Lufthansa Group

1st Interim Report January – March 2015

Lufthansa Group overview

Key figures Lufthansa Group		**Jan. – March 2015**	Jan. – March[1] 2014	Change in %
Revenue and result				
Total revenue	€m	6,973	6,462	7.9
of which traffic revenue	€m	5,419	5,161	5.0
EBIT[1]	€m	–144	–217	33.6
Adjusted EBIT	€m	–167	–240	30.4
EBITDA[1]	€m	232	123	88.6
Net profit/loss for the period	€m	425	–252	
Key balance sheet and cash flow statement figures				
Total assets	€m	34,165	29,249	16.8
Equity ratio	%	7.5	17.9	–10.4 pts
Net indebtedness	€m	2,890	1,639	76.3
Cash flow from operating activities	€m	1,394	855	63.0
Capital expenditure (gross)	€m	815	859	–5.1
Key profitability and value creation figures				
EBIT margin	%	–2.1	–3.4	1.3 pts
Adjusted EBIT margin	%	–2.4	–3.7	1.3 pts
EBITDA margin[1]	%	3.3	1.9	1.4 pts
Lufthansa share				
Share price at the quarter-end	€	13.08	19.02	–31.2
Earnings per share	€	0.92	–0.55	
Traffic figures[2]				
Passengers	thousands.	21,559	21,740	–0.8
Passenger load factor	%	75.8	75.6	0.3 pts
Freight and mail	thousand tonnes	451	462	–2.4
Cargo load factor	%	69.2	71.7	–2.5 pts
Available tonne-kilometres	millions	9,385	9,295	1.0
Revenue tonne-kilometres	millions	6,796	6,781	0.2
Overall load factor	%	72.4	72.9	–0.5 pts
Flights	number	226,053	231,584	–2.4
Employees				
Employees as of 31.3.	number	118,569	118,712	–0.1

[1] Previous year's figures have been adjusted due to the new reporting method.
[2] Previous year's figures have been adjusted.

Date of publication: 5 May 2015.

Contents

Ladies and gentlemen,

The course of business at the Lufthansa Group was overshadowed by the tragic events of 24 March 2015. The accident of Germanwings flight 4U 9525 was something that all of us, staff and management, had always hoped we would never have to experience. But things turned out to be even worse than we had feared.

Two days after the accident, we were shocked to learn that the A320 had evidently been crashed deliberately by the co-pilot. The suffering that this tragedy has caused the families and friends of those who died is indescribable. We cannot assuage it, but we are doing everything we can to assist the families, quickly and without red tape, at this terrible time. As long as our assistance is wanted, we will help, support and provide information.

At the same time, the Lufthansa Group is unreservedly supporting the investigation being carried out by the public prosecutor in Dusseldorf. For us, 24 March 2015 has become the darkest day in the history of our Group. The accident in the French Alps is the worst disaster at Lufthansa since it was re-established after the war.

But at these difficult times, the values of our Company have been revealed again. In particular, the solidarity between all the employees of the Lufthansa Group, the employee representatives and the employers' associations seems to have emerged stronger. Solidarity with one another and with the Company is also apparent in the responsibility that every single individual is prepared to take for the Lufthansa Group: responsibility for our passengers, their relatives and friends; responsibility for the customers of all Group companies; but also responsibility for colleagues and ourselves. Our thanks goes to all our staff, who are doing so much at this difficult time.

Safety is and will remain our very highest priority. But thereafter, our most important task is to ensure the continued viability of our Company. Even if the date of the tragedy is now indelibly etched on the collective memory of the Lufthansa Group, we still look back with pride on our Company's 60-year existence and its successes. At the same time, we are also looking ahead. The present and the future are defined by permanent and ever-faster change; not only in society, but also in our industry and thus in all our business segments. In order to put our success on a sustainable footing and set our Company up for the future, we have launched the strategic action programme "7to1 – Our Way Forward" last year. In seven areas of action, we are working systematically to implement our primary objective: "Lufthansa – First Choice".

The new developments of the products and services in all our passenger airline businesses have been particularly well received. Lufthansa Passenger Airlines is being developed to become the first five-star airline in the western hemisphere. In the third quarter, the installation of the new First Class and Business Class seats is due for completion, along with the completely new Premium Economy Class.

In financial terms, the first quarter of the year was also marked by the longest consecutive strike by the Vereinigung Cockpit pilots' union in the history of the Lufthansa Group. Despite these challenges, we were able to achieve a solid year-on-year earnings improvement of EUR 73m. The improved earnings stemmed mainly from SWISS and Lufthansa Cargo, but also from Lufthansa Passenger Airlines.

We still believe we are on track to meet our forecast for an Adjusted EBIT of more than EUR 1.5bn before strike costs. The chances of exceeding this minimum figure, however, have declined significantly compared to the time of publication.

In addition to volatile oil prices and exchange rates, the costs of doing business in Germany remain our biggest challenge. These include the Company retirement and transitional benefits that are the focus of negotiations with our collective bargaining partners. In the weeks ahead, we will resume the talks on these subjects that were interrupted recently.

The need to make changes in this area can be seen clearly in the equity ratio for the Lufthansa Group, which has declined to 7.5 per cent. Following the latest reduction in interest rates, the Group's pension deficit has risen by around EUR 3bn, and shareholders' equity has gone down accordingly, for reasons beyond our control.

Ladies and gentlemen, the Executive Board of the Lufthansa Group would like to express its thanks to you for your sympathy and support at a time which is very difficult for all of us.

Thank you for your continued trust.

Carsten Spohr
Chairman of the
Executive Board and CEO

Karl Ulrich Garnadt
Member of the Executive Board
Chief Executive Officer
Lufthansa German Airlines

Harry Hohmeister
Member of the Executive Board
Chief Officer
Group Airlines, Logistics and IT

Simone Menne
Member of the Executive Board
Chief Officer
Finances and Aviation Services

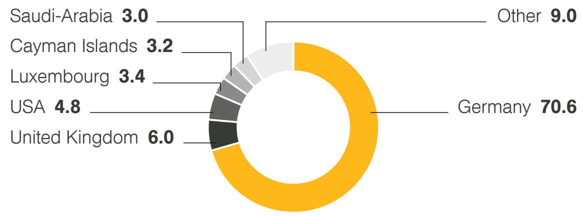
Dr Bettina Volkens
Member of the Executive Board
Chief Officer
Corporate Human Resources
and Legal Affairs

Lufthansa share

At the end of the first quarter 2015, the Lufthansa share was trading at EUR 13.08. As at 31 December 2014, the share price stood at EUR 13.83. The Lufthansa share therefore significantly underperformed the DAX index, which climbed by 22.0 per cent to an all-time high over the same period. At the end of the quarter, the average target price was EUR 14.05. Most of the 27 analysts recommended holding the share. The share price began to recover in the course of the quarter. However, after the accident of Germanwings flight 4U 9525 on 24 March 2015, the price of the Lufthansa share declined again.

The free float for Lufthansa shares was unchanged at 100 per cent at the end of the quarter. 70.6 per cent of Lufthansa shares were held by German investors. At year-end 2014 the largest individual investors were once again Templeton Global Advisors Limited with 5.00 per cent, BlackRock Inc. with 2.96 per cent and The Capital Group Companies with 2.95 per cent of the shares.

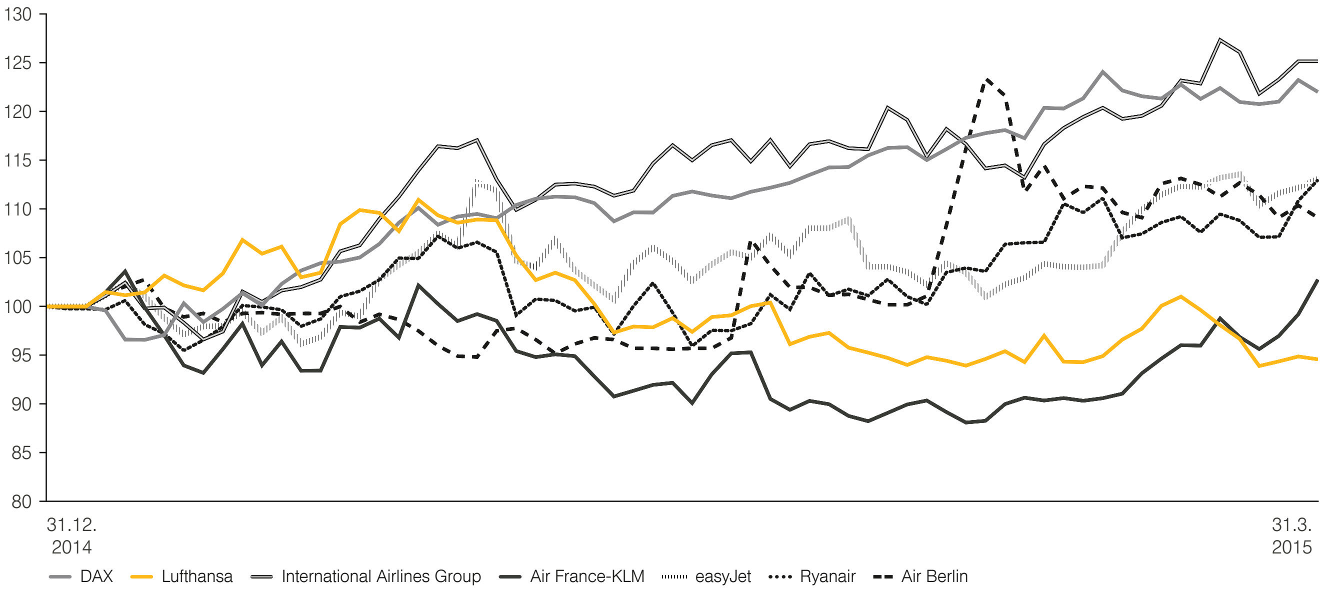
Shareholder structure by nationality in % (as of 31.3.2015)



Free float: 100%

Up-to-date information on the shareholder structure is provided regularly on the website i www.lufthansagroup.com/investor-relations.

Performance of the Lufthansa share, indexed as of 31.12.2014, compared with the DAX and competitors, in %



Interim management report

Economic environment and sector performance

GDP growth 2015* compared with previous year

in %	Q1	Q2	Q3	Q4	Full year
World	2.6	2.8	2.9	2.9	2.8
Europe	1.5	1.8	2.0	2.0	1.8
Germany	1.3	2.0	2.6	2.4	2.1
North America	3.2	2.8	2.4	2.4	2.7
South America	0.1	0.7	0.8	0.8	0.6
Asia/Pacific	4.3	4.7	5.0	5.2	4.8
China	6.7	6.5	6.5	6.5	6.5
Middle East	2.3	2.3	2.3	2.5	2.3
Africa	3.5	3.8	3.8	3.7	3.7

Source: Global Insight World Overview as of 15.4.2015.
* Forecast.

Macroeconomic situation The global economy grew by 2.6 per cent in the first quarter. Growth in the same period in the previous year was 2.9 per cent. Emerging markets had the highest growth rates at 3.9 per cent. Industrialised economies reported growth of 1.9 per cent. The economy stabilised in the European Union and was also buoyed by the European Central Bank's announcement that, in March 2015, it would start buying large quantities of government bonds from countries in the euro area. In the first quarter of 2015, the economy of the European Union grew by 1.5 per cent (previous year: 1.5 per cent).

Compared to the same period last year, North America recorded growth of 3.2 per cent (previous year: 2.5 per cent, South America 0.1 per cent (previous year: 1.7 per cent). The strongest growth came in Asia-Pacific with 4.3 per cent (previous year: 5.3 per cent).

Since the beginning of the year, the oil price has fallen slightly from USD 57.33/barrel to USD 55.11/barrel as of 31 March 2015. The average price in the first quarter of USD 55.18/barrel was 48.9 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 3.6 per cent higher than last year. Overall, the kerosene price went down year on year by an average of 42.3 per cent. The Lufthansa Group's hedging result depressed the result by EUR 203m. In the first quarter, the fuel costs incurred by the Lufthansa Group came to a total of EUR 1.3bn, 13.8 per cent below the same period last year.

Compared with the same period last year, the euro fell against the currencies that are particularly relevant for the Lufthansa Group. The euro was down by 10.3 per cent on the pound sterling, by 4.8 per cent on the Japanese yen, by 15.9 per cent on the Chinese renminbi and by 12.4 per cent on the Swiss franc. The rise of 17.9 per cent in the value of the US dollar had a negative impact on expenses, largely because the high spending on kerosene is priced in dollars. By contrast, the generally weak euro had a positive impact on income. Overall, exchange rate effects depressed EBIT for the first quarter by EUR 56m.

The discount rate, which is particularly important for measuring pension obligations, fell from 2.6 per cent at the beginning of the year to 1.7 per cent as of 31 March 2015. Largely due to this measurement effect as at the reporting date, pension obligations went up by 41.2 per cent compared with year-end 2014 to EUR 10.2bn.

Development of crude oil, kerosene and currency

		Minimum	Maximum	Average	31.3.2015
ICE Brent	in USD/bbl	46.59	62.58	55.18	55.11
Kerosene	in USD/t	506.00	618.25	561.12	553.00
USD	1 EUR/USD	1.0496	1.2099	1.1249	1.0728
JPY	1 EUR/JPY	127.4200	144.9100	134.0925	128.6800
CHF	1 EUR/CHF	0.9859	1.2031	1.0716	1.0437
CNY	1 EUR/CNY	6.5963	7.5038	7.0277	6.6599
GBP	1 EUR/GBP	0.7062	0.7858	0.7431	0.7227

Sector developments Increasing confidence in the sustainability of the economic recovery had a positive impact on global demand for air travel. According to data from the International Air Transport Association (IATA), revenue passenger-kilometres worldwide rose year on year by 6.2 per cent in the first two months of 2015. European carriers reported growth of 4.7 per cent. Airlines in North America grew by 3.1 per cent, those based in Latin America by 7.8 per cent and those in Asia by 6.6 per cent. Once again, however, the strongest growth worldwide came from Middle Eastern carriers. They sold 8.3 per cent more passenger-kilometres year on year in the first two months of the quarter.

The premium segment grew by 2.4 per cent globally.

The cargo business was somewhat more dynamic than the passenger business in the first quarter. Globally, revenue tonne-kilometres went up by 7.5 per cent in the first two months of the year. As in passenger traffic, the situation here varied significantly from region to region. Airlines from the Middle East posted the strongest year-on-year growth in their cargo business, with 15.2 per cent. European cargo airlines were slightly down on the year (–0.2 per cent). North American airlines picked up by 4.8 per cent, whereas the freight market in Latin America declined (–8.6 per cent). Asian airlines reported growth of 12.7 per cent.

The market for aircraft maintenance, repair and overhaul services grew in the previous year by 2.4 per cent. Growth was particularly strong in the Asian region. Slow fleet growth in America meant that demand in this major region increased by less than average at around 0.2 per cent. The performance of 3.1 per cent in the Europe, Africa and Middle East regions was mainly driven by the growth market in the Middle East.

Demand for airline catering and in-flight service concepts is still growing worldwide, but at a slower rate than global passenger numbers. Innovative in-flight sales programmes and buy-on-board concepts are in demand by low-cost carriers around the world and by some traditional airlines in the saturated markets of North America and Europe.

In the first quarter of 2015, the three largest international airlines in the USA – American Airlines, Delta and United Airlines – published a white paper accusing the Gulf carriers Emirates, Etihad and Qatar Airways of unfair commercial practices – including obtaining direct and indirect subsidies – and thus of abusing the open-skies agreement between the USA and the countries in the Gulf region. The Lufthansa Group supports demands for clear rules and fairness in respect of competition in the global aviation sector.

In January 2015, Qatar Airways acquired 9.99 per cent of the shares in International Airlines Group (IAG) and indicated its interest in taking an even higher stake.

IAG made a third takeover bid for the Irish airline Aer Lingus in the first quarter of 2015. The Aer Lingus board then gave the bid its support for the first time. The bid is currently under review by the Irish government and Ryanair, the two largest shareholders in Aer Lingus.

Ryanair and easyJet reported substantial capacity growth and improved load factors in the first quarter of 2015. The two leading European low-cost airlines have announced their intention to grow faster in Germany in future.

Course of business

All the Lufthansa Group's operating segments performed well in the first three months of the year. Lufthansa Group revenue rose significantly year on year. The strikes at Lufthansa Passenger Airlines, Germanwings and Lufthansa Cargo depressed earnings. Nevertheless, higher traffic revenue enabled the Passenger Airline Group to report positive revenue growth despite of this.

Adjusted EBIT improved significantly year on year. This was mainly driven by a significant increase for the Passenger Airline Group and Logistics segments, both of which benefited from lower fuel costs and both of which reported an upturn in traffic revenue (primarily due to exchange rate effects).

Significant events The first quarter of 2015 was overshadowed for the Lufthansa Group by the tragedy that befell Germanwings flight 4U 9525 on its scheduled flight from Barcelona to Dusseldorf, in which 150 people lost their lives in the French Alps. The Lufthansa Group supports all official investigations and is concentrating on providing all possible assistance to the relatives of those who died. Out of respect for the victims of the accident of flight 4U 9525, the Lufthansa Group cancelled the celebrations that had been planned to mark the Company's 60th anniversary.

The reporting period was also marked by further strikes. In March, pilots' union Vereinigung Cockpit called on its employees to go on strike as part of ongoing collective bargaining talks. From 18 to 21 March, the strikes – which were announced individually one after the other – successively affected long, short, and medium-haul routes at Lufthansa Passenger Airlines and partly also at Lufthansa Cargo. During the period concerned, a total of 1,985 flights were cancelled due to strikes at Lufthansa Passenger Airlines and three at Lufthansa Cargo. This was the twelfth and longest wave of strikes; it continued for four days and affected 232,000 passengers in total. Prior to that, the Vereinigung Cockpit pilots' union had carried out two days of strikes at Germanwings back in February.

In the 2012 financial year, the Lufthansa Group issued a convertible bond for common shares in JetBlue Airways Corporation. The bond has a nominal value totalling EUR 234m and matures in 2017. On 18 February 2015, a voluntary offer was made to the creditors to exercise their conversion rights ahead of time. On 18 March the Lufthansa Group announced that 99.99 per cent of the bondholders had accepted the offer to exercise their conversion rights in advance. A premature conversion of all the bonds implies the withdrawal of the Lufthansa Group from the equity investment in JetBlue. The Lufthansa Group is using this step to optimise its funding profile and strengthen its balance sheet.

The airlines in the Lufthansa Group continue to modernise their fleets. At its meeting on 11 March 2015, the Supervisory Board of Deutsche Lufthansa AG approved the purchase of three more new Boeing 777-300ER long-haul jets for SWISS and six used Airbus A320ceo (current engine option) for Eurowings.

The new Boeing B777-300ER aircraft are to be delivered to SWISS from 2017, where they will replace older A340-300s. This means that the Swiss airline will take delivery of a total of nine aircraft of this type from 2016 onwards. The six used A320ceo models are set to be delivered to Eurowings from 2016 and serve to replace Bombardier CRJ 900 craft with larger planes.

Austrian Airlines will already begin the process of renewing its medium-haul fleet in 2015. Initially, 17 Embraer 195 aircraft are set to be transferred from Lufthansa CityLine to the Austrian Airlines fleet, where they will replace 21 Fokker 70 and Fokker 100 aircraft. The replacement programme is due to start in autumn 2015 and be finished at the end of 2017.

Staff and management The Employers' Federation for Air Transport Companies (AGVL) – in its capacity as lead negotiator for Lufthansa Passenger Airlines – and the UFO flight attendants' union continued their negotiations and talks on a variety topics in January and February 2015 under the heading of "Cabin Agenda".

The parties managed to reach further agreements. In particular, mediation between AGVL and UFO was agreed upon in respect of issues connected to benefits for the flight staff of Lufthansa Passenger Airlines. This mediation is scheduled to begin in May 2015. At the same time, the parties are continuing negotiations and talks that were adjourned by mutual consent in April.

Ms Ilona Ritter left the Supervisory Board, where she served as an employee representative, as of 31 December 2014. She is succeeded by Mr Jan-Willem Marquardt as of 1 January 2015. As of 11 March 2015, Mr Jan-Willem Marquardt will also succeed Ms Ilona Ritter as a member of the Audit Committee.

Supervisory Board member Mr Jacques Aigrain, who was elected by the shareholders, resigned his board seat as of the close of the Annual General Meeting held on 29 April 2015. The Annual General Meeting proposed that Mr Stephan Sturm, finance director of Fresenius Management SE, be elected as a new Supervisory Board member as of the close of the same Annual General Meeting.

Mr Uwe Hien resigned his seat as employee representative on the Supervisory Board of Deutsche Lufthansa AG as of 1 May 2015.

As no substitute had been elected for Mr Uwe Hien, the trade union UFO applied to Cologne District Court to appoint an additional Supervisory Board member in accordance with Section 104 Stock Corporation Act (AktG). A decision will be made once the seat becomes vacant.

Mr Jaan Albrecht is scheduled to become Managing Director of SunExpress, a joint venture between Lufthansa and Turkish Airlines, as of 1 June 2015. He was appointed by the Administrative Board of SunExpress during their meeting held on 31 March 2015. Mr Jaan Albrecht will remain CEO of Austrian Airlines AG until the end of May. His successor in this role has not yet been appointed. His successor is due to be appointed in mid-May 2015.

Changes in reporting standards and in the group of consolidated companies There have been no significant changes to the group of consolidated companies since this time last year. The individual changes compared with year-end 2014 and 31 March 2014 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.

The standards and interpretations mandatory for the first time as of 1 January 2015 also did not have a significant effect on the net assets, financial and earnings position. For further details, see the Notes to the consolidated financial statements starting on p. 30.

Since Lufthansa Systems AG (which was converted into a public limited company) was split into Airline Solutions, Industry Solutions and IT Infrastructure and the sale of IT Infrastructure was agreed with IBM, IT Services has no longer been presented as a separate strategic segment within the Lufthansa Group. For further information, we refer to the new segment reporting in the Notes to the consolidated statements starting on p. 35.

Last year the Lufthansa Group decided to replace CVA as the main performance indicator in the system of value-based management. The change takes effect for the first time in the 2015 financial year. After evaluating various alternatives, the Executive Board of Deutsche Lufthansa AG decided to replace CVA with earnings after cost of capital (EACC), which is intended to make the value-based management of the Company even more explicit. For further information we refer to p. 30 et seq. of the Annual Report for 2014. EACC is an absolute measure of value added and is calculated on the basis of earnings before interest and taxes (EBIT) in a given reporting period. From 2015 onwards, the main earnings metric for the Company's forecasts will be Adjusted EBIT. EBIT is adjusted for the valuation and disposal of non-current assets and the measurement of pension provisions and impairments.

The new management and earnings indicators also affect the structure of the earnings position and the associated comments. General comments on earnings and expenses in the reporting period are now based on EBIT and are followed by an explanation of the reconciliation with Adjusted EBIT. As part of these changes, the following modifications to the presentation in the income statement have been made for greater ease of understanding. The result of equity investments is now shown as part of EBIT. Earnings contributions from the measurement and realisation of financial debt that were previously recognised in the operating result are now presented in other financial items and therefore in one net line item together with the relevant interest rate/exchange rate hedges. Impairment losses on financial investments that were previously recognised in other financial items are now to be shown in the operating result, as are impairment losses on other assets. In addition, gains and losses from the sale of current financial investments that were previously recognised in other operating income are now shown as part of net interest from 2015.

Earnings position

Traffic figures of the Lufthansa Group's airlines*

		Jan. – March 2015	Jan. – March 2014	Change in %
Passengers carried	thousands	21,559	21,740	–0.8
Available seat-kilometres	millions	58,918	58,363	1.0
Revenue seat-kilometres	millions	44,688	44,108	1.3
Passenger load factor	%	75.8	75.6	0.3 pts
Freight / mail	thousand tonnes	451	462	–2.4
Available cargo tonne-kilometres	millions	3,469	3,421	1.4
Revenue cargo tonne-kilometres	millions	2,402	2,453	–2.1
Cargo load factor	%	69.2	71.7	–2.5 pts
Total available tonne-kilometres	millions	9,385	9,295	1.0
Total revenue tonne-kilometres	millions	6,796	6,781	0.2
Overall load factor	%	72.4	72.9	–0.5 pts
Flights	number	226,053	231,584	–2.4

* 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 2015. Traffic in the cargo business was down. Although they managed to increase supply and sales in the passenger business by 1.0 per cent and 1.3 per cent respectively, 21.6 million passengers were carried, representing a fall of 0.8 per cent year on year. Transport of freight and mail fell to 451 thousand tonnes (–2.4 per cent). The individual performance data for the separate segments is presented in the respective chapters.

Revenue and income

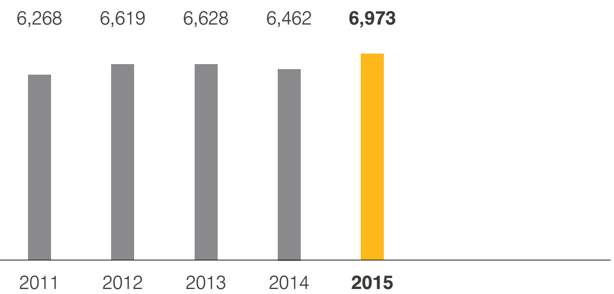
	Jan. – March 2015 in €m	Jan. – March 2014 in €m	Change in %
Traffic revenue	5,419	5,161	5.0
Other revenue	1,554	1,301	19.4
Total revenue	**6,973**	**6,462**	**7.9**
Changes in inventories and work performed by the entity and capitalised	76	46	65.2
Other operating income	837	476	75.8
Total operating income	**7,886**	**6,984**	**12.9**

Traffic revenue for the Group increased overall by 5.0 per cent to EUR 5.4bn. Alongside a slight rise in volume (+0.9 per cent), this was mainly due to positive exchange rate effects (+6.9 per cent). Lower prices (–2.8 per cent) reduced income, by contrast. The Passenger Airlines Group accounted for EUR 4.7bn (+5.1 per cent) of traffic revenue and the Logistics segment for EUR 593m (+4.8 per cent).

At EUR 1.6bn, other revenue – some of which was also subject to exchange rate effects – was 19.4 per cent up on the previous year. Of the total, the MRO segment generated EUR 768m (+21.1 per cent), Catering EUR 534m (+20.0 per cent) and Others EUR 68m (+7.9 per cent). The airborne companies in the Passenger Airline Group and Logistics segment contributed EUR 184m (+16.4 per cent) to other revenue.

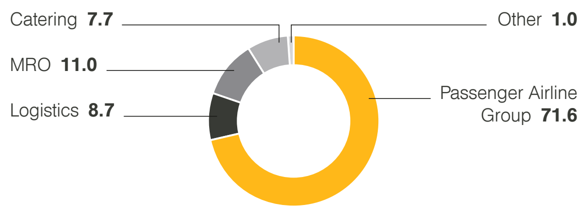
Overall, Group Revenue increased by 7.9 per cent to EUR 7.0bn. The development of revenue over the last five years is shown in the following chart.

Revenue development in €m (Jan. – March)



The Passenger Airline Group's share of total revenue fell in the first quarter to 71.6 per cent (–1.8 percentage points). The distribution of revenue by segment and region is shown in the segment reporting starting on p. 35.

External revenue share of the business segments in % (as of 31.3.2015)



Other operating income went up by EUR 361m to EUR 837m. This stems almost exclusively from higher exchange rate gains (+382m), which offset higher exchange rate losses in other operating expenses. Moreover, higher book gains on the disposal of non-current assets (EUR +12m) are worth mentioning. These include book gains of EUR 8m in connection with the disposal of the JetBlue shares. The other individual items did not vary significantly compared with the same quarter last year.

Total operating income therefore rose by EUR 902m, or 12.9 per cent, to EUR 7.9bn.

Expenses Operating expenses climbed by EUR 826m (+11.5 per cent) to a total of EUR 8.0bn. The cost of materials and services at the Lufthansa Group rose by 1.1 per cent to EUR 4.0bn, however. Within the cost of materials and services, fuel costs sank significantly by 13.8 per cent to EUR 1.3bn. A fall of 35.7 per cent in fuel prices (after hedging) was partly offset by the rise in the US dollar (+20.6 per cent) and higher volumes (+1.3 per cent).

Expenses

	Jan. – March 2015 in €m	Jan. – March 2014 in €m	Change in %
Cost of materials and services	3,977	3,933	1.1
of which fuel	1,308	1,517	–13.8
of which fees and charges	1,246	1,168	6.7
of which operating lease	13	15	–13.3
Staff costs	1,922	1,798	6.9
Depreciation	374	340	10.0
Other operating expenses	1,746	1,122	55.6
Total operating expenses	**8,019**	**7,193**	**11.5**

Expenses for other raw materials, consumables and supplies went up by 13.9 per cent to EUR 736m, mainly due to higher volumes and the effect of exchange rates in the MRO and Catering segments.

Fees went up altogether by 6.7 per cent to EUR 1.2bn. Volumes, pricing and exchange rates all contributed to the increase in expenses. Air traffic control charges were up by 7.2 per cent, take-off and landing fees by 8.9 per cent, handling charges by 7.5 per cent and security fees by 15.5 per cent. Expenses connected to the air traffic tax were 1.3 per cent above the figure for the previous year at EUR 77m. Other purchased services rose by 14.1 per cent to EUR 687m, largely due to the greater volume of MRO services (+21.5 per cent).

Staff costs went up by 6.9 per cent. As the number of employees declined by 0.1 per cent to 118,569, this is primarily the result of exchange rate movements and higher additions to pension provisions following the reduction in the discount rate from 3.75 per cent to 2.60 per cent.

Depreciation was up by 10.0 per cent to EUR 374m, in particular due to the new aircraft deliveries since April 2014.

Other operating expenses went up by EUR 624m to EUR 1.7bn. Higher exchange rate losses (EUR +453m) were responsible for the increase, as were write-downs on current assets of EUR 104m (EUR +82m). EUR 78m of these write-downs were related to bank balances in Venezuela. Including other recognised exchange rate losses, the measurement of currency holdings in Venezuela reduced earnings by EUR 60m (previous year: EUR 38m). The individual other items did not vary significantly compared with last year.

Earnings development Profit from operating activities improved by EUR 76m to EUR –133m.

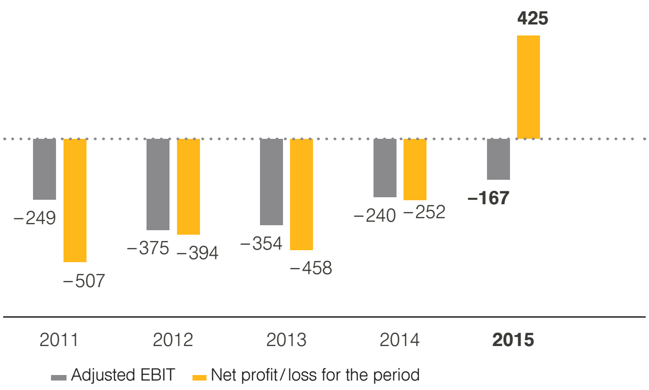
The result from equity investments decreased overall by EUR 3m to EUR –11m in the reporting period. By contrast, net interest went up to EUR 2m thanks to higher interest income (previous year: EUR –61m).

The result from other financial items was up EUR 527m at EUR 498m. EUR 503m stemmed from the realisation of gains on the JetBlue shares previously recognised without effect on profit and loss, and EUR 146m from higher market values of derivative financial instruments held for trading as defined in IAS 39. The measurement of financial debt denominated in foreign currencies reduced earnings by EUR 148m.

Earnings before interest and taxes (EBIT) reflect the changes in the operating result and the result from equity investments and came to EUR –144m at the end of the first quarter (previous year: EUR –217m). Adjusting for the effects of the valuation and disposal of non-current assets produced an Adjusted EBIT of EUR –167m (previous year: EUR –240m).

Earnings before taxes (EBT) went up by EUR 633m to EUR 356m. Taking tax-free income into account, particularly in connection with the disposal of the JetBlue shares, income taxes boosted earnings by EUR 75m (previous year: EUR 59m). Deducting minority interests (EUR 6m; previous year: EUR 4m) resulted in a net profit for the period of EUR 425m (previous year: EUR –252m). Earnings per share improved from EUR –0.55 to EUR 0.92 compared with the same period in the previous year.

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



Reconciliation of results

in €m	Jan. – March 2015 Income statement	Jan. – March 2015 Reconciliation Adjusted EBIT	Jan. – March 2014 Income statement	Jan. – March 2014 Reconciliation Adjusted EBIT
Total revenue	**6,973**	**–**	**6,462**	**–**
Changes in inventories	76	–	46	–
Other operating income	837	–	476	–
of which book gains		–25		–13
of which write-ups on capital assets		–3		–15
Total operating income	**7,886**	**–28**	**6,984**	**–28**
Cost of materials and services	–3,977	–	–3,933	–
Staff costs	–1,922	–	–1,798	–
of which past service costs/settlement		–		–
Depreciation	–374		–340	
of which impairment losses		1		3
Other operating expenses	–1,746		–1,122	
of which impairment losses on assets held for sale		1		–1
of which expenses incurred from book losses		3		3
Total operating expenses	**–8,019**	**5**	**–7,193**	**5**
Profit/loss from operating activities	**–133**	**–**	**–209**	**–**
Result from equity investments	–11	–	–8	–
EBIT	**–144**		**–217**	
Total amount of reconciliation Adjusted EBIT		**–23**		**–23**
Adjusted EBIT		**–167**		**–240**
Write-downs (included in profit from operating activities)	374	–	340	–
Write-downs on financial investments, securities and assets held for sale	2	–	–	–
EBITDA	**232**	**–**	**123**	**–**

Cash flow and capital expenditure

In the first quarter of 2015 the Group increased its cash flow from operating activities by EUR 539m to EUR 1.4bn. Based on an increase of EUR 633m in profit before income taxes, the effects of eliminating non-cash depreciation and amortisation and cash flows attributable to investing and financial activities result in a reduction in cash flow from operating activities of EUR 31m. Adjusting the result for the non-cash valuation of financial instruments totalling EUR 687m – in particular in connection with the disposal of the JetBlue shares – led to a sharp fall in the reconciliation with cash flow from operating activities. The reason for the much higher cash flow from operating activities was therefore the positive year-on-year change in working capital (EUR +593m).

Gross capital expenditure came to EUR 815m (previous year: EUR 859m, of which EUR 704m was for a total of seven aircraft (one Airbus A380, three Boeing 747-8s, one B777F and two A320-200s) and for aircraft overhauls and advance payments. An additional EUR 55m was invested in other property, plant and equipment. Intangible assets accounted for EUR 17m of the remaining capital expenditure. Financial investments of EUR 39m related solely to loans. Additions and disposals of repairable spare parts resulted in net outflows of EUR 108m.

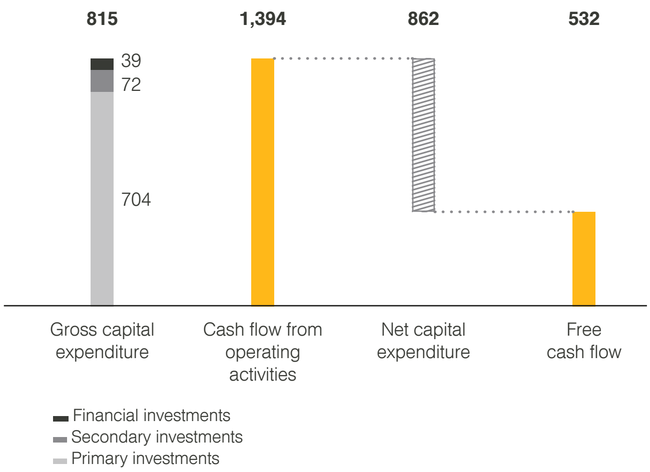
The funding requirement was partly covered by interest and dividend income (EUR 130m in total) and by proceeds of EUR 21m from the disposal of assets – mostly aircraft. The purchase and sale of current securities and funds resulted in a net cash outflow of EUR 378m. A total of EUR 1.2bn in net cash was therefore used for capital expenditure and cash management activities (previous year: EUR 289m).

Free cash flow, defined as cash flow from operating activities less net capital expenditure, came to EUR 532m and was therefore EUR 337m higher than last year.

The balance of all financing activities was a net cash outflow of EUR 198m. New borrowing (EUR 182m) was offset by scheduled capital repayments (EUR 318m), interest payments of EUR 58m and dividends to minority shareholders of EUR 4m.

Cash and cash equivalents fell overall by EUR 3m to EUR 825m. This includes an increase of EUR 41m in cash balances due to exchange rate movements. The internal financing ratio was 171.0 per cent (previous year: 99.5 per cent). Overall, cash including current securities at the end of the first quarter fell to EUR 3.0bn (previous year: EUR 3.6bn. The detailed cash flow statement can be found on p. 29.

Cash flow and capital expenditure in €m (as of 31.3.2015)



Assets and financial position

Consolidated total assets as of 31 March 2015 had risen considerably by EUR 3.7bn, or 12.1 per cent, compared with year-end 2014 to EUR 34.2bn. Non-current assets were up by EUR 2.1bn and current assets by EUR 1.6bn.

Within non-current assets, the item aircraft and reserve engines rose by EUR 749m to EUR 14.3bn. Repairable spare parts for aircraft rose by EUR 109m to EUR 1.2bn. The decline of EUR 611m in other equity investments is due to the disposal of nearly all the shares in JetBlue held by the Lufthansa Group. With effect from 26 March 2015, 99.99 per cent of the holders of a convertible bond issued by Lufthansa in 2009 on its shares in JetBlue Airways Corporation (carrying amount as of 31.12.14: EUR 610m) had accepted the offer to exercise their conversion right in advance. The liabilities under the bond and the related conversion options were extinguished when the corresponding shares were delivered to the bondholders.

EUR 725m of the steep increase of EUR 887m in derivative financial instruments stems from higher market values of exchange rate hedges following the US dollar's rise against the euro. Claims related to deferred tax assets increased by EUR 789m, primarily due to an increase in pension provisions, which was largely the result of the discount rate going down from 2.6 per cent to 1.7 per cent.

Within current assets, receivables rose by EUR 848m overall to EUR 4.9bn. In addition to seasonal and billing reasons, the main factor behind the sharp rise in this item was the recognition of claims totalling EUR 277m (USD 300m) against insurers in connection with the accident of the Germanwings aircraft on 24 March 2015. These insurance claims are based on an initial estimate from the leading insurer and cover all third-party liability claims resulting from the aircraft accident, such as salvage and clean-up operations at the site of the accident, counselling and transport costs, claims for damages and the insurance value of the lost aircraft. Following deduction of the insurance value of the aircraft involved in the accident of EUR 6m, Germanwings is recognising with this provision the expectations of the insurance consortium, who, as experts experienced in such matters, have set a reserve of EUR 277m (USD 300m).

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 31.3.2015

Manufacturer/type	LH	LX	OS	LCAG	**Group fleet**	of which finance lease	of which operating lease	Change as of 31.12.14	Change as of 31.3.14
Airbus A319	73	5	7		85	10	6	–	–
Airbus A320	73	28	16		117	19	1	+1	+7
Airbus A321	64	8	6		78	2		+2	+2
Airbus A330	19	16			35	1		–	–1
Airbus A340	42	15			57	3	3	–	–2
Airbus A380	13				13			+1	+2
Boeing 737	21				21			–1	–4
Boeing 747	35				35			+3	+4
Boeing 767			6		6	2		–	–
Boeing 777			5	5	10	1		+1	+2
Boeing MD-11F				16	16			–	–1
Bombardier CRJ	43				43			–3	–9
Bombardier Q-Series			18		18			–	+4
ATR					0			–	–7
Avro RJ		18			18		6	–2	–2
Embraer	43				43			–	–
Fokker F70			6		6			–1	–3
Fokker F100			15		15			–	–
Total aircraft	**426**	**90**	**79**	**21**	**616**	**38**	**16**	**1**	**–8**

The increase in current financial derivatives (EUR +345m) results mainly from higher market values of exchange rate hedges following the rise in the US dollar. Cash and cash equivalents, consisting of current securities, bank balances and cash-in-hand, increased by EUR 395m to EUR 3.1bn due to positive free cash flow. The proportion of non-current assets in the balance sheet total declined from 72.9 per cent at year-end 2014 to 71.2 per cent currently.

Moving to equity and liabilities, shareholders' equity (including minority interests) came to EUR 2.6bn as of the end of the first quarter; a fall of 36.0 per cent. Based on a positive after-tax result of EUR 431m, EUR 2.1bn of this decline stems from the recognition of higher pension provisions without effect on profit and loss. Positive effects from currency translation (EUR +333m) boosted shareholders' equity. Reserves for the market valuation of financial instruments include a sharp decrease of EUR 491m from the disposal of the JetBlue shares, which was offset in particular by higher market values of derivative financial instruments of EUR 395m in total. Compared with year-end 2014, total assets increased by 12.1 per cent and the equity ratio declined from 13.2 per cent to 7.5 per cent.

Non-current liabilities and provisions rose significantly by EUR 2.7bn to EUR 18.2bn. Current borrowing also rose significantly by EUR 2.4bn to EUR 13.4bn. Within non-current borrowing, pension provisions went up by EUR 3.0bn to EUR 10.2bn, mainly due to a further fall in the discount rate from 2.6 per cent to 1.7 per cent. Financial liabilities were more or less unchanged. The decline resulting from the early redemption of the convertible bond on JetBlue shares was largely offset by higher values of foreign-currency liabilities and new borrowing. The decline in derivative financial instruments (EUR –331m) is due to the disposal of the conversion options for the JetBlue shares.

Within current liabilities and provisions, the increase in other provisions (EUR +110m) results primarily from expected obligations in connection with the accident of the Germanwings aircraft, as previously mentioned. Provisions in connection with the contract pertaining to the sale of IT Infrastructure of Lufthansa Systems AG, which was concluded last year, and provisions in connection with the SCORE programme came down. In addition, trade payables and other financial liabilities climbed (EUR +408m) – largely for seasonal and billing reasons – as did liabilities from unused flight documents (EUR +1.4bn). Negative market values of derivative financial instruments, principally exchange rate hedges of currencies other than the US dollar and fuel hedges, went up by EUR 431m.

Net indebtedness came to EUR 2.9bn as of 31 March 2015 (year-end 2014: EUR 3.4bn). The debt repayment ratio, i.e. the adjusted cash flow from operating activities in relation to net indebtedness including pension provisions, fell to 16.7 per cent (previous year: 35.4 per cent). It is therefore well below the minimum figure of 35 per cent set by the Lufthansa Group. The target rate of 45 per cent remains unchanged.

Calculation of net indebtedness

	31 March 2015 in €m	31 Dec. 2014 in €m	Change in %
Liabilities to banks	1,136	1,057	7.5
Bonds	1,255	1,468	–14.5
Other non-current borrowing	3,583	3,433	4.4
	5,974	**5,958**	**0.3**
Other bank borrowing	49	198	–75.3
Group indebtedness	**6,023**	**6,156**	**–2.2**
Cash and cash equivalents	917	953	–3.8
Securities	2,216	1,785	24.1
Net indebtedness	**2,890**	**3,418**	**–15.4**
Pension provisions	10,211	7,231	41.2
Net indebtedness and pensions	**13,101**	**10,649**	**23.0**

Passenger Airline Group business segment

Key figures Passenger Airline Group		**Jan. – March 2015**	Jan. – March 2014	Change in %	of which Lufthansa Passenger Airlines[3] **Jan. – March 2015**	Jan. – March 2014	Change in %
Revenue	€m	5,157	4,900	5.2	3,732	3,559	4.9
of which with companies of the Lufthansa Group	€m	161	156	3.2			
EBIT	€m	–253	–311	18.6	–233	–245	4.9
Adjusted EBIT	€m	–254	–332	23.5	–234	–257	8.9
EBITDA[1]	€m	53	–36	–	–19	–51	62.7
Segment capital expenditure	€m	685	686	–0.1			
Employees as of 31.3.	number	55,154	55,809	–1.2	40,382	40,836	–1.1
Passengers[2]	thousands	21,559	21,740	–0.8	15,863	15,777	0.5
Flights[2]	number	223,771	229,021	–2.3	158,589	161,158	–1.6
Available seat-kilometres[2]	millions	58,918	58,363	1.0	42,950	42,320	1.5
Revenue seat-kilometres[2]	millions	44,688	44,108	1.3	32,363	31,650	2.3
Passenger load factor[2]	%	75.8	75.6	0.2 pts	75.4	74.8	0.6 pts
Yields	€ Cent	10.5	10.2	3.7			
Unit revenue (RASK)	€ Cent	8.0	7.7	4.1			
Unit cost (CASK)	€ Cent	9.9	9.4	6.0			

[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 Lufthansa Passenger Airlines (including Germanwings), SWISS and Austrian Airlines operate in an airline group and realise important synergies by coordinating its activities. In addition to the airlines mentioned above, the Lufthansa Group holds strategic equity interests in the carriers Brussels Airlines and SunExpress. The financial investment in JetBlue ends with the holders of the convertible bonds early exercise of their conversion rights and the receipt of common shares in Jet Blue Airways Corporation.

The group's multi-hub system, which comprises the international hubs in Frankfurt, Munich, Zurich, Vienna and Brussels, offers passengers a wide choice of connections for planning their individual travel itineraries. The group operates a comprehensive global route network with 271 destinations in 104 countries and offers customers a differentiated product portfolio that is refined on an ongoing basis.

The first quarter of 2015 was overshadowed by the tragic loss of Germanwings flight 4U 9525 on 24 March 2015. The Lufthansa Group is providing comprehensive support to the official investigations into the tragedy.

In agreement with the German Federal Aviation Office, other German airlines and the Federal Association of the German Aviation Industry, the airlines in the Lufthansa Group are introducing a new procedure regarding the staffing of the cockpit as a precautionary measure. Two authorised persons are required in the cockpit at all times during the flight. The passenger airlines in the Lufthansa Group will implement the new procedure as quickly as possible in agreement with their respective regulators.

At the same time, the Lufthansa Group is expanding its safety structures. In addition to the safety pilots at the individual airlines, the new function of Group safety pilot was created as of 27 March 2015. In conjunction with his or her role as a safety pilot of Lufthansa Passenger Airlines, this officer will have overarching responsibility for verifying and refining procedures relevant to flight safety for the entire Group. In this function, the pilot will report directly to the Chairman of the Executive Board and CEO of Deutsche Lufthansa AG.

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 operators have a market share of 90 per cent between them.

In Europe, the three biggest airline groups – Lufthansa Group, Air France-KLM and IAG – and the two major low-cost carriers Ryanair and easyJet only hold around 40 per cent of the total market. Ryanair is continuing to develop its business model to become an airline that is looking to extend its appeal to a more discerning customer base by accessing hubs and entering into partnerships with global distribution systems. This will result in an increase in yields and average costs. In the long-haul business between

Europe and Asia, the still 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 measures to cut unit costs and expand joint venture partnerships and investments to boost product and service quality.

With the new Eurowings umbrella brand, the Lufthansa Group wishes to tap into additional markets in the price-sensitive leisure travel sector, thereby safeguarding its leading position in its home markets of Germany, Austria, Switzerland and Belgium. By the end of 2015, the carriers Eurowings, Germanwings and others – all operating under the same umbrella brand in Europe – should be able to offer long- and short-haul routes at cost-effective prices, thus acquiring new customers by means of affordable quality. This will be made possible on the basis of considerably lower cost structures. On 1 February 2015, the first Airbus A320 in the new Eurowings livery took off on its maiden flight from Hamburg to Prague. The aircraft can accommodate 162 passengers. Further aircraft featuring the new design will follow in the further course of the year.

Vienna will be the first base for the new Eurowings brand outside Germany. In coordination with Austrian Airlines, two Airbus A320 aircraft are to be stationed in Vienna initially, offering point-to-point connections on European routes. The aircraft will fly in the livery of the new Eurowings,

Over the course of the year, the airlines of the Passenger Airline Group will further enhance the travel experience for passengers by means of numerous innovations. Modern cabin designs on the entire fleet, new in-flight service concepts, an innovative and flexible pricing system and the addition of new leisure-travel destinations in the long-haul network will make the product range even more attractive to both business and leisure travellers.

The Lufthansa Group is continuing with the modernisation of its aircraft fleet in 2015. As well as the four Boeing 747-8s, the Lufthansa Group will take delivery of two Airbus A380s, ten aircraft from the A320 family and a B777F freighter for Lufthansa Cargo this year.

Sustainable and responsible business practices are firmly embedded as a core component of the Lufthansa Group's strategic guidelines. The Company's commitment in this area was once again recognised: the US trade magazine Air Transport World selected the Lufthansa Group as its Eco-Airline of the Year for the second time.

Course of business and operating performance Repeated strikes by the Vereinigung Cockpit pilots' union had an adverse impact on the course of business in the first quarter of 2015. There were two days of strikes at Germanwings in February and four days of strikes at Lufthansa Passenger Airlines and Lufthansa Cargo in March. Hundreds of flights had to be cancelled, which caused problems for the customers and companies of the Passenger Airline Group.

The number of passengers flying with airlines in the Passenger Airline Group fell to 21.6 million (–0.8 per cent) in the first three months of 2015. Although the number of flights fell by 2.3 per cent, capacity (measured in available seat-kilometres) was up by 1.0 per cent, which was primarily due to the use of larger aircraft. Revenue seat-kilometres rose by 1.3 per cent, taking the passenger load factor up by 0.3 percentage points to 75.8 per cent.

Yields per revenue seat-kilometre rose by 3.7 per cent, primarily due to exchange rate movements. Traffic revenue rose by 5.1 per cent.

Traffic revenue and yields increased year on year in all traffic regions. Sales in the Europe traffic region were below last year's figure (–2.9 per cent). Yields, however, increased by 3.7 per cent. Traffic revenue rose by 0.7 per cent as a result. Sales of the Americas region were expanded by 5.5 per cent. In combination with higher yields (+9.0 per cent), mostly due to exchange rate movements, this lifted traffic revenue by 14.9 per cent. In the Asia/Pacific region, sales rose (+1.7 per cent). Traffic revenue went up by 3.0 per cent and yields by 1.3 per cent, also adjusted for exchange rate movements. Sales fell slightly in the Middle East/Africa region (0.5 per cent). Traffic revenue went up by 2.6 per cent due to a 3.1 per cent increase in yields, which in turn was primarily attributable to exchange rate movements.

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 2015	Change in %	**Jan. – March 2015**	Change in %	**Jan. – March 2015**	Change in %	**Jan. – March 2015**	Change in %	**Jan. – March 2015**	Change in pts
Europe	2,088	0.7	17,035	–1.6	19,026	–4.1	13,119	–2.9	69.0	0.8
America	1,386	14.9	2,054	4.5	19,621	4.6	15,699	5.5	80.0	0.6
Asia / Pacific	842	3.0	1,444	1.2	14,177	2.7	11,441	1.7	80.7	–0.8
Middle East / Africa	395	2.6	1,026	–0.3	6,094	2.1	4,429	–0.5	72.7	–1.9
Total	**4,711**	**5.1**	**21,559**	**–0.8**	**58,918**	**1.0**	**44,688**	**1.3**	**75.8**	**0.3**

* Including Germanwings.

Revenue and earnings development Based on an improvement of 1.0 per cent in traffic (measured in available passenger-kilometres), the business segment saw an increase in sales of 1.3 per cent in the first quarter of the financial year. Positive exchange rate effects (+6.6 per cent) and lower prices (–2.8 per cent) drove traffic revenue up by 5.1 per cent to EUR 4.7bn.

Other operating income went up by EUR 180m to EUR 451m. The increase was due in full to the rise of EUR 217m in exchange rate gains, whereas write-ups of non-current assets declined by EUR 14m. Total operating income went up accordingly by 8.5 per cent to EUR 5.6bn.

Operating expenses rose year on year by 7.0 per cent to EUR 5.8bn. At EUR 3.4bn, the cost of materials and services was just 0.7 per cent higher than last year. While fuel costs were down sharply by 12.3 per cent – largely due to pricing movements – fees and charges rose by 6.7 per cent. Air traffic control charges went up by 6.8 per cent, take-off and landing fees by 9.4 per cent, handling charges by 7.7 per cent and security fees by 15.5 per cent. The increase in other purchased services (+15.0 per cent) is mainly due to higher expenses for external MRO services (+21.7 per cent).

Despite a 1.2 per cent reduction in the average number of employees, staff costs rose by 5.4 per cent to EUR 1.1bn, mainly because of exchange rate movements and higher additions to pension provisions.

Depreciation was up by 11.3 per cent to EUR 306m, in particular due to the new aircraft deliveries since April 2014.

Other operating expenses climbed by a total of EUR 272m to EUR 1.0bn. The main reasons were higher exchange rate losses (EUR +173m) and write-downs on bank balances in Venezuela. Comments on the earnings contributions from the individual airlines can be found on the following pages.

The result from equity investments of EUR –18m (previous year: EUR –22m) related to SunExpress and SN Airholding.

Overall, EBIT amounted to EUR –253m (previous year: EUR –311m). Adjusting for the effects of valuing non-current assets produced an Adjusted EBIT of EUR –254m (previous year: EUR –332m).

Segment capital expenditure of EUR 685m remained unchanged from last year and was mainly incurred for new aircraft. As part of the ongoing fleet modernisation, the Passenger Airline Group acquired six new aircraft in the first quarter. Detailed explanations can be found starting on p. 35.

Lufthansa Passenger Airlines

Lufthansa Passenger Airlines (including Germanwings) is the biggest operating segment in the Lufthansa Group by revenue. The hubs in Frankfurt and Munich are served by the Lufthansa brand. Germanwings covers point-to-point traffic in Germany and Europe from six sites in Germany. In the first quarter of 2015, Lufthansa Passenger Airlines (including Germanwings) offered 6,292 global weekly frequencies to 207 destinations in 76 countries.

Germany is the core market of Lufthansa Passenger Airline. Its home market is Europe. Continuous growth in the leisure-travel segment offers potential for future growth.

Lufthansa Passenger Airlines is continuing to invest in its fleet in order to sustainably undermine to its promise of quality and achieve efficiency gains. With investments in the in-flight product, the focus for the ongoing 2015 financial year is on concepts to boost income, such as the launch of the new Premium Economy Class. By the end of 2015, all long-haul aircraft will have been fitted with the Premium Economy Class. Altogether, some 11,000 seats will be installed in 106 aircraft. Following the upgrades to First Class and Business Class, which are now almost complete, this marks another step for Lufthansa Passenger Airlines on its way to becoming a five-star airline.

Continuous measurement of customer satisfaction is an important instrument for managing quality at Lufthansa Passenger Airlines. Customer satisfaction is tracked on a monthly basis, partly by means of the Customer Profile Index, which records satisfaction with various parameters such as punctuality, seat comfort and other criteria. In 2015, Lufthansa Passenger Airlines is aiming to increase customer satisfaction by around 4 per cent compared to the annual average for 2014.

On 1 February, the course was set to achieve a successful position in the price-sensitive segment under the new Eurowings umbrella brand. The build-up of Eurowings will continue over the course of the year. Low-cost platforms for point-to-point traffic on short and long-haul routes will be pooled under this umbrella brand, in order to achieve further growth in the attractive leisure travel segment outside the hubs. Since the end of the first quarter 2015, it has been possible to book long-haul flights with the new Eurowings for departure from 25 October 2015.

On current reckoning, losses from the strikes called by the Vereinigung Cockpit pilots' union on two days in February at Germanwings and four successive days towards the end of the quarter at Luthansa Passenger Airlines add up to EUR 42m. Lost bookings in connection with the strikes are forecast to reduce earnings for the second quarter 2015 by a further EUR 60m. One reason for the losses being so high is that Vereinigung Cockpit announced the strikes individually one after the other, alternating between long-, short- and medium-haul services.

As last year, the critical currency situation in Venezuela also had a negative impact on results. Holdings from earlier ticket sales in the Venezuelan Bolivar have yet to 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 by deploying smaller aircraft or selectively reducing frequencies. A significant amount of cash reserves remains tied up in Venezuela. The holdings were provisioned accordingly. The Company has now stopped amassing any new holdings.

Steps taken in prior years as part of the SCORE programme are being continued as part of "7to1 – Our Way Forward". In the first quarter of this year, a sustainable earnings contribution of EUR 64m was realised. Altogether, the Company is pursuing more than 500 projects to improve earnings along the core process chain.

A total of 15.9 million passengers (+0.5 per cent) flew with Lufthansa Passenger Airlines and Germanwings in the first quarter. The number of flights fell by 1.6 per cent. Available seat-kilometres rose by 1.5 per cent and revenue seat-kilometres by 2.3 per cent. The passenger load factor improved as a result by 0.6 percentage points to 75.4 per cent. In combination with higher yields (+2.1 per cent), this produced higher traffic revenue (+4.4 per cent).

Lufthansa Passenger Airlines generated revenue of EUR 3.7bn in the first quarter 2015 (+4.9 per cent). This positive performance was driven mainly by higher sales and an improvement in yields per passenger kilometre. In addition, the US dollar's rise against the euro had a positive effect on income. Total operating income went up year on year by 7.4 per cent.

Operating expenses were 6.5 per cent higher than a year ago. This steep rise is largely due to the stronger US dollar. Other drivers included the cost of new products. Fuel expenses were much lower, however, since the lower price of fuel more than offset the rise in the US dollar.

Both EBIT and Adjusted EBIT came to EUR –233m for the first quarter of 2015. Lufthansa Passenger Airlines therefore improved EBIT by EUR 12m and Adjusted EBIT by EUR 23m compared with last year.

SWISS

SWISS*

		Jan. – March 2015	Jan. – March 2014	Change in %
Revenue	€m	1,055	958	10.1
EBIT	€m	51	3	1,600.0
Adjusted EBIT	€m	51	4	1,175.0
EBITDA	€m	117	60	95.0
Employees as of 31.3.	number	8,751	8,663	1.0
Passengers	thousands	3,718	3,720	–0.1
Flights	number	37,675	38,459	–2.0
Available seat-kilometres	millions	11,420	11,160	2.3
Revenue seat-kilometres	millions	8,999	8,829	1.9
Passenger load factor	%	78.8	79.1	–0.3 pts

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

SWISS is the biggest airline in Switzerland and serves a route network spanning some 100 destinations on four continents from Zurich, Geneva and Basel alongside its sister company Edelweiss Air. The airlines stand for traditional Swiss values and outstanding product and service quality.

The decision taken by the Swiss central bank in January 2015 to abandon the minimum exchange rate against the euro had a considerable effect on the course of business in the first three months of the year. Despite these currency effects, performance in intercontinental markets was good.

SWISS is continuing its successful implementation of the SCORE programme in 2015 with "7to1 – Our Way Forward". Out of 320 activities to cut costs and increase income, a total of 148 have been implemented and finished. As part of its "Next Generation Airline of Switzerland" programme, SWISS has introduced the new HUB+ business model in time for the 2015 summer timetable at Zurich Airport. This business model aims to expand the traditional hub system by adding a point-to-point system. A total of 25 new routes are being added to the SWISS and Edelweiss Air network. In Geneva too, SWISS has further expanded its European route network with flights adapted to local demand and has added twelve new destinations to its flight programme.

More options will be available to customers in summer 2015 when SWISS introduces its brand-new fare concept. The new concept features four fare options, Light, Classic, Flex and Business, which apply to all European routes from Zurich and Geneva and are tailored to the changes in travellers' demands and their desire for greater flexibility and fare transparency. Passengers can always choose the fare that best meets their individual requirements and so only pay for precisely those services that they really want to use.

In the first three months of the year, 3.7 million passengers flew with SWISS. Available seat-kilometres increased year on year by 2.3 per cent. Sales went up somewhat more slowly, with the passenger load factor declining slightly by 0.3 per cent.

SWISS reported an increase in revenue to EUR 1.1bn (+10.1 per cent year on year) in the first three months. This increase was mostly due to exchange rate movements. EBIT went up sharply from EUR 3m to EUR 51m thanks to consistent capacity management, the resulting high load factor for flights worldwide and lower fuel costs. Adjusted EBIT came to EUR 51m (previous year: EUR 4m).

Austrian Airlines

Austrian Airlines*

		Jan. – March 2015	Jan. – March 2014	Change in %
Revenue	€m	390	403	–3.2
EBIT	€m	–53	–54	1.9
Adjusted EBIT	€m	–53	–54	1.9
EBITDA	€m	–27	–29	6.9
Employees as of 31.3.	number	6,021	6,310	–4.6
Passengers	thousands	1,977	2,243	–11.9
Flights	number	27,507	29,404	–6.5
Available seat-kilometres	millions	4,548	4,883	–6.9
Revenue seat-kilometres	millions	3,326	3,629	–8.3
Passenger load factor	%	73.1	74.3	–1.2 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 more than 70 aircraft. The attractive geographic position of its home base in Vienna makes it an ideal hub between Eastern and Western Europe.

Flight operations for the Austrian Airlines Group were pooled at Austrian Airlines when Tyrolean Airways Tiroler Luftfahrt GmbH was merged with Austrian Airlines AG on 1 April 2015.

Austrian Airlines is using strict capacity management and measures to improve revenue quality in order to counteract the permanently tense competitive situation at the airline's Vienna hub. This is also one reason for the plan to station two Airbus A320s for Eurowings in Vienna. As things currently stand in terms of planning, these will most likely be operated by Austrian crews from autumn 2015 onwards and offer direct connections within Europe.

In March 2015, Tyrolean Airways Luftfahrzeuge Technik GmbH based in Innsbruck was spun out as a separate company with 120 technicians, having previously been part of Tyrolean Airways Tiroler Luftfahrt GmbH. The company specialises in the maintenance of Bombardier Dash 8 aircraft. It has been a wholly owned subsidiary of Austrian Airlines AG since 1 April 2015.

At its meeting on 19 March, the Supervisory Board of Austrian Airlines approved the plan to replace Fokker aircraft with Embraer medium-haul aircraft currently in service at Lufthansa CityLine. The replacement programme is due to start in autumn 2015 and be finished by the end of 2017.

Austrian Airlines carried 2 million passengers in the first three months of 2015; a year on year decline of 11.9 per cent. Capacity was deliberately reduced by 6.9 per cent in order to improve income. Sales contracted by 8.3 per cent as a result and the load factor fell by 1.2 percentage points to 73.1 per cent.

At EUR 390m, revenue for Austrian Airlines in the first quarter of 2015 was down 3.2 per cent on the same period last year. Improved income quality and positive exchange rate effects meant that total income rose by 1.0 per cent to EUR 427m, despite lower passenger numbers and reduced capacity. EBIT for the first quarter came to EUR –53m, which was EUR 1m more than last year. Adjusted EBIT also came to EUR –53m (previous year: EUR –54m). Expenses of EUR 480m were higher than last year (+0.7 per cent). Lower fuel costs were offset by higher MRO expenses and cost increases due to the stronger US dollar.

Logistics business segment

Key figures Logistics

		Jan. – March 2015	Jan. – March 2014[2]	Change in %
Revenue	€m	614	583	5.3
of which with companies of the Lufthansa Group	€m	7	7	0.0
EBIT	€m	52	25	108.0
Adjusted EBIT	€m	52	25	108.0
EBITDA[1]	€m	70	39	79.5
Segment capital expenditure	€m	66	72	–8.3
Employees as of 31.3.	number	4,665	4,649	0.3
Freight and mail	thousand tonnes	396	399	–1.0
Available cargo tonne-kilometres	millions	2,887	2,863	0.8
Revenue cargo tonne-kilometres	millions	2,003	2,061	–2.8
Cargo load factor	%	69.4	72.0	–2.6 pts

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

Business and strategy Lufthansa Cargo is the logistics specialist within the Lufthansa Group. In addition to Lufthansa Cargo AG, the Logistics segment includes the airfreight container specialist Jettainer Group and the equity investment in the cargo airline Aerologic GmbH. Lufthansa Cargo also has equity investments in various handling companies. 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 continued to improve in the first quarter of 2015. The slight upturn at the end of 2014 continued in the reporting period.

Global airfreight nonetheless remains a highly competitive market. Airlines from the Middle East and Turkey especially are increasing their freight capacities, particularly due to their many new passenger aircraft. In this environment, Lufthansa Cargo relies on top quality and flexible capacity management. Some airlines changed their pricing models at the beginning of the year and launched all-in rates in which the fuel surcharge is no longer shown separately. Lufthansa Cargo is observing these market developments very closely. A project was launched at the beginning of the year to analyse and evaluate potential changes in price structures.

Course of business and operating performance Lufthansa Cargo continued to press ahead with its "Lufthansa Cargo 2020" programme in the first quarter of 2015. In February, the fifth Boeing 777F joined the fleet. The Triple Seven freighter has compellingly low fuel consumption, an excellent range and is extremely dependable. The Company has now successfully integrated all five of its ordered B777F aircraft into the fleet.

The roll-out of new IT for freight handling is progressing to plan: at the end of the first quarter, more than 100 stations worldwide were working with the new software, which enables much more efficient freight handling.

Lufthansa Cargo included Ashgabat, the capital of Turkmenistan, in its freighter network when the summer flight timetable started at the end of March. Japan, South Korea and China also feature more prominently in the cargo airline's global route network. Every week, there is an extra cargo flight from Tokyo Narita and between Chongqing and Seoul Incheon. An additional return flight is also planned from Beijing.

In the current summer flight timetable, Lufthansa Cargo is once again providing its customers with a broad, high-frequency range of flights, which includes connections to more than 300 destinations in some 100 countries.

Lufthansa Cargo applauded the good relationships with its biggest customers in the first quarter. The airline presented awards to the logistics companies in the German market that, together with Lufthansa Cargo, are playing a pioneering role in the areas of quality and digitalisation. Alongside other accolades, the e-Cargo Award, which was launched last year, went to Quick Cargo Service at the start of 2015.

Lufthansa Cargo was also presented with an award by its own customers in March. Europe's leading cargo airline was given the coveted Platinum Award at the Air Cargo Excellence Awards as part of the 2015 World Cargo Symposium in Shanghai.

Lufthansa Cargo is pursuing the SCORE programme with undiminished vigour in 2015 as part of "7to1 – Our Way Forward". Following last year's focus on cost-saving measures, 2015 sees activities designed to boost income take centre stage. The plan is to focus more closely on growth and optimised management while continuing to develop the product range for customers. Using the efficient B777F will deliver further significant cost reductions.

Traffic at Lufthansa Cargo declined slightly in the first quarter of 2015 compared with the same period last year. The transported tonnage sank by 1.0 per cent. Available tonne-kilometres went up by 0.8 per cent, made up of +5.6 per cent in the bellies of passenger aircraft and –3.5 per cent in freighters. Cargo tonne-kilometres fell by 2.8 per cent, however, so the cargo load factor was down by 2.6 percentage points compared with the first quarter of 2014.

Freight volumes in the Americas traffic region only changed slightly year on year (–0.2 per cent). Available tonne-kilometres rose by 0.1 per cent and cargo tonne-kilometres contracted by 2.6 per cent. The load factor fell by 1.9 percentage points as a result.

Freight volumes in the Asia/Pacific traffic region went up year on year (+0.7 per cent). Capacity in this region was expanded by 0.5 per cent. Cargo tonne-kilometres fell by 3.7 per cent, trimming the cargo load factor by 3.3 percentage points. Although demand on routes from Asia/Pacific remained at last year's very high levels, demand on routes to Asia fell sharply.

Cargo tonnage in Middle East/Africa also went up compared with the first quarter 2014 (+4.8 per cent). Seasonal business from Egypt was the main driver and several extra flights were scheduled to meet demand. Capacity was expanded by 7.7 per cent, whereas cargo tonne-kilometres only increased by 2.5 per cent. The load factor fell by 2.7 percentage points as a result.

Freight volumes within Europe fell by 4.3 per cent. Available tonne-kilometres contracted by 3.0 per cent and cargo tonne-kilometres fell by 5.4 per cent, causing the load factor in this traffic region to drop by 1.3 percentage points compared with the same period last year.

Revenue and earnings development Higher traffic revenue, mainly due to exchange rate movements, meant that Lufthansa Cargo's revenue for the first quarter of 2015 went up by 5.3 per cent compared with last year to EUR 614m. Other revenue went up to EUR 16m (+33.3 per cent) thanks to higher handling income. Other operating income went up by 43.5 per cent year on year to EUR 33m, largely as a result of higher foreign exchange gains. Total operating income rose to EUR 647m (+6.8 per cent) as a result.

Operating expenses increased year on year by 2.7 per cent to EUR 600m, also partly due to exchange rates. The cost of materials and services declined by 7.4 per cent to EUR 386m. Within this item, fuel expenses fell to EUR 79m (–30.7 per cent) and MRO expenses to EUR 31m (–16.2 per cent). Charter expenses rose slightly by 0.6 per cent to EUR 164m and fees and charges by 7.5 per cent to EUR 72m.

Staff costs rose year on year by 6.2 per cent to EUR 103m. The companies in the Logistics segment had an average of 4,665 employees in the reporting period (+0.3 per cent). This rise is largely attributable to collective bargaining effects and increased service costs for pension obligations.

Depreciation increased by EUR 4m to EUR 18m in connection with the delivery of the new Boeing 777F aircraft.

Other operating expenses rose to EUR 93m (+66.1 per cent), mainly due to higher exchange rate losses.

The result from equity investments went up by EUR 2m to EUR 5m, primarily due to higher earnings contributions from subsidiaries accounted for using the equity method.

In the first three months of 2015, the Logistics segment generated Adjusted EBIT of EUR 52m, which was much higher than the previous year (previous year: EUR 25m). EBIT also came to EUR 52m (previous year: EUR 25m).

Capital expenditure sank by 8.3 per cent to EUR 66m in the reporting period (previous year: EUR 72m), which was mainly the result of lower payments in connection with the purchase of the 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 2015	Change in %	**Jan.–March 2015**	Change in %	**Jan.–March 2015**	Change in %	**Jan.–March 2015**	Change in %	**Jan.–March 2015**	Change in pts
Europe	51	0.0	129	–4.3	154	–3.0	79	–5.4	51.2	–1.3
America	258	8.4	126	–0.2	1,289	0.1	908	–2.6	70.4	–1.9
Asia/Pacific	228	0.4	107	0.7	1,139	0.5	855	–3.7	75.0	–3.3
Middle East/Africa	56	12.0	34	4.8	304	7.7	162	2.5	53.1	–2.7
Total	**593**	**4.8**	**396**	**–1.0**	**2,887**	**0.8**	**2,003**	**–2.8**	**69.4**	**–2.6**

MRO business segment

Key figures MRO

		Jan. – March 2015	Jan. – March 2014	Change in %
Revenue	€m	1,249	1,053	18.6
of which with companies of the Lufthansa Group	€m	481	419	14.8
EBIT	€m	106	106	0.0
Adjusted EBIT	€m	106	103	2.9
EBITDA*	€m	131	128	2.3
Segment capital expenditure	€m	19	43	–55.8
Employees as of 31.3.	number	19,972	20,222	–1.2

* 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 53 companies. The primary strategic goal of Lufthansa Technik still is to achieve profitable growth by expanding its international presence and developing innovative new products and technologies.

When the new Airbus A350 went into flight operations Lufthansa Technik was approved by the European Aviation Safety Agency (EASA) as a maintenance organisation for this aircraft model and has offered routine maintenance services in Frankfurt since January 2015. Lufthansa Technik is also an authorised service centre for the flight control components on both the A350 and the Boeing 787. A corresponding contract was signed with Moog Inc., the original equipment manufacturer and system supplier for primary flight controls and high-lift systems for both aircraft models. Lufthansa Technik has developed a new product to optimise the servicing of older engine models. By using a variety of product modules and synergy effects in the maintenance process, the smart.life product is intended to minimise the increased expense to customers that such engines generally entail at the end of their life cycle.

Markets and competition Six airlines around the world with a total of 27 aircraft ceased operations in the reporting period, while six start-ups with 13 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 original equipment manufacturers, the MRO divisions of other airlines as well as independent providers. The market remains dominated by consolidation among both customers and competitors.

Course of business and operating performance In the reporting period, Lufthansa Technik won six new customers and signed 56 contracts with a volume of EUR 645m for 2015 and the following years. The number of aircraft serviced under exclusive contracts went up slightly to 3,446 in the reporting period.

Several component supply contracts were signed or renewed in the reporting period. Lufthansa Technik signed a full supply contract for seven Airbus A330-200s with the Brazilian low-cost airline Azul Linhas Aéreas Brasileiras. In Asia, Lufthansa Technik further expanded the scope of its relationship with EVA Air and its subsidiary EGAT to supply the Boeing 777-300ER fleet and the new A330s on order. In Europe, a contract was signed with Thomas Cook Group plc for its A320 and A330 fleets. Gulf Air and Lufthansa Technik renewed their existing agreement ahead of schedule for landing gear overhauls on the A320, A321 and A330 fleets.

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 and "7to1 – Our Way Forward". 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 18.6 per cent year on year in the first quarter of 2015 at EUR 1.2bn. Revenue with Group companies improved by 14.8 per cent to EUR 481m, while external revenue increased to EUR 768m (+21.1 per cent). Other operating income also went up significantly compared with the previous year to EUR 81m (+19.1 per cent).

Operating expenses came to EUR 1.2bn and were higher than the previous year (+20.0 per cent), similiar to revenue. The cost of materials and services went up by 17.2 per cent to EUR 627m, but staff costs were only slightly higher than last year (+6.6 per cent).

Lufthansa Technik reported EBIT of EUR 106m in the reporting period, matching last year's result. Adjusted EBIT came to EUR 106m (previous year: EUR 103m).

Segment capital expenditure came to EUR 19m (previous year: EUR 43m).

Catering business segment

Key figures Catering

		Jan. – March 2015	Jan. – March 2014	Change in %
Revenue	€m	672	581	15.7
of which with companies of the Lufthansa Group	€m	138	136	1.5
EBIT	€m	–1	–6	83.3
Adjusted EBIT	€m	–3	–6	50.0
EBITDA*	€m	15	9	66.7
Segment capital expenditure	€m	15	20	–25.0
Employees as of 31.3.	number	32,490	31,906	1.8

* Before profit/loss transfer from other companies.

Business and strategy With its extensive network, which comprises 159 companies and operations at 210 airports in 51 countries, the LSG Sky Chefs group is the world market leader in airline catering. In addition to its core business, the group offers ancillary products and services such as in-flight sales programmes, the development and purchasing of in-flight service equipment and related logistics as well as the operation of airline lounges. Furthermore, the Company is increasingly expanding into adjacent markets, such as services for rail operators and deliveries to retailers.

Markets and competition LSG Sky Chefs continues to defend its leading position in a highly competitive market. Key success factors include the Company's high quality standards and its outstanding customer service. Also important is the management of the Company, which aims for continuous improvements and flexible adjustments to market and customer requirements.

Course of business and operating performance As a result of increasing global passenger volumes, the Company recorded increased revenue growth in virtually all regions.

The Company was able to win a number of new contracts and renew or expand existing relationships. The partnership with Delta Airlines, for example, was extended for another five years at its important hub in Detroit. Business with Brazilian carrier Azul has been increased significantly as part of the airline's international expansion and rapid growth. The equipment company SPIRIANT was selected by Qantas as a partner for its new Economy Class concept. Retail trading was expanded by means of an all-round contract with Starbucks in Chile. The projects launched as part of the SCORE programme are progressing according to plan.

Customers and independent third parties commended the services of the LSG Group with a number of awards. Among the most important were three QSAI (Quality and Safety Alliance In-flight Catering Program) medals for the sites in Munich, Buenos Aires and Bonaire, and the QSAI ranking of Munich as the world's best catering facility. Singapore Airlines gave the Munich site its Excellence in Catering Award. Cape Town and Buenos Aires were voted best facilities in Africa and North and South America respectively by KLM. The Delta "Caterer of the Year" prize went to Anchorage in the "Small Kitchens" category and to Mexico City for "Best Medium Kitchen". Qatar Airways voted the team in Bangalore as the best Indian caterer. SPIRIANT received the prestigious Good Design Award for its work on the Lufthansa Premium Economy Class tableware.

Revenue and earnings development Revenue for the Catering segment developed positively in the first three months of the year. It rose year on year by 15.7 per cent to EUR 672m. Adjusted for exchange rates the increase was 3.8 per cent. Changes in the group of consolidated companies contributed EUR 5m to the revenue growth.

External revenue increased to EUR 534m (+20.0 per cent). Internal revenue went up by 1.5 per cent to EUR 138m.

Other income rose by EUR 9m on the previous year to EUR 23m. These positive developments were primarily attributable to increased exchange rate gains. Overall, total income rose by EUR 100m to EUR 695m.

Total operating expenses of EUR 693m were 15.5 per cent higher than last year. The cost of materials and services increased by 14.2 per cent to EUR 290m, primarily as a result of higher sales volumes. Staff costs were up by 17.3 per cent to EUR 265m, mainly due to the greater order-related headcount. Depreciation and amortisation was up by EUR 1m on the previous year, at EUR 16m.

Other operating expenses rose to EUR 122m (+16.2 per cent) due mainly to the higher volume of business and higher expenses for rents and outside staff. The result from equity investments of EUR –3m was roughly the same as last year (EUR –1m). In the first three months of the year, LSG Sky Chefs increased EBIT by EUR 5m to EUR –1m. Adjusted EBIT of EUR –3m (previous year: EUR –6m) was slightly below EBIT. Segment capital expenditure was EUR 5m down on the same period last year at EUR 15m.

Other

Other

		Jan. – March 2015	Jan. – March 2014	Change in %
Revenue	€m	152	158	−3.8
of which with companies of the Lufthansa Group	€m	84	95	−11.6
EBIT	€m	−81	−20	−305.0
Adjusted EBIT	€m	−93	−20	−365.0
EBITDA*	€m	−70	5	–
Segment capital expenditure	€m	5	7	−28.6
Employees as of 31.3.	number	6,288	6,124	2.7

* Before profit/loss transfer from other companies.

The segment Other comprises the Service and Financial Companies of the Lufthansa Group. Alongside AirPlus and the Group functions, these include the companies of the former IT Services business segment that have remained part of the Lufthansa Group.

Companies' performance The first quarter of 2015 was characterised by rapid growth in international business travel. AirPlus customers spent 8 per cent more on business travel in the first three months than in the same period a year ago. Within the "flight" category alone, company spending went up by 7.5 per cent, with companies booking 7.3 per cent more business flights.

Earnings also remained strong. EBIT rose by 50 per cent to EUR 16m thanks to strong volume growth, but also due to positive exchange rate effects. Adjusted EBIT came to EUR 16m.

The successor companies of what was the IT Services business segment now operate within various segments. The companies are some of the leading global IT providers in the airline industry. They offer advisory services and a full range of successful, innovative and often market-leading IT products for the air transport industry. More than 300 airline customers trust the technological expertise and profound airline know-how of Lufthansa Systems. Lufthansa Systems has offices and subsidiaries in 16 countries. Lufthansa Industry Solutions continues to offer process consultancy and system integration as well as support with the digitalisation of business processes. The customer base includes both SMEs and DAX 30 corporations.

Taking into account associated equity investments, the successor companies recorded EBIT of EUR 21 million in the reporting period, up EUR 16 million on the same period last year. This significant increase in EBIT is largely attributable to a purchase price adjustment connected to the sale of the Infrastructure segment of Lufthansa Systems AG.

Total income for the Group functions was up (+136.6 per cent) year on year at EUR 381m. Operating expenses rose to EUR 505m (+141.6 per cent). EBIT came to EUR −124m (previous year: EUR −48m) and Adjusted EBIT to EUR −123m (previous year: EUR −48m). The lower earnings are mainly the result of higher exchange rate losses than last year.

Revenue and earnings development The reporting period was again marked by the negative exchange rate earnings recognised in this segment. Total income went up to EUR 776m (previous year: EUR 468m), whereas operating expenses climbed to EUR 860m (previous year: EUR 494m). Both higher income and higher expenses are due to the steep rise in exchange rate gains and losses. EBIT came to EUR −81m (previous year: EUR −20m) and Adjusted EBIT to EUR −93m (previous year: EUR −20m).

Risk and opportunities report

As an international aviation company, the Lufthansa Group is exposed to macroeconomic, sector-specific and Company risks and opportunities. The permanently 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 2014 starting on p. 100.

In the first three months of 2015, the risks and opportunities for the Group described in detail in the Annual Report 2014 have materialised or developed as follows.

The probability that Greece will leave the euro zone has risen, but the effects on other euro zone members and the economic recovery of the euro zone are considered to be low. Volatility on bond markets is nonetheless forecast to increase.

The ongoing Russia crisis and the sanctions imposed on the country entail a risk of increasingly negative trends in passenger numbers and cargo volumes, with a corresponding decline in income.

The Chinese government has revised its forecast for growth in gross domestic product down to 7 per cent for 2015. An even sharper contraction of the Chinese economy could have an adverse effect on global growth.

The slide in the oil price that has been apparent since November 2014 has a positive impact on oil-importing countries, but also a considerable influence on the finances of many oil-exporting states. Countries facing budgetary constraints may be forced to cut their spending considerably, which could affect their political stability. Close economic ties may mean that many more countries are affected indirectly by such developments.

Looking ahead to the quarters to come, it is not possible to rule out a further reduction in interest rates as a result of monetary policy and therefore the resulting impacts this would have on both the amount of the pension obligations shown on the balance sheet and equity.

The accident of the Germanwings aircraft on 24 March 2015 may lead to changes in existing risks and bring about new ones, for example due to its effects on the brands of the Lufthansa Group, due to requirements for additional safety measures or due to a need for further financial coverage provided by insurers. These and other aspects are being analysed and evaluated to determine the relevance of any risks they may pose.

Despite all endeavours to reach sustainable solutions in constructive negotiations it was not possible to avert further strikes by the Vereinigung Cockpit pilots' union. Given the current status of negotiations, more strikes by the Vereinigung Cockpit pilots' union in the near future cannot be ruled out. 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

On 29 April 2015, the Lufthansa Group has offered the pilots' union Vereinigung Cockpit general arbitration of all open collective wage agreements. This had been a key demand of the union. Previously, the Lufthansa Group had rejected this demand on the basis that many collective wage agreements have not yet been negotiated and because not all claims of the pilots' union Vereinigung Cockpit regarding some of the contracts which the union itself had terminated, have been formulated.

In light of limited capital expenditure volume for 2016 and 2017, the Supervisory Board of Deutsche Lufthansa AG passed a resolution on 28 April 2015 to amend investment priorities. As part of this resolution, the construction of the new Lufthansa Cargo airfreight centre at Frankfurt Airport, for example, has been postponed for at least two years. Some EUR 50m have already been invested as part of the planning and preparation work for this project.

Forecast

GDP development

in %	2015*	2016*	2017*	2018*	2019*
World	2.8	3.3	3.5	3.5	3.6
Europe	1.8	2.1	2.1	2.0	1.9
Germany	2.1	2.2	2.0	1.6	1.5
North America	2.7	2.7	2.6	2.4	2.7
South America	0.6	2.1	2.9	3.3	3.6
Asia/Pacific	4.8	5.1	5.1	5.2	5.4
China	6.5	6.5	6.6	6.6	6.9
Middle East	2.3	3.5	4.3	4.7	4.8
Africa	3.7	4.6	5.1	5.0	5.1

Source: Global Insight World Overview as of 15.4.2015.
* Forecast.

Macroeconomic outlook After expanding by 2.8 per cent in 2014, the global economy is forecast to grow at the same rate in the 2015 financial year. This trend is supported by lower global inflation, resurgent consumer spending and an accommodating monetary policy in many regions. Asia-Pacific is the fastest-growing region in the world, with a growth rate of 4.8 per cent. The economy in North America is forecast to grow by 2.7 per cent, the economy in South America by 0.6 per cent.

The economy of the European Union is expected to grow by 1.8 per cent in 2015. Within the European Union, both Germany (2.1 per cent) and the United Kingdom (2.6 per cent) are expected to see above-average economic growth. Growth rates in Southern European countries now vary considerably. Spain is among the faster-growing countries, with a forecast growth rate of 2.6 per cent. Negative growth is only expected for Cyprus this year.

The macroeconomic forecast is therefore largely in line with the previous estimates of the Lufthansa Group.

Futures rates reveal the expectation of slight rises in oil prices. Overall, oil prices are likely to remain highly exposed to geopolitical developments, however. Volatile kerosene prices are therefore to be expected for the remainder of 2015.

In 2015, the euro exchange rate will once again be largely determined by the activities of central banks. The euro is expected to depreciate further over the remainder of the year, albeit at a slower rate. A majority of analysts see the greatest potential for depreciation against the US dollar (4 per cent), the Chinese renminbi (3 per cent) and the pound sterling (3 per cent). Forecasts for exchange rates against the Japanese yen and the Swiss franc predict volatile sideways movements until the end of the year.

Sector outlook Taking the projections for global economic growth into account, the IATA is predicting that revenue passenger-kilometres will go up by 7.0 per cent worldwide (previous year: 5.7 per cent), with varying figures in different regions. The industry association expects the fastest growth in the Middle East (13.9 per cent), followed by Asia-Pacific (7.7 per cent) and Latin America (6.0 per cent). Europe (5.5 per cent), Africa (5.1 per cent) and North America (3.1 per cent) are all forecast to expand more slowly in comparison.

Outlook for the Lufthansa Group In the first three months of the financial year, the Lufthansa Group reported solid earnings growth in an environment dominated by volatility. All operating segments contributed to this earnings improvement. SWISS and Lufthansa Cargo were particularly successful.

The earnings improvement at Lufthansa Passenger Airlines would have been greater without the widespread strikes at Lufthansa Passenger Airlines and Germanwings and the negative impacts caused by the depreciation of the Venezuelan Bolivar.

Substantial savings in the airlines' fuel costs were partly offset by operating expenses due to changes in exchange rates and lower interest rates. The service companies reported stable performance. Altogether, the Lufthansa Group therefore performed in line with its operating and financial forecast.

Yields at the Passenger Airline Group to vary by region
The demand situation will remain stable for the Passenger Airline Group in all regions, but yields will vary widely. Whereas higher yields can be achieved on key routes to North America, particularly due to the exchange rate, and the performance in Europe is forecast to remain stable, business in Asia and Africa is suffering increasingly from more intense competition. Exchange rates are having an increasing effect on revenue.

For the full year, Lufthansa Passenger Airlines still expects earnings to go up significantly. The strikes to date and the tragic loss of Germanwings flight 4U 9525 certainly have negative effect on advance bookings, but do not alter this qualitative forecast. The absolute amount of earnings at year-end depends in particular on customer demand over the remainder of the year, as well as the parameters that apply equally to all the airlines in the Passenger Airline Group. Germanwings still expects to report an operating profit for 2015.

SWISS is forecasting a slight rise in Adjusted EBIT compared with last year. The strong Swiss franc will have an adverse effect on income and the operating business, but fuel costs in the context of the lower oil price will have a positive impact on the result.

Austrian Airlines is expecting its successful restructuring programme to boost earnings further in 2015. The current adjustments to its capacity and marketing activities will contribute to boosting its income. Austrian Airlines still expects a significant improvement in Adjusted EBIT for 2015.

The earnings improvement for the individual airlines will be determined very largely by the difference between savings from lower fuel costs and declining yields. All Group airlines are able to adjust their capacities to lasting changes in demand. Volatile oil prices, exchange rate risks, changes in capacity and market pricing and strike risks will ultimately determine the level of earnings. The assumptions for the operating performance of the Passenger Airline Group described in the annual report 2014 apply unchanged.

Forecast performance indicators Passenger Airline Group

	Forecast for 2015
Flights (Number)	further reduction
Capacity (ASK)	approx. +3%
Sales (RPK)	above capacity growth
Passenger load factor (SLF)	slight increase
Pricing (Yields)	significantly negative*
Unit revenue (RASK)	significantly negative*
Unit costs (CASK, excluding fuel)	slightly reduced*

* At constant currency.

Stable course of business still expected for remaining business segments The Logistics segment still expects solid growth in the airfreight market in 2015, which should help to increase the Adjusted EBIT slightly. Revenue will be roughly on par with last year, due to both lower fuel surcharges and positive exchange rate movements. Lufthansa Cargo will continue to manage its capacities in line with the market and adjust them to meet demand, in order to maximise its load factors and stabilise yields.

Despite revenue growth in line with the market in 2015, Lufthansa Technik will probably not match last year's Adjusted EBIT and is therefore still expecting Adjusted EBIT to decline slightly year on year. Higher expenses for innovative product developments and expanding the group structure are the main reasons.

LSG Sky Chefs is still expecting revenue to increase year on year in 2015 and earnings to go up significantly. The structural increase in earnings remains vitally important. Ongoing programmes to boost efficiency should help to achieve this, especially in North America and Europe. Furthermore, this development will be supported by extended market leadership and selective business expansion by means of products in adjacent markets.

Earnings forecast confirmed For the 2015 financial year, the Lufthansa Group continues to expect an Adjusted EBIT of more than EUR 1.5bn before strike costs. The costs of the strikes at Lufthansa Passenger Airlines and Germanwings to date will depress earnings for the full year by around EUR 100m. The chances of exceeding the minimum figure mentioned in the forecast have declined, however.

The main influences on earnings will be the factors mentioned above: the oil price and changes in the jet fuel crack, the euro exchange rate, especially against the US dollar and the Swiss franc, the yields at the Passenger Airline Group and the course of collective bargaining at Lufthansa Passenger Airlines. For Lufthansa Passenger Airlines, there is the additional earnings risk of further changes in customer demand.

Lufthansa Group and operating segments earnings forecast 2015

	Revenue		Adjusted EBIT	
	Revenue 2014 in €m	Forecast for 2015	Adjusted EBIT 2014 in €m	Forecast for 2015
Lufthansa Passenger Airlines	17,098		399	significantly above previous year
SWISS	4,241		278	slightly above previous year
Austrian Airlines	2,069		9	significantly above previous year
Reconciliation	−88		15	
Passenger Airline Group	23,320	slightly below previous year	701	significantly above previous year
Logistics	2,435	on par with the previous year	123	slightly above previous year
MRO	4,337	slightly above previous year	380	slightly below previous year
Catering	2,633	significantly above previous year	88	significantly above previous year
IT Services	646	dissolution of business segment	44	dissolution of business segment
Other	0		−161	significant improvement
Internal revenue/Reconciliation	−3,360		−4	
Lufthansa Group	**30,011**	**slightly below previous year**	**1,171**	**more than € 1.5bn**

Consolidated income statement
January – March 2015

in €m	Jan. – March 2015	Jan. – March 2014*
Traffic revenue	5,419	5,161
Other revenue	1,554	1,301
Total revenue	**6,973**	**6,462**
Changes in inventories and work performed by entity and capitalised	76	46
Other operating income	837	476
Cost of materials and services	–3,977	–3,933
Staff costs	–1,922	–1,798
Depreciation, amortisation and impairment	–374	–340
Other operating expenses	–1,746	–1,122
Profit / loss from operating activities	**–133**	**–209**
Result of equity investments accounted for using the equity method	–13	–13
Result of other equity investments	2	5
Interest income	94	50
Interest expenses	–92	–111
Other financial items	498	–29
Financial result	**489**	**–98**
Profit / loss after income taxes	**356**	**–307**
Income taxes	75	59
Profit / loss after income taxes	**431**	**–248**
Profit / loss attributable to minority interests	–6	–4
Net profit / loss attributable to shareholders of Deutsche Lufthansa AG	**425**	**–252**
Basic / diluted earnings per share in €	**0.92**	**–0.55**

* Previous year's figures have been adjusted due to the new presentation of disclosure.

Statement of comprehensive income
January – March 2015

in €m	Jan. – March 2015	Jan. – March 2014
Profit / loss after income taxes	**431**	**–248**
Other comprehensive income		
Other comprehensive income with subsequent reclassification to the income statement		
Differences from currency translation	333	–17
Subsequent measurement of available-for-sale financial assets	–520	–14
Subsequent measurement of cash flow hedges	527	–198
Other comprehensive income from investments accounted for using the equity method	–	–1
Other expenses and income recognised directly in equity	7	4
Income taxes on items in other comprehensive income	–129	49
Other comprehensive income without subsequent reclassification to the income statement		
Revaluation of defined-benefit pension plans	–2,896	–589
Income taxes on items in other comprehensive income	800	134
Other comprehensive income after income taxes	**–1,878**	**–632**
Total comprehensive income	**–1,447**	**–880**
Comprehensive income attributable to minority interests	–13	–6
Comprehensive income attributable to shareholders of Deutsche Lufthansa AG	**–1,460**	**–886**

Consolidated balance sheet
as of 31 March 2015

Assets

in €m	31.3.2015	31.12.2014	31.3.2014
Intangible assets with an indefinite useful life*	1,261	1,197	1,188
Other intangible assets	409	390	377
Aircraft and reserve engines	14,321	13,572	12,856
Repairable spare parts for aircraft	1,192	1,083	960
Property, plant and other equipment	2,153	2,109	2,072
Investments accounted for using the equity method	469	445	388
Other equity investments	165	776	460
Non-current securities	20	10	20
Loans and receivables	519	515	511
Derivative financial instruments	1,486	599	276
Deferred charges and prepaid expenses	12	11	18
Effective income tax receivables	32	31	39
Deferred tax assets	2,278	1,489	924
Non-current assets	**24,317**	**22,227**	**20,089**
Inventories	709	700	649
Trade receivables and other receivables	4,843	3,995	4,211
Derivative financial instruments	801	456	343
Deferred charges and prepaid expenses	163	147	155
Effective income tax receivables	107	122	51
Securities	2,216	1,785	2,817
Cash and cash equivalents	917	953	857
Assets held for sale	92	89	77
Current assets	**9,848**	**8,247**	**9,160**
Total assets	**34,165**	**30,474**	**29,249**

* Including goodwill.

Shareholders' equity and liabilities

in €m	**31.3.2015**	31.12.2014	31.3.2014
Issued capital	1,185	1,185	1,180
Capital reserve	170	170	154
Retained earnings	−804	1,237	3,101
Other neutral reserves	1,532	1,321	987
Net profit / loss	425	55	−252
Equity attributable to shareholders of Deutsche Lufthansa AG	**2,508**	**3,968**	**5,170**
Minority interests	71	63	54
Shareholders' equity	**2,579**	**4,031**	**5,224**
Pension provisions	10,211	7,231	5,378
Other provisions	621	601	581
Borrowings	5,347	5,364	4,728
Other financial liabilities	125	136	164
Advance payments received, deferred income and other non-financial liabilities	1,195	1,179	1,169
Derivative financial instruments	388	719	492
Deferred tax liabilities	288	239	157
Non-current provisions and liabilities	**18,175**	**15,469**	**12,669**
Other provisions	1,063	953	789
Borrowings	627	594	556
Trade payables and other financial liabilities	5,043	4,635	4,770
Liabilities from unused flight documents	4,209	2,848	3,854
Advance payments received, deferred income and other non-financial liabilities	1,022	924	978
Derivative financial instruments	1,197	766	205
Effective income tax obligations	190	228	204
Liabilities related to assets held for sale	60	26	–
Current provisions and liabilities	**13,411**	**10,974**	**11,356**
Total shareholders' equity and liabilities	**34,165**	**30,474**	**29,249**

Consolidated statement of changes in shareholders' equity

as of 31 March 2015

in €m	Issued capital	Capital reserve*	Fair value measure-ment of financial instru-ments	Currency differ-ences	Reva-luation reserve (due to business combina-tions)	Other neutral reserves	**Total other neutral reserves**	Retained earnings*	Net profit/loss	**Equity attrib-utable to share-holders of Deutsche Lufthansa AG**	Minority interests	**Total share-holders' equity**
As of 31.12.2013	**1,180**	**886**	**332**	**270**	**236**	**328**	**1,166**	**2,511**	**313**	**6,056**	**52**	**6,108**
Capital increases/reductions	–	–	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–732	–	–	–	–	–	1,045	–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**	**154**	**169**	**253**	**236**	**329**	**987**	**3,101**	**–252**	**5,170**	**54**	**5,224**
As of 31.12.2014	**1,185**	**170**	**407**	**364**	**236**	**314**	**1,321**	**1,237**	**55**	**3,968**	**63**	**4,031**
Capital increases/reductions	–	–	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	55	–55	–	–	–
Dividends to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	–	–	–4	–4
Transactions with minority interests	–	–	–	–	–	–	–	–	–	–	–1	–1
Consolidated net profit/loss attributable to Lufthansa shareholders/minority interests	–	–	–	–	–	–	–	–	425	425	6	431
Other expenses and income recognised directly in equity	–	–	–122	333	–	–	211	–2,096	–	–1,885	7	–1,878
As of 31.3.2015	**1,185**	**170**	**285**	**697**	**236**	**314**	**1,532**	**–804**	**425**	**2,508**	**71**	**2,579**

* Previous year's figures have been adjusted.

Consolidated cash flow statement

January– March 2015

in €m	**Jan. – March 2015**	Jan. – March 2014
Cash and cash equivalents 1.1.	**828**	**1,407**
Net profit / loss before income taxes	356	−307
Depreciation, amortisation and impairment losses on non-current assets (net of reversals)	373	340
Depreciation, amortisation and impairment losses on current assets (net of reversals)	22	13
Net proceeds on disposal of non-current assets	−23	−10
Result of equity investments	11	8
Net interest	−2	61
Income tax payments / reimbursements	−65	−66
Measurement of financial derivatives through profit or loss	−646	41
Change in working capital[1]	1,368	775
Cash flow from operating activities	**1,394**	**855**
Capital expenditure for property, plant and equipment and intangible assets	−776	−826
Capital expenditure for financial investments	−39	−28
Additions / loss to repairable spare parts for aircraft	−108	−16
Proceeds from disposal of non-consolidated equity investments	0	46
Proceeds from disposal of consolidated equity investments	−90	–
Cash outflows for acquisitions of non-consolidated equity investments	–	−1
Cash outflows for acquisitions of consolidated equity investments	–	−4
Proceeds from disposal of intangible assets, property, plant and equipment and other financial investments	21	30
Interest income	124	87
Dividends received	6	52
Net cash from / used in investing activities	**−862**	**−660**
Purchase of securities / fund investments	−406	−383
Disposal of securities / fund investments	28	754
Net cash from / used in investing and cash management activities	**−1,240**	**−289**
Capital increase	–	–
Transactions with minority interests	–	–
Non-current borrowing	182	34
Repayment of non-current borrowing	−318	−1,119
Dividends paid	−4	−4
Interest paid	−58	−116
Net cash from / used in financing activities	**−198**	**−1,205**
Net increase / decrease in cash and cash equivalents	**−44**	**−639**
Changes due to currency translation differences	41	−6
Cash and cash equivalents 31.3.[2]	**825**	**762**
Securities	2,216	2,817
Liquidity[2]	**3,041**	**3,579**
Net increase / decrease in total liquidity	428	−974

[1] Working capital consists of inventories, receivables, liabilities and provisions.
[2] Excluding fixed-term deposits with terms of three to twelve months (2015: EUR 92m, 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 2015 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 2015 have been applied. The interim financial statements as of 31 March 2015 have been prepared using the same accounting policies as those on which the preceding consolidated financial statements as of 31 December 2014 were based. The standards and interpretations mandatory for the first time as of 1 January 2015 did not have a significant effect on the Group's net assets, financial and earnings position. The changes to the group of consolidated companies also had no significant effects on the Group's net assets, financial and earnings position.

Changes in the group of consolidated companies in the period 1.4.2014 to 31.3.2015

Name, registered office	Additions	Disposals	Reason
Passenger Airline Group segment			
FL Falcon Leasing Co., Ltd., Tokyo, Japan	25.4.14		Established
FL Uranus Leasing Co., Ltd., Tokyo, Japan	25.4.14		Established
FG Honest Leasing Co., Ltd., Tokyo, Japan	15.7.14		Established
Common Ground BRE GmbH, Frankfurt am Main	10.9.14		Established
Common Ground CGN GmbH, Frankfurt am Main	10.9.14		Established
Common Ground DUS GmbH, Frankfurt am Main	10.9.14		Established
Common Ground HAM GmbH, Frankfurt am Main	11.9.14		Established
Common Ground BER GmbH, Frankfurt am Main	15.9.14		Established
Common Ground HAJ GmbH, Frankfurt am Main	15.9.14		Established
Common Ground NUE GmbH, Frankfurt am Main	15.9.14		Established
Common Ground STR GmbH, Frankfurt am Main	15.9.14		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 27, Salzburg, Austria	7.10.14		Established
Muller Leasing Co., Ltd., Tokyo, Japan	19.12.14		Established
SMFL Y Lease, Tokyo, Japan	19.12.14		Established
Lahm Leasing Co., Ltd., Tokyo, Japan	19.12.14		Established
Hummels Leasing Co. Ltd., Tokyo, Japan	19.12.14		Established
Mitsubishi UFJ Lease & Finance Ltd., Tokyo, Japan	29.1.15		Established
IBJ Leasing, Ltd., Tokyo, Japan	29.1.15		Established
NTT Finance, Ltd., Tokyo, Japan	29.1.15		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 30, Salzburg, Austria	26.2.15		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 29, Salzburg, Austria	26.2.15		Established
Tyrolean Airways Luftfahrzeuge Technik GmbH, Vienna, Austria	1.3.15		Consolidated for the first time
Lufthansa Leasing Austria GmbH & Co. OG Nr. 5, Salzburg, Austria		17.4.14	Merger
Lufthansa WorldShop GmbH, Frankfurt am Main		26.6.14	Merger
Lufthansa Leasing Austria GmbH & Co. OG Nr. 3, Salzburg, Austria		18.7.14	Merger
Lufthansa Leasing Austria GmbH & Co. OG Nr. 11, Salzburg, Austria		11.12.14	Merger
AUA 2006 MSN 263 Ltd., George Town, Grand Cayman, Cayman Islands		15.12.14	Liquidation
Lufthansa Leasing GmbH & Co. Foc-Golf oHG, Grünwald		1.1.15	Merger
Lufthansa Leasing Austria GmbH & Co. OG Nr. 8, Salzburg, Austria		20.2.15	Merger
Logistics segment			
Jettainer Americas, Inc., Wilmington, USA	1.10.14		Consolidated for the first time
Lufthansa Cargo Charter Agency GmbH, Frankfurt am Main		13.6.14	Merger
MRO business segment			
Lufthansa Technik Puerto Rico LLC, San Juan, Puerto Rico	1.1.15		Consolidated for the first time
Catering segment			
Supply Chain S.à.r.l., Sennigerberg, Luxembourg	1.4.14		Consolidated for the first time
LSG Sky Chefs Kenya Limited, Nairobi, Kenya	8.10.14		Established
LSG Linearis S.A.S., Paris, France	5.11.14		Established

Changes in the group of consolidated companies in the period 1.4.2014 to 31.3.2015

Name, registered office	Additions	Disposals	Reason
Other			
LSY GmbH, Kelsterbach	18.11.14		Established
Lufthansa Industry Solutions GmbH & Co. KG, Kelsterbach	16.12.14		Established
INF Services GmbH & Co. KG, Kelsterbach	16.12.14		Established
Lufthansa Systems GmbH & Co. KG, Raunheim	17.12.14		Established
Lufthansa Systems GmbH & Co. KG, Kelsterbach		19.3.15	Spin-off

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

Assets held for sale

in €m	**Group 31.3.2015**	Financial statements 31.12.2014	Group 31.3.2014
Assets			
Aircraft and reserve engines	42	54	65
Financial assets	–	–	–
Other assets	50	35	12
Equity / liabilities associated with assets held for sale			
Equity	–	–	–
Liabilities	60	26	–

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	**31.3.2015**	31.12.2014
From guarantees, bills of exchange and cheque guarantees	978	889
From warranty contracts	1,128	1,046
From providing collateral for third-party liabilities	48	47
Legal risks	65	66
Other contingent liabilities	55	55
	2,274	**2,103**

Several provisions for legal risks and for other contingent liabilities were not made because an outflow of resources was not sufficiently probable. The potential financial effect of these provisions on the result would have been EUR 65m (as of 31.12.2014: EUR 66m) and EUR 55m (as of 31.12.2014: EUR 55m) respectively.

Contracts signed at the end of 2014 for the sale of three Canadair Regional Jet 700s resulted in cash inflows for the first quarter of 2015 of EUR 13m.

Signed contracts for the sale of eight further Canadair Regional Jet 700s are expected to lead to cash inflows of EUR 35m by the end of 2015.

At the end of March 2015, there were order commitments of EUR 17.3bn for capital expenditure on property, plant and equipment and intangible assets. As of 31 December 2014, the order commitments came to EUR 16.5bn.

On 29 April 2015, the Lufthansa Group has offered the pilots' union Vereinigung Cockpit general arbitration of all open collective wage agreements. This had been a key demand of the union. Previously, the Lufthansa Group had rejected this demand on the basis that many collective wage agreements have not yet been negotiated and because not all claims of the pilots' union Vereinigung Cockpit regarding some of the contracts which the union itself had terminated, have been formulated.

In light of limited capital expenditure volume for 2016 and 2017, the Supervisory Board of Deutsche Lufthansa AG passed a resolution on 28 April 2015 to amend investment priorities. As part of this resolution, the construction of the new Lufthansa Cargo airfreight centre at Frankfurt Airport, for example, has been postponed for at least two years. Some EUR 50m have already been invested as part of the planning and preparation work for this project.

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, the quoted prices for which are taken for measurement unchanged.

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 31.3.2015

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	–	362	–	362
Total financial assets through profit and loss	**–**	**362**	**–**	**362**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**1,925**	**–**	**1,925**
Available-for-sale financial assets				
Equity instruments	320	1	–	321
Debt instruments	–	1,899	–	1,899
Total available-for-sale financial assets	**320**	**1,900**	**–**	**2,220**
Total assets	**320**	**4,187**	**–**	**4,507**

Liabilities 31.3.2015

in €m	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments at fair value through profit or loss	–	97	–	97
Derivative financial instruments which are an effective part of a hedging relationship	–	1,488	–	1,488
Total liabilities	**–**	**1,585**	**–**	**1,585**

As of 31 December 2014, the fair value hierarchy for assets and liabilities held at fair value was as follows:

Assets 31.12.2014

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	–	204	–	204
Total financial assets through profit and loss	**–**	**204**	**–**	**204**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**851**	**–**	**851**
Available-for-sale financial assets				
Equity instruments	847	58	–	905
Debt instruments	–	1,494	–	1,494
Total available-for-sale financial assets	**847**	**1,552**	**–**	**2,399**
Total assets	**847**	**2,607**	**–**	**3,454**

Liabilities 31.12.2014

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	–	517	–	517
Derivative financial instruments which are an effective part of a hedging relationship	–	968	–	968
Total liabilities	**–**	**1,485**	**–**	**1,485**

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.

Financial liabilities

The following table shows the carrying amounts and market values for individual classes of financial liabilities. Market values for bonds are equal to the listed prices. The market values for other types of borrowing 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

	31.3.2015		31.12.2014	
in €m	Carrying amount	Market value	Carrying amount	Market value
Bonds	1,255	1,309	1,468	1,535
Liabilities to banks	1,135	1,138	1,057	1,061
Leasing liabilities and other loans	3,584	3,760	3,433	3,584
	5,974	**6,207**	**5,958**	**6,180**

6) Earnings per share

		31.3.2015	31.3.2014
Basic earnings per share	€	**0.92**	**–0.55**
Consolidated net profit/loss	€m	425	–252
Weighted average number of shares		462,772,266	461,074,820
Diluted earnings per share	€	**0.92**	**–0.55**
Consolidated net profit/loss	€m	425	–252
+ interest expenses on the convertible bonds	€m	0	0
– current and deferred taxes	€m	0	0
Adjusted net profit/loss for the period	€m	425	–252
Weighted average number of shares		462,772,266	461,074,820

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.

8) Segment reporting

Compared with the 2014 consolidated financial statements, the segment reporting has been adjusted with regard to the Group-wide introduction of new performance indicators. Instead of the previously used "operating result" and "segment result" indicators, "EBIT" (profit/loss from operating activities plus result from equity investments) and "Adjusted EBIT" (EBIT adjusted for defined results of valuation and disposal) shall be used. As an asset-based indicator, "capital employed" (total assets adjusted primarily for non-interest-bearing liabilities) will now be used instead of the previous metrics "segment assets" and "segment liabilities".

Due to the upcoming disposal of its "IT Infrastructure" unit, the existing "IT Services" segment will still no longer be presented as a separately reported operating segment, as has been the case since the beginning of the financial year. The remaining IT functions will be transferred to "Service and Financial Functions" and presented as part of the "Other" segment.

The figures for the previous year have been presented and/or adjusted accordingly.

Segment information by operating segment January – March 2015

in €m	Passenger Airline Group	Logistics	MRO	Catering	**Total reportable operating segments**	Other	Reconciliation	**Group**
External revenue	4,996	607	768	534	6,905	68	–	6,973
of which traffic revenue	4,711	593	–	–	5,304	–	115	5,419
Inter-segment revenue	161	7	481	138	787	84	–871	–
Total revenue	**5,157**	**614**	**1,249**	**672**	**7,692**	**152**	**–871**	**6,973**
Other operating income	451	33	81	23	588	624	–299	913
Total operating income	**5,608**	**647**	**1,330**	**695**	**8,280**	**776**	**–1,170**	**7,886**
Operating expenses	**5,843**	**600**	**1,225**	**693**	**8,361**	**860**	**–1,202**	**8,019**
of which cost of materials and services	3,432	386	627	290	4,735	47	–805	3,977
of which staff costs	1,094	103	324	265	1,786	137	–1	1,922
of which depreciation and amortisation	306	18	25	16	365	9	–	374
of which other operating expenses	1,011	93	249	122	1,475	667	–396	1,746
Results of equity investments	**–18**	**5**	**1**	**–3**	**–15**	**3**	**1**	**–11**
of which result of investments accounted for using the equity method	–17	5	1	–3	–14	–	1	–13
EBIT	**–253**	**52**	**106**	**–1**	**–96**	**–81**	**33**	**–144**
Impairment losses / gains	1	–	–	2	3	–3	1	1
Past service costs / settlement	–	–	–	–	–	–	–	–
Results of disposal of assets	0*	0*	0*	0*	–	15	7	22
Adjusted EBIT[1]	**–254**	**52**	**106**	**–3**	**–99**	**–93**	**25**	**–167**
Total adjustments								23
Other financial result								500
Profit / loss before income taxes								356
Capital employed[2]	10,103	1,219	3,107	1,348	15,777	1,042	–1,961	14,858
of which from investments accounted for using the equity method	74	60	202	127	463	6	–	469
Segment capital expenditure[3]	685	66	19	15	785	5	25	815
of which from investments accounted for using the equity method	–	–	–	–	–	–	–	–
Employees on balance sheet date	55,154	4,665	19,972	32,490	112,281	6,288	0	118,569

* Rounded below EUR 1m.

[1] For detailed reconciliation from Adjusted EBIT to EBIT, please see page 8 of the interim Group management report.

[2] The capital employed results from total assets adjusted for non-operating items (deferred taxes, positive market values, derivatives) less non-interest bearing liabilities (including trade payables and liabilities from unused flight documents).

[3] 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 2014

in €m	Passenger Airline Group	Logistics	MRO	Catering	**Total reportable operating segments**	Other	Reconciliation	**Group**
External revenue	4,744	576	634	445	6,399	63	–	6,462
of which traffic revenue	4,483	566	–	–	5,049	–	112	5,161
Inter-segment revenue	156	7	419	136	718	95	–813	
Total revenue	**4,900**	**583**	**1,053**	**581**	**7,117**	**158**	**–813**	**6,462**
Other operating income	271	23	68	14	376	310	–164	522
Total operating income	**5,171**	**606**	**1,121**	**595**	**7,493**	**468**	**–977**	**6,984**
Operating expenses	**5,460**	**584**	**1,021**	**600**	**7,665**	**494**	**–966**	**7,193**
of which cost of materials and services	3,408	417	535	254	4,614	49	–730	3,933
of which staff costs	1,038	97	304	226	1,665	133	–	1,798
of which depreciation and amortisation	275	14	22	15	326	13	1	340
of which other operating expenses	739	56	160	105	1,060	299	–237	1,122
Results of equity investments	**–22**	**3**	**6**	**–1**	**–14**	**6**	**0***	**–8**
of which result of investments accounted for using the equity method	–21	3	6	–1	–13	–	–	–13
EBIT	**–311**	**25**	**106**	**–6**	**–186**	**–20**	**–11**	**–217**
Impairment losses/gains	12	–	–	–	12	–	1	13
Past service costs/settlement	–	–	–	–	–	–	–	–
Results of disposal of assets	9	0*	3	0*	12	0*	–2	10
Adjusted EBIT[1]	**–332**	**25**	**103**	**–6**	**–210**	**–20**	**–10**	**–240**
Total adjustments								23
Other financial result								–90
Profit/loss before income taxes								–307
Capital employed[2]	8,757	1,129	2,670	1,170	13,726	1,467	–1,854	13,339
of which from investments accounted for using the equity method	60	46	165	111	382	6	–	388
Segment capital expenditure[3]	686	72	43	20	821	7	31	859
of which from investments accounted for using the equity method	–	–	1	–	1	–	–	1
Employees on balance sheet date	55,811	4,649	20,222	31,906	112,588	6,124	0	118,712

* Rounded below EUR 1m.
[1] For detailed reconciliation from Adjusted EBIT to EBIT, please see page 8 of the interim Group management report.
[2] The capital employed results from total assets adjusted for non-operating items (deferred taxes, positive market values, derivatives) less non-interest bearing liabilities (including trade payables and liabilities from unused flight documents).
[3] 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 2015

in €m	Europe	thereof Germany	North America	thereof USA	Central and South America	Asia / Pacific	Middle East	Africa	**Total**
Traffic revenue*	3,562	1,605	803	729	186	628	157	83	5,419
Other operating revenue	620	261	390	300	79	308	81	76	1,554
Total revenue	**4,182**	**1,866**	**1,193**	**1,029**	**265**	**936**	**238**	**159**	**6,973**

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

Figures by region January – March 2014

in €m	Europe	thereof Germany	North America	thereof USA	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.

9) Related party disclosures

As stated in "Note 43" to the consolidated financial statements for 2014 from p. 217, 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 the "Remuneration report" from p. 132 and in "Note 44" from p. 219 of the 2014 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, 4 May 2015

Carsten Spohr
Chairman of the
Executive Board and CEO

Karl Ulrich Garnadt
Member of the Executive Board
Chief Executive Officer
Lufthansa German Airlines

Harry Hohmeister
Member of the Executive Board
Chief Officer
Group Airlines, Logistics and IT

Simone Menne
Member of the Executive Board
Chief Officer
Finances and Aviation Services

Dr Bettina Volkens
Member of the Executive Board
Chief Officer
Corporate Human Resources
and Legal Affairs

Credits

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Anne Katrin Brodowski
Christian Schmidt

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Contact

Andreas Hagenbring
+49 69 696–28001

Frédéric Depeille
+49 69 696–28013

Patricia Minogue
+49 69 696–28003

Deutsche Lufthansa AG
Investor Relations
LAC, Airportring
60546 Frankfurt am Main
Germany
Phone: +49 69 696–28001
Fax: +49 69 696–90990
E-mail: investor.relations@dlh.de

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Financial calendar 2015/2016

2015

30 July Release of Interim Report January – June 2015

29 Oct. Release of Interim Report January – September 2015

2016

17 March Press Conference and Analysts' Conference on 2015 results

28 April Annual General Meeting in Hamburg

3 May Release of Interim Report January – March 2016

2 Aug. Release of Interim Report January – June 2016

2 Nov. Release of Interim Report January – September 2016