent on the first quarter of the previous year. AirPlus is looking to expand its virtual payment options in the current year, and is developing comprehensive solutions for the business travel sector together with partners like Amadeus and HRS. The aim is to increase the acceptance of virtual payment solutions across the industry and to enhance the standardisation of the associated process improvements for companies, travel agencies and booking platforms. Total income was up 3.8 per cent year on year, while the operating result remained stable at EUR 10m.

The Supervisory Board of LFT approved the procurement of an Airbus A320 full-flight simulator in March 2014. The simulator was ordered from Canadian manufacturer CAE at the end of March, and is expected to be available for LFT customers to use at the Frankfurt site at the start of 2015.

LFT conducted 40 basic flight attendant training courses at its Frankfurt and Munich sites in the first quarter of 2014. The employees trained in these will join Lufthansa Passenger Airlines under the annual working hours model. Under this new plan, staff are employed for the entire year but only work during the summer months in order to cover the increased personnel requirements during this period. The flight training school in Bremen began the 411th junior pilot training scheme on 20 March 2014. This was the first course that Lufthansa Passenger Airlines had run after a pause of one and a half years. Lufthansa Flight Training generated total operating income of EUR 45m in the first quarter (+ 4.7 per cent). Total expenses came to EUR 34m (– 2.9 per cent) over the same period. This brought the operating result to EUR 11m (+ 37.5 per cent).

Total operating income for the Group functions was down 17.6 per cent year on year at EUR 159m. The operating result came to EUR – 50m (previous year: EUR – 123m). Operating expenses were 33.9 per cent down, at EUR 209m. The improvement in the operating result was due to lower expenses for restructuring projects as part of SCORE as well as to exchange rate gains.

Revenue and earnings development The reporting period was marked by lower one-off SCORE expenses of EUR 20m (previous year: EUR 64m) allocated to this segment. Total operating income went down slightly to EUR 349m (previous year: EUR 351m), while operating expenses fell significantly to EUR 370m (previous year: EUR 454m). The operating result came in at EUR – 21m (previous year: EUR – 103m).

Risk and opportunities report

As an international aviation company, the Lufthansa Group is exposed to macroeconomic, sector-specific and Company risks and opportunities. The continously updated management systems should identify both risks and opportunities at an early stage and highlight measures so that action can be taken accordingly. For further information on the risk and opportunity management system and the Lufthansa Group's risk and opportunity situation, please see the "Annual Report 2013" from p. 97.

In the first three months of 2014, the risks and opportunities for the Group described in detail from p. 97 of the "Annual Report 2013" have materialised or developed as follows.

A further deterioration of the Crimean crisis could lead to additional economic sanctions between the European Union and Russia, with a negative knock-on effect for aviation and thereby for the Lufthansa Group.

There were, however, positive developments in emissions trading. The European Parliament's decision to limit the air traffic covered by the European Emissions Trading Scheme to flights within the EU until 2016 will provide the Lufthansa Group with a clearer legal situation and reduced costs in this period.

The Lufthansa Group is also exposed to an increased level of risk as a result of collective bargaining disputes, including industrial action. Despite the best endeavours of both parties to reach acceptable solutions in constructive negotiations, the three-day strike (2 to 4 April 2014) held by the Vereinigung Cockpit pilots' union to force a new wage agreement on transitional benefits could not be prevented. At present, it cannot be ruled out that the Vereinigung Cockpit pilots' union could call for further industrial action in the near future, given the state of negotiations surrounding the new wage agreement on transitional benefits. In addition to the damage it does to the Lufthansa Group's reputation as a dependable service provider, industrial action also entails the risk of considerable revenue losses and additional costs.

Taking all known circumstances into account, no risks have currently been identified which either singly or as a whole could jeopardise the continued existence of the Lufthansa Group.

Supplementary report

Since 31 March 2014, no events of particular importance have occurred that would be expected to have a significant influence on the net assets, financial and earnings position which have not already been reported.

Forecast

GDP development

in %	2014*	2015*	2016*	2017*	2018*
World	3.0	3.5	3.8	3.8	3.8
Europe	1.6	1.9	2.1	2.1	2.0
Germany	2.1	2.0	1.7	1.7	1.5
North America	2.4	2.9	3.3	3.1	2.8
South America	2.3	3.2	3.7	4.0	3.9
Asia / Pacific	4.9	5.2	5.2	5.4	5.6
China	7.5	7.6	7.4	7.4	7.6
Middle East	3.6	4.2	4.5	5.0	4.4
Africa	4.1	5.5	6.6	5.4	5.2

Source: Global Insight World Overview as of 15.4.2014.
* Forecast.

Macroeconomic outlook The impact of the bad winter weather in the United States and Japan, the early timing of the Chinese New Year and the distorting effects of Japan's pending VAT hike make it difficult to clearly identify the current strengths and weaknesses of these economies. Nevertheless, the global economy overall is on a growth path. After expanding by 2.5 per cent in 2013, the global economy is forecast to grow by 3.0 per cent in the 2014 financial year.

The economy of the European Union is expected to grow by 1.5 per cent in 2014. Within the European Union, both Germany (2.1 per cent) and the United Kingdom (2.7 per cent) are expected to see strong economic growth. Countries in southern Europe are continuing to struggle with comparatively weak economic performance. Greece and Cyprus both see their economies contract.

Futures rates reveal the expectation of slightly falling oil prices. Overall, oil prices are likely to remain highly exposed to geopolitical developments, however. Volatile fuel costs should therefore be expected for the remainder of the year 2014.

Most analysts expect the US dollar to rise against the euro. The majority of analysts also expect the Chinese renminbi to continue its upwards trend from 2013. The Japanese yen, on the other hand, is expected to lose more of its value. Analysts believe that the euro will stagnate at its current level this year after falling against the British Pound in 2013.

The airline industry is expected to see significant growth in 2014. Demand is likely to increase, mainly due to the improving macroeconomic climate. The industry association IATA is forecasting a profit of USD 18.7bn for the industry as a whole in 2014 (previous year: USD 12.9bn), the highest figure in the last five years.

Outlook for the Lufthansa Group Diverging trends in markets and at the Lufthansa Group companies could be seen in the first three months of the financial year. For the airlines, the quarter began with a mild winter and stable traffic figures in January and February. However, this was followed by two strikes at German airports and the announcement by the Vereinigung Cockpit pilots' union of a large-scale strike in April. March was a weak month due to the Easter holidays falling in April, but also as a result of general market weakness in domestic European traffic and on long-haul routes to North America. While lower depreciation charges and a fall in fuel costs impacted earnings positively, the strength of the euro had the opposite effect.

Passenger Airline Group predicts a weaker market The market environment for the Passenger Airline Group will be weak in the months ahead. Even though the number of advance bookings appears solid overall in a growing market, pricing pressure remains high in the Europe and North America traffic regions, largely due to a downturn in average yields. These developments are the result of both increasing competitive pressure and of specific developments on certain routes.

Lufthansa Passenger Airlines still expects earnings to rise significantly compared with the previous year. However, the negative impact from the strikes earlier in the year yet needs to be compensated despite the current weakness of the market. Further strikes and negative developments affecting routes to Venezuela constitute a further specific risk to earnings.

SWISS is still anticipating its result to be significantly higher than in the previous year due to a moderate increase in passenger numbers and sales, as well as numerous measures to cut costs and boost earnings. Its forecast is also largely governed by the new depreciation policy for aircraft.

Austrian Airlines is also expecting earnings improvement from its successfully implemented restructuring programme. It is forecasting increased passenger numbers and a significant increase in revenue as a result of adding a long-haul aircraft to its fleet. Austrian Airlines still expects a significant operating result for 2014.

After the current weakness the market is expected to pick up over the course of the year for all airlines. A further weakness in demand after the second quarter therefore poses a risk to earnings. An important role plays the significantly lower oil price, which is currently expected to compensate for some of the weakness of the market in the Group's result.

The Passenger Airline Group has begun to draw up scenarios for capacity reductions in the winter flight schedule, which would be a reaction to continued market weakness. Total annual capacity is now expected to grow by 4 per cent. The forecast was revised downwards as a result of the pilots' strike affecting Lufthansa Passenger Airlines. The forecast development of the operating performance indicators included in the Annual Report remains otherwise unchanged.

Stable course of business remaining business segments expert Lufthansa Cargo still expects a positive economic environment for 2014. The focus in the Logistics segment will therefore remain on high capacity utilisation, which should support the development of average yields. Even though there was only a moderate increase in volumes in the first quarter of 2014, Lufthansa Cargo still expects to achieve its ambitious goal of significant revenue and earnings growth on the basis of the initiated SCORE measures and the demand-based capacity management. The operating result is still expected to at least be on a par with the previous year.

Although its revenue should go up in line with the market, Lufthansa Technik will in 2014 not match the exceptionally high operating result achieved last year. This is mainly due to the particularly strong influx of new orders in the 2013 financial year, as well as expenses for innovative product developments and the expansion of the airline group structure in the current financial year. Lufthansa Technik is therefore still forecasting a result approximately on the same level as 2012 (EUR 328m).

LSG Sky Chefs continues to expect a slight increase in revenue and earnings in the 2014 financial year. The global initiatives to improve performance as part of SCORE will be systematically continued. The company is also continuing to monitor growth opportunities through geographical expansion and additions to its portfolio in both its core business segment and in adjacent markets.

Lufthansa Systems is still forecasting slight revenue growth in 2014 alongside a slightly lower operating result that last year.

Earnings forecast confirmed as risks intensify

Overall, the Lufthansa Group is still forecasting an operating result of between EUR 1.3bn and EUR 1.5bn. This includes EUR 340m in savings as a result of the change in depreciation policy. The negative impact in earnings from strike effects are yet to be compensated in the course of the financial year. Reaching the earnings target is becoming increasingly dependent from the stabilisation of the markets in which the airlines of Lufthansa Group operate.

The likelihood of achieving the slight revenue growth that was forecast at the beginning of the year remains largely dependent on how exchange rates develop over the course of the year.

Lufthansa Group and operating segments earnings forecasts 2014

		Revenue		**Operating result**	
	Revenue 2013 in €m	**Forecast for 2014**	Result 2013 in €m	**Forecast for 2014**	Effect from adjustment in depreciation policy in €m
Lufthansa Passenger Airlines	17,302		265	significantly above previous year, but diluted by project costs	+240
SWISS	4,223		226	significantly above previous year	+70
Austrian Airlines	2,069		25	significantly above previous year	+40
Reconciliation	−81		−21		
Passenger Airline Group	23,513	up to +5% above previous year	495	€ 950 to 1,100m (incl. € 300m project costs at Lufthansa Passenger Airlines)	+350
Logistics	2,442	significantly above previous year	77	significantly above previous year, at least on previous year's level	−10
MRO	4,180	in line with market growth	404	on par with 2012 (€ 328m)	
Catering	2,514	slightly above previous year	105	slightly above previous year	
IT Services	640	slightly above previous year	36	slightly below previous year	
Other	0		−378	significant improvement due to lower restructuring costs	
Internal revenue / Reconciliation	−3,261		−42		
Lufthansa Group reported	**30,028**	**slightly above previous year**	**697**	**€ 1,300 to 1,500m**	**+340**
Restructuring costs			245	€ 80m	
Project costs Lufthansa Passenger Airlines			100	€ 300m	
Lufthansa Group normalised		**slightly above previous year**	**1,042**	**€ 1,680 to 1,880m**	**+340**

Consolidated income statement

January – March 2014

in €m	**Jan. – March 2014**	Jan. – March 2013
Traffic revenue	5,161	5,338
Other revenue	1,301	1,290
Total revenue	**6,462**	**6,628**
Changes in inventories and work performed by entity and capitalised	46	34
Other operating income	514	542
Cost of materials and services	–3,933	–4,099
Staff costs	–1,798	–1,788
Depreciation, amortisation and impairment	–340	–490
Other operating expenses	–1,134	–1,290
Profit/loss from operating activities	**–183**	**–463**
Result of equity investments accounted for using the equity method	–13	–10
Result of other equity investments	5	6
Interest income	36	41
Interest expenses	–111	–124
Other financial items	–41	–29
Financial result	**–124**	**–116**
Profit/loss after income taxes	**–307**	**–579**
Income taxes	59	125
Profit/loss after income taxes	**–248**	**–454**
Profit/loss attributable to minority interests	–4	–4
Net profit/loss attributable to shareholders of Deutsche Lufthansa AG	**–252**	**–458**
Basic/diluted earnings per share in €	**–0.55**	**–1.00**

Statement of comprehensive income

January – March 2014

in €m	**Jan. – March 2014**	Jan. – March 2013
Profit/loss after income taxes	**–248**	**–454**
Other comprehensive income		
Other comprehensive income with subsequent reclassification to the income statement		
Differences from currency translation	–17	11
Subsequent measurement of available-for-sale financial assets	–14	46
Subsequent measurement of cash flow hedges	–198	159
Other comprehensive income from investments accounted for using the equity method	–1	–13
Other expenses and income recognised directly in equity	4	0
Income taxes on items in other comprehensive income	49	–39
Other comprehensive income without subsequent reclassification to the income statement		
Revaluation of defined-benefit pension plans	–589	38
Income taxes on items in other comprehensive income	134	–9
Other comprehensive income after income taxes	**–632**	**193**
Total comprehensive income	**–880**	**–261**
Comprehensive income attributable to minority interests	–6	–4
Comprehensive income attributable to shareholders of Deutsche Lufthansa AG	**–886**	**–265**

Consolidated balance sheet
as of 31 March 2014

Assets

in €m	31.3.2014	31.12.2013	31.3.2013	1.1.2013
Intangible assets with an indefinite useful life*	1,188	1,188	1,191	1,193
Other intangible assets	377	381	364	375
Aircraft and reserve engines	12,856	12,359	12,036	11,843
Repairable spare parts for aircraft	960	959	896	899
Property, plant and other equipment	2,072	2,059	2,057	2,082
Investments accounted for using the equity method	388	441	385	382
Other equity investments	459	500	466	413
Non-current securities	20	20	19	19
Loans and receivables	512	500	445	472
Derivative financial instruments	276	335	300	268
Deferred charges and prepaid expenses	18	16	21	25
Effective income tax receivables	39	39	52	52
Deferred tax assets	924	622	857	755
Non-current assets	**20,089**	**19,419**	**19,089**	**18,778**
Inventories	649	641	655	639
Trade receivables and other receivables	4,211	3,600	4,243	3,616
Derivative financial instruments	343	460	262	215
Deferred charges and prepaid expenses	155	147	152	152
Effective income tax receivables	51	72	92	101
Securities	2,817	3,146	3,579	3,530
Cash and cash equivalents	857	1,552	1,598	1,438
Assets held for sale	77	71	79	110
Current assets	**9,160**	**9,689**	**10,660**	**9,801**
Total assets	**29,249**	**29,108**	**29,749**	**28,579**

* Including goodwill.

Shareholders' equity and liabilities

in €m	31.3.2014	31.12.2013	31.3.2013	1.1.2013
Issued capital	1,180	1,180	1,177	1,177
Capital reserve	1,395	1,395	1,382	1,382
Retained earnings	1,860	2,002	1,194	–63
Other neutral reserves	987	1,166	1,219	1,055
Net profit/loss	–252	313	–458	1,228
Equity attributable to shareholders of Deutsche Lufthansa AG	**5,170**	**6,056**	**4,514**	**4,779**
Minority interests	54	52	64	60
Shareholders' equity	**5,224**	**6,108**	**4,578**	**4,839**
Pension provisions	5,378	4,718	5,914	5,844
Other provisions	581	596	638	590
Borrowings	4,728	4,823	4,967	5,947
Other financial liabilities	164	148	235	198
Advance payments received, deferred income and other non-financial liabilities	1,169	1,187	1,160	1,163
Derivative financial instruments	492	426	171	150
Deferred tax liabilities	157	146	106	94
Non-current provisions and liabilities	**12,669**	**12,044**	**13,191**	**13,986**
Other provisions	789	868	915	898
Borrowings	556	1,514	1,896	963
Trade payables and other financial liabilities	4,770	4,545	4,514	4,237
Liabilities from unused flight documents	3,854	2,635	3,613	2,612
Advance payments received, deferred income and other non-financial liabilities	978	964	946	935
Derivative financial instruments	205	183	0*	2
Effective income tax obligations	204	247	96	107
Current provisions and liabilities	**11,356**	**10,956**	**11,980**	**9,754**
Total shareholders' equity and liabilities	**29,249**	**29,108**	**29,749**	**28,579**

* Rounded below EUR 1m.

Consolidated statement of changes in shareholders' equity

as of 31 March 2014

in €m	Issued capital	Capital reserve	Fair value measurement of financial instruments	Currency differences	Revaluation reserve (due to business combinations)	Other neutral reserves	**Total other neutral reserves**	Retained earnings	Net profit/loss	**Equity attributable to shareholders of Deutsche Lufthansa AG**	Minority interests	**Total shareholders' equity**
As of 31.12.2012	**1,177**	**1,382**	**169**	**318**	**236**	**332**	**1,055**	**–63**	**1,228**	**4,779**	**60**	**4,839**
Change in accounting policies	–	–	–	–	–	–	–	0*	–	0*	–	0*
Adjusted as of 31.12.2012	**1,177**	**1,382**	**169**	**318**	**236**	**332**	**1,055**	**–63**	**1,228**	**4,779**	**60**	**4,839**
Capital increases/reductions	–	–	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	1,228	–1,228	–	–	–
Dividends to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	–	–	–	–
Transactions with minority interests	–	–	–	–	–	–	–	–	–	–	–	–
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	–458	–458	4	–454
Other expenses and income recognised directly in equity	–	–	166	11	–	–13	164	29	–	193	–	193
As of 31.3.2013	**1,177**	**1,382**	**335**	**329**	**236**	**319**	**1,219**	**1,194**	**–458**	**4,514**	**64**	**4,578**
As of 31.12.2013	**1,180**	**1,395**	**332**	**270**	**236**	**328**	**1,166**	**2,002**	**313**	**6,056**	**52**	**6,108**
Change in accounting policies	–	–	–	–	–	–	–	0*	0*	0*	–	0*
Adjusted as of 31.12.2013	**1,180**	**1,395**	**332**	**270**	**236**	**328**	**1,166**	**2,002**	**313**	**6,056**	**52**	**6,108**
Capital increases/reductions	–	–	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	313	–313	–	–	–
Dividends to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	–	–	–4	–4
Transactions with minority interests	–	–	–	–	–	–	–	–	–	–	–	–
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	–	–		–	–	–	–	–	–252	–252	4	–248
Other expenses and income recognised directly in equity	–	–	–163	–17	–	1	–179	–455	–	–634	2	–632
As of 31.3.2014	**1,180**	**1,395**	**169**	**253**	**236**	**329**	**987**	**1,860**	**–252**	**5,170**	**54**	**5,224**

* Rounded below EUR 1m.

Consolidated cash flow statement

January – March 2014

in €m	Jan. – March 2014	Jan. – March 2013
Cash and cash equivalents 1.1.	**1,407**	**1,438**
Net profit/loss before income taxes	–307	–579
Depreciation, amortisation and impairment losses on non-current assets (net of reversals)	340	490
Depreciation, amortisation and impairment losses on repairable spare parts for aircraft (net of reversals)	13	16
Net proceeds on disposal of non-current assets	–10	–1
Result of equity investments	8	4
Net interest	75	83
Income tax payments/reimbursements	–66	–19
Measurement of financial derivatives through profit or loss	41	29
Change in working capital	761	956
Cash flow from operating activities	**855**	**979**
Capital expenditure for property, plant and equipment and intangible assets	–826	–699
Capital expenditure for financial investments	–28	–7
Additions/loss to repairable spare parts for aircraft	–16	–9
Proceeds from disposal of non-consolidated equity investments	46	0
Proceeds from disposal of consolidated equity investments	0	0
Cash outflows for acquisitions of non-consolidated equity investments	–1	–12
Cash outflows for acquisitions of consolidated equity investments	–4	0
Proceeds from disposal of intangible assets, property, plant and equipment and other financial investments	30	84
Interest income	87	123
Dividends received	52	7
Net cash from/used in investing activities	**–660**	**–513**
Purchase of securities/fund investments	–383	–332
Disposal of securities/fund investments	754	265
Net cash from/used in investing and cash management activities	**–289**	**–580**
Capital increase	–	–
Non-current borrowing	34	87
Repayment of non-current borrowing	–1,119	–164
Dividends paid	–4	0
Interest paid	–116	–156
Net cash from/used in financing activities	**–1,205**	**–233**
Net increase/decrease in cash and cash equivalents	**–639**	**166**
Changes due to currency translation differences	–6	–3
Cash and cash equivalents 31.3. [2]	**762**	**1,601**
Securities	2,817	3,579
Total liquidity	**3,579**	**5,180**
Net increase/decrease in total liquidity	–974	214

[1] Working capital consists of inventories, receivables, liabilities and provisions.
[2] Excluding fixed-term deposits with terms of three to twelve months (2014: EUR 95m).

The cash flow statement shows how cash and cash equivalents at the Lufthansa Group have changed over the reporting period. In accordance with IAS 7, cash flows are divided into cash flows from operating activities, from investing activities and from financing activities. The cash and cash equivalents shown in the cash flow statement comprise the balance sheet items, bank balances and cash-in-hand excluding fixed-term deposits with terms of three to twelve months. The amount of liquidity in the broader sense is reached by adding short-term securities.

Notes

1) Standards applied and changes in the group of consolidated companies

The consolidated financial statements of Deutsche Lufthansa AG and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking account of interpretations by the IFRS Interpretations Committee (IFRIC) as applicable in the European Union (EU). This interim report as of 31 March 2014 has been prepared in condensed form in accordance with IAS 34. In preparing the interim financial statements the standards and interpretations applicable as of 1 January 2014 have been applied. In accordance with IFRS 11 Joint Arrangements, which became mandatory as of 1 January 2014, the equity investment in Aerologic GmbH is no longer accounted for using the equity method. Instead, the earnings, assets and liabilities of this company are now recognised in the consolidated financial statements on a pro rata basis. The figures for the previous year have been adjusted accordingly. This change had no material effect in the first quarter of 2014 or in the same period of the previous year.

Until the end of the financial year 2012, new commercial aircraft and reserve engines were depreciated over a period of twelve years to a residual value of 15 per cent. According to the analysis of the Company undertaken when the 2013 financial statements were being prepared, technological developments and the higher demands made of their cost-effectiveness due to increasing competition have resulted in significant changes to the forecast useful economic life of the commercial aircraft and reserve engines used in the Lufthansa Group. In line with the fleet strategy, which takes these aspects into account, as well as with external considerations, new commercial aircraft and reserve engines will now be depreciated over a period of 20 years to a residual value of five per cent, starting in the 2013 financial year. The adjustment to their useful lives was made prospectively as a change in an accounting estimate in accordance with IAS 8.32. The change was therefore not made retrospectively for interim reporting periods in the previous year. As a result of the change in the accounting estimate of the useful economic life of these assets, depreciation and amortisation was EUR 83m lower in the first quarter of 2014.

Changes in the group of consolidated companies in the period 1.4.2013 to 31.3.2014

Name, registered office	Additions	Disposals	Reason
Passenger Airline Group segment			
FG Unity Leasing Co., Ltd., Tokyo, Japan	21.10.13		Established
FG Vision Leasing Co., Ltd., Tokyo, Japan	21.10.13		Established
GOAL Verwaltungsgesellschaft mbH & Co. Projekt Nr. 7 oHG, Grünwald, Germany		31.12.13	Sale
LLG Nord GmbH & Co. Bravo KG, Grünwald, Germany		31.12.13	Merger
LNN/LNO/LAE Ltd., Grand Cayman, Cayman Islands		25.4.13	Liquidation
Lufthansa Technik Switzerland GmbH, Basel, Switzerland		3.12.13	Merger
Lufthansa Leasing Austria GmbH & Co. OG Nr. 22, Salzburg, Austria	28.5.13		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 23, Salzburg, Austria	28.5.13		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 24, Salzburg, Austria	28.5.13		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 25, Salzburg, Austria	28.5.13		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 26, Salzburg, Austria	28.5.13		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 28, Salzburg, Austria	15.2.14		Established
SL Aurora Ltd., Tokyo, Japan	25.4.13		Established
SL Prairie Ltd., Tokyo, Japan	25.4.13		Established
TLC Petunia Ltd., Tokyo, Japan	25.4.13		Established
TLC Salvia Ltd., Tokyo, Japan	25.4.13		Established
Yamasa Aircraft LH10 Kumiai Ltd., Okayama, Japan	19.6.13		Established
Yamasa Aircraft LH11 Kumiai Ltd., Okayama, Japan	19.6.13		Established
Yamasa Aircraft LH9 Kumiai Ltd., Okayama, Japan	18.4.13		Established
Logistics segment			
Lufthansa Leasing Austria GmbH & Co. OG Nr. 50, Salzburg, Austria	15.2.14		Established
MRO segment			
AirLiance Materials LLC, Roselle, USA		13.5.13	Sale
Lufthansa Technik Sofia OOD, Sofia, Bulgaria	1.1.14		Consolidated for the first time

Changes in the group of consolidated companies in the period 1.4.2013 to 31.3.2014

Name, registered office	Additions	Disposals	Reason
Catering segment			
Alpha Airport Services OOD, Sofia, Bulgaria	1.7.13		Acquisition
LSG Sky Chefs Australasia Pty Limited, Sydney, Australia		20.10.13	Liquidation
LSG Sky Chefs Brussels International BVBA, Zaventem, Belgium	31.10.13		Acquisition
Starfood Antalya Gida Sanayi ve Ticaret A.S., Istanbul, Turkey		24.6.13	Sale of shares
Starfood Finland Oy, Vantaa, Finland	28.2.14		Acquisition
Other			
Lufthansa Global Business Services GmbH, Frankfurt, Germany	8.5.13		Established

2) Notes to the income statement, balance sheet, cash flow statement and segment reporting

Assets held for sale

in €m	**Group 31.3.2014**	Financial statements 31.12.2013	Group 31.3.2013
Assets			
Aircraft and reserve engines	65	65	75
Financial assets	–	–	–
Other assets	12	6	4

Detailed comments on the income statement, the balance sheet, the cash flow statement and the segment reporting can also be found in the management report on p. 3–24.

3) Seasonality

The Group's business is mainly exposed to seasonal effects via the Passenger Airline Group segment. As such, revenue in the first and fourth quarters is generally lower as people travel less, while higher revenue and operating profits are normally earned in the second and third quarters.

4) Contingencies and events after the balance sheet date

Contingent liabilities

in €m	**31.3.2014**	31.12.2013
From guarantees, bills of exchange and cheque guarantees	837	854
From warranty contracts	920	929
From providing collateral for third-party liabilities	39	39
Legal risks	60	60
Other contingent liabilities	54	107
	1,910	1,989

Several provisions could not be made because an outflow of resources was not sufficiently probable. The potential financial effect of these provisions on the result would have been EUR 114m for subsequent years. As of the year-end 2013 reporting date the figure came to EUR 167m.

A contract signed at the end of 2013 for the sale of an ATR resulted in profits for the first quarter of 2014 of EUR 3m and cash inflows of EUR 5m.

Contracts signed for the sale of three Canadair Regional Jet 700s and three Fokker 70s are expected to generate profits of EUR 2m and cash inflows of EUR 11m by the end of 2014, and further cash inflows of EUR 5m in the following year.

At the end of March 2014, there were order commitments of EUR 15.3bn for capital expenditure on property, plant and equipment and intangible assets. As of 31 December 2013, the order commitments came to EUR 16.0bn.

Since 31 March 2014, no events of particular importance have occurred that would be expected to have a significant influence on the net assets, financial and earnings position which have not already been reported.

5) Financial instruments and financial liabilities
Financial instruments

The following table shows financial assets and liabilities held at fair value by level of fair value hierarchy. The levels are defined as follows:

Level 1: Financial instruments traded on active markets for which the unchanged quoted prices are taken for measurement.

Level 2: Measurement is made by means of valuation methods with parameters derived directly or indirectly from observable market data.

Level 3: Measurement is made by means of valuation methods with parameters not based exclusively on observable market data.

Assets 31.3.2014

in €m	Level 1	Level 2	Level 3	**Total**
Financial assets at fair value through profit and loss				
Financial derivatives classified as held for trading	–	288	–	288
Total financial assets through profit and loss	**–**	**288**	**–**	**288**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**331**	**–**	**331**
Available-for-sale financial assets				
Equity instruments	535	69	–	604
Debt instruments	1,251	1,244	25	2,520
	1,786	**1,313**	**25**	**3,124**
Total assets	**1,786**	**1,932**	**25**	**3,743**

Liabilities 31.3.2014

in €m	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments at fair value through profit or loss	–	299	–	299
Derivative financial instruments which are an effective part of a hedging relationship	–	398	–	398
Total liabilities	**–**	**697**	**–**	**697**

As of 31 December 2013, the fair value hierarchy for assets and liabilities held at fair value was as follows:

Assets 31.12.2013

in €m	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Financial derivatives classified as held for trading	–	302	–	302
Current securities	–	0*	1	1
Total financial assets through profit and loss	**–**	**302**	**1**	**303**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**493**	**–**	**493**
Available-for-sale financial assets				
Equity instruments	655	–	–	655
Debt instruments	1,129	1,627	40	2,796
	1,784	**1,627**	**40**	**3,451**
Total assets	**1,784**	**2,422**	**41**	**4,247**

* Rounded below EUR 1m.

Liabilities 31.12.2013

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	–	278	–	278
Derivative financial instruments which are an effective part of a hedging relationship	–	331	–	331
Total liabilities	**–**	**609**	**–**	**609**

The fair values of interest rate derivatives correspond to their respective market values, which are measured using appropriate mathematical methods, such as discounting expected future cash flows. Discounting takes market standard interest rates and the residual term of the respective instruments into account. Currency futures and swaps are individually discounted to the balance sheet date based on their respective futures rates and the appropriate interest rate curve. The market prices of currency options and the options used to hedge fuel prices are determined using acknowledged option pricing models.

The fair values of debt instruments correspond to their respective market values, which are measured using appropriate mathematical methods, such as discounting expected future cash flows. Discounting takes market standard interest rates and the residual term of the respective instruments into account.

The carrying amount for cash, trade receivables and other receivables, trade payables and other liabilities is assumed to be a realistic estimate of fair value.

Additional disclosures on financial assets in Level 3

in €m	1.1.2014	Recognised in result for the period	Change in market value recognised in equity	Additions/ disposals	31.3.2014
Financial assets at fair value through profit or loss	1	–	–	–1	–
Available-for-sale financial assets	40	–	–	–15	25
Total	**41**	**–**	**–**	**–16**	**25**

* Rounded below EUR 1m.

Financial liabilities

The following table shows the carrying amounts and market values for individual classes of financial liabilities. Market values of EUR 847m for bonds are equal to the listed prices, and market values of EUR 212m for bonds were derived from the listed prices. The market values for other types of financial liability have been calculated using the applicable interest rates for the remaining term to maturity and repayment structures at the balance sheet date based on available market information (Reuters).

Financial liabilities

	31.3.2014		31.12.2013	
in €m	Carrying amount	Market value	Carrying amount	Market value
Bonds	965	1,059	1,812	1,918
Liabilities to banks	1,138	1,155	1,254	1,276
Leasing liabilities and other loans	3,181	3,362	3,271	3,443
	5,284	**5,576**	**6,337**	**6,637**

6) Earnings per share

		31.3.2014	31.3.2013
Basic earnings per share	€	**–0.55**	**–1.00**
Consolidated net profit/loss	€m	–252	–458
Weighted average number of shares		461,074,820	459,946,960
Diluted earnings per share	€	**–0.55**	**–1.00**
Consolidated net profit/loss	€m	–252	–458
+ interest expenses on the convertible bonds	€m	–	–
– current and deferred taxes	€m	–	–
Adjusted net profit/loss for the period	€m	–252	–458
Weighted average number of shares		461,074,820	459,946,960

7) Issued capital

A resolution passed at the Annual General Meeting on 29 April 2014 authorised the Executive Board until 28 April 2019, subject to approval by the Supervisory Board, to increase the Company's issued capital by up to EUR 29,000,000, by issuing new registered shares to employees (Authorised Capital B) for payment in cash. Existing shareholders' subscription rights are excluded. Following a resolution passed at the Annual General Meeting on 29 April 2014, the distributable earnings shown in the financial statements of Deutsche Lufthansa AG totalling EUR 207,483,750.00 were used to pay a dividend of EUR 0.45 per registered share.

8) Segment reporting

Segment information by operating segment January – March 2014

in €m	Passenger Airline Group	Logistics	MRO	Catering	IT Services	**Total reportable operating segments**	Other	Reconciliation	**Group**
External revenue	4,744	576	634	445	63	6,462	–	–	6,462
of which traffic revenue	4,483	566	–	–	–	5,049	–	112	5,161
Inter-segment revenue	156	7	419	136	95	813	–	−813	–
Total revenue	**4,900**	**583**	**1,053**	**581**	**158**	**7,275**	**–**	**−813**	**6,462**
Other operating income	216	23	64	13	4	320	349	−189	480
Total operating income	**5,116**	**606**	**1,117**	**594**	**162**	**7,595**	**349**	**−1,002**	**6,942**
Operating expenses	**5,448**	**585**	**1,020**	**598**	**157**	**7,808**	**370**	**−991**	**7,187**
of which cost of materials and services	3,400	417	535	254	27	4,633	31	−731	3,933
of which staff costs	1,026	97	304	226	61	1,714	83	1	1,798
of which depreciation and amortisation	268	14	22	15	9	328	8	1	337
of which other operating expenses	754	57	159	103	60	1,133	248	−262	1,119
Operating result [1]	**−332**	**21**	**97**	**−4**	**5**	**−213**	**−21**	**−11**	**−245**
Other segment income	35	0*	4	1	0*	40	24	16	80
Other segment expenses	6	0*	0*	1	0*	7	8	3	18
of which impairment losses	3	–	–	–	–	3	–	–	3
Result of investments accounted for using the equity method	−19	3	5	−3	–	−14	1	–	−13
Segment result [2]	**−322**	**24**	**106**	**−7**	**5**	**−194**	**−4**	**2**	**−196**
Other financial result									−111
Profit/loss before income taxes									−307
Segment assets [3]	15,944	1,248	3,372	1,329	240	22,133	1,796	5,320	29,249
of which from investments accounted for using the equity method	59	46	165	111	–	381	7	–	388
Segment liabilities [4]	13,099	561	1,567	705	208	16,140	1,923	5,962	24,025
Segment capital expenditure [5]	686	72	43	20	7	828	–	31	859
of which on investments accounted for using the equity method	–	–	1	–	–	1	–	–	1
Employees on balance sheet date	55,253	4,649	20,276	31,065	2,707	113,950	3,972	–	117,922

* Rounded below EUR 1m.
[1] See page 8 of the interim management report for reconciliation between operating result and profit from operating activities.
[2] Profit from operating activities including result of investments measured at equity.
[3] Intangible assets, property, plant and equipment, investments accounted for using the equity method, inventories, trade receivables and other assets constitute assets. Under the heading “Group” all assets are shown.
[4] All liabilities with the exception of financial debt, liabilities to Group companies, derivative financial instruments, other deferred income and tax obligations. Under the heading “Group” all liabilities are shown.
[5] Capital expenditure for intangible assets, property, plant and equipment, and investments accounted for using the equity method. Under the heading “Group” all investments are shown.

Segment information by operating segment January – March 2013

in €m	Passenger Airline Group	Logistics	MRO	Catering	IT Services	**Total reportable operating segments**	Other	Reconciliation	**Group**
External revenue	4,912	594	626	433	63	6,628	–	–	6,628
of which traffic revenue	4,646	580	–	–	–	5,226	–	112	5,338
Inter-segment revenue	157	6	368	136	87	754	–	–754	–
Total revenue	**5,069**	**600**	**994**	**569**	**150**	**7,382**	**–**	**–754**	**6,628**
Other operating income	303	21	51	22	6	403	351	–210	544
Total operating income	**5,372**	**621**	**1,045**	**591**	**156**	**7,785**	**351**	**–964**	**7,172**
Operating expenses	**5,735**	**593**	**964**	**588**	**153**	**8,033**	**454**	**–956**	**7,531**
of which cost of materials and services	3,579	431	475	249	28	4,762	26	–689	4,099
of which staff costs	998	98	301	224	63	1,684	105	–1	1,788
of which depreciation and amortisation	349	7	24	16	9	405	10	1	416
of which other operating expenses	809	57	164	99	53	1,182	313	–267	1,228
Operating result [1]	**–363**	**28**	**81**	**3**	**3**	**–248**	**–103**	**–8**	**–359**
Other segment income	13	1	8	0*	0*	22	7	3	32
Other segment expenses	84	0*	0*	0*	1	85	1	50	136
of which impairment losses	80	–	–	0*	–	80	–	–	80
Result of investments accounted for using the equity method	–14	3	3	–2	–	–11	1	–	–10
Segment result [2]	**–448**	**32**	**91**	**1**	**2**	**–322**	**–96**	**–55**	**–473**
Other financial result									–106
Profit/loss before income taxes									–579
Segment assets [3]	15,495	1,043	3,118	1,315	257	21,228	1,630	6,892	29,750
of which from investments accounted for using the equity method	35	47	191	106	–	379	6	–	385
Segment liabilities [4]	13,326	590	1,636	767	194	16,513	1,751	6,908	25,172
Segment capital expenditure [5]	611	61	11	19	6	708	2	8	718
of which on investments accounted for using the equity method	–	–	–	10	–	10	–	–	10
Employees on balance sheet date	55,004	4,584	20,048	30,254	2,731	112,621	3,967	–	116,588

* Rounded below EUR 1m.
[1] See page 8 of the interim management report for reconciliation between operating result and profit from operating activities.
[2] Profit from operating activities including result of investments measured at equity.
[3] Intangible assets, property, plant and equipment, investments accounted for using the equity method, inventories, trade receivables and other assets constitute assets. Under the heading “Group” all assets are shown.
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[5] Capital expenditure for intangible assets, property, plant and equipment, and investments accounted for using the equity method. Under the heading “Group” all investments are shown.

Figures by region January – March 2014

in €m	Europe	thereof Germany	North America	thereof U.S.A.	Central and South America	Asia/Pacific	Middle East	Africa	**Total**
Traffic revenue*	3,540	1,557	677	612	162	569	138	75	**5,161**
Other operating revenue	554	188	320	263	49	255	70	53	**1,301**
Total revenue	**4,094**	**1,745**	**997**	**875**	**211**	**824**	**208**	**128**	**6,462**

* Traffic revenue is allocated according to the original location of sale.

Figures by region January – March 2013

in €m	Europe	thereof Germany	North America	thereof U.S.A.	Central and South America	Asia/Pacific	Middle East	Africa	**Total**
Traffic revenue*	3,626	1,565	715	639	168	596	153	80	**5,338**
Other operating revenue	531	142	311	241	53	271	74	51	**1,291**
Total revenue	**4,156**	**1,707**	**1,026**	**880**	**221**	**867**	**227**	**131**	**6,628**

* Traffic revenue is allocated according to the original location of sale.

9) Related party disclosures

As stated in "Note 44" to the consolidated financial statements for 2013 beginning on p. 201, the operating segments in the Lufthansa Group render numerous services to related parties within the scope of their ordinary business activities and also receive services from them. These extensive supply and service relationships take place unchanged on the basis of market prices. There have been no significant changes in comparison with the balance sheet date. The contractual relationships with the group of related parties described in "Note 45" from p. 203 of the 2013 consolidated financial statements also still exist unchanged, but are not of material significance for the Group.

Declaration by the legal representatives

We declare that to the best of our knowledge and according to the applicable accounting standards for interim reporting, the consolidated interim financial statements give a true and fair view of the net assets, financial and earnings positions of the Group, and that the Group interim management report gives a true and fair view of the course of business, earnings and the situation of the Group, and suitably presents the opportunities and risks to its expected development for the remainder of the financial year.

The Executive Board, 5 May 2014

Carsten Spohr
Chairman of the
Executive Board

Karl Ulrich Garnadt
Member of the
Executive Board

Harry Hohmeister
Member of the
Executive Board

Simone Menne
Member of the
Executive Board

Bettina Volkens
Member of the
Executive Board

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Published by
Deutsche Lufthansa AG
Von-Gablenz-Str. 2–6
50679 Cologne
Germany

Entered in the Commercial Register of
Cologne District Court under HRB 2168

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Concept, design and realisation
HGB Hamburger Geschäftsberichte GmbH & Co. KG,
Hamburg, Germany

ISSN 1616-0258

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The Lufthansa 1st Interim Report is a translation of the original German Lufthansa Zwischenbericht 1/2014. Please note that only the German version is legally binding.

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Financial calendar 2014/2015

2014

31 July Release of Interim Report January – Juni 2014

30 Oct. Release of Interim Report January – September 2014

2015

12 March Press Conference and Analysts' Conference on 2014 results

29 April Annual General Meeting in Hamburg

5 May Release of Interim Report January – March 2015

30 July Release of Interim Report January – June 2015

29 Oct. Release of Interim Report January – September 2015

Disclaimer in respect of forward-looking statements

Information published in the 1st Interim Report 2014, with regard to the future development of the Lufthansa Group and its subsidiaries consists purely of forecasts and assessments and not of definitive historical facts. Its purpose is exclusively informational identified by the use of such cautionary terms as "believe", "expect", "forecast", "intend", "project", "plan", "estimate" or "intend". These forward-looking statements are based on all discernible information, facts and expectations available at the time. They can, therefore, only claim validity up to the date of their publication.

Since forward-looking statements are by their nature subject to uncertainties and imponderable risk factors – such as changes in underlying economic conditions – and rest on assumptions that may not or divergently occur, it is possible that the Group's actual results and development may differ materially from those implied by the forecasts. Lufthansa makes a point of checking and updating the information it publishes. It cannot, however, assume any obligation to adapt forward-looking statements to accommodate events or developments that may occur at some later date. Accordingly, it neither expressly nor conclusively accepts liability, nor gives any guarantee for the actuality, accuracy and completeness of this data and information.

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