Shareholder information on the annual results for 2014

March 2015

Key figures Lufthansa Group

		2014	2013[3]	Change in %
Revenue and result				
Total revenue	€m	30,011	30,027	–0.1
of which traffic revenue	€m	24,388	24,568	–0.7
Operating result	€m	954	699	36.5
EBIT	€m	459	892	–48.5
EBITDA	€m	1,990	2,670	–25.5
Net profit/loss	€m	55	313	–82.4
Key balance sheet and cash flow statement figures				
Total assets	€m	30,474	29,108	4.7
Equity ratio	%	13.2	21.0	–7.8 pts
Net indebtedness	€m	3,418	1,695	101.7
Cash flow from operating activities	€m	1,977	3,290	–39.9
Capital expenditure (gross)	€m	2,777	2,499	11.1
Key profitability and value creation figures				
Adjusted operating margin[1]	%	3.7	3.0	0.7 pts
EBITDA margin	%	6.6	8.9	–2.3 pts
CVA	€m	90	3,133	–97.1
Lufthansa share				
Share price at year-end	€	13.83	15.42	–10.3
Earnings per share	€	0.12	0.68	–82.4
Suggested dividend per share	€	–	0.45	–100.0
Traffic figures[2]				
Passengers	thousands	105,988	104,593	1.3
Freight and mail	thousand tonnes	1,924	1,965	– 2.1
Passenger load factor	%	80.1	79.8	0.3 pts
Cargo load factor	%	69.9	69.1	0.8 pts
Flights	number	1,001,975	1,028,260	– 2.6
Employees				
Average number of employees	number	118,973	117,414	1.3
Employees as of 31.12.	number	118,781	118,285	0.4

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

Date of publication: 12 March 2015.

All business segments again report positive operating results Last year the course of business at the Lufthansa Group was strongly influenced by declining yields at the airlines and the consequences of the strikes by the pilots' union Vereinigung Cockpit for Lufthansa Passenger Airlines. The service companies again had a stabilising effect on the Lufthansa Group's business and earnings performance over the year as a whole.

The airline business is characterised by seasonal fluctuations, and the yields for the Passenger Airline Group deteriorated increasingly compared with the previous year.

The main reasons were general overcapacities in the market, as well as competition from low-cost carriers and market participants from the Middle East, as well as the threatened and actual strikes by the pilots' union Vereinigung Cockpit.

Revenue and income Operating income of EUR 32.2bn for the financial year 2014 was roughly the same as the previous year. Revenue was also virtually unchanged year on year at EUR 30.0bn.

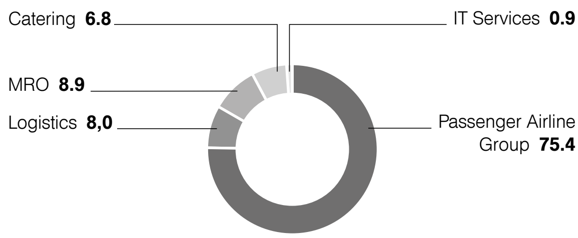
Traffic revenue for the Group contracted by 0.7 per cent to EUR 24.4bn. While the higher sales boosted revenue by 2.1 per cent, a 2.3 per cent drop in prices (including fuel surcharge and air traffic tax) and negative exchange rate effects (– 0.5 percent) led to a reduction in revenue.

Other revenue derives primarily from the MRO, Catering and IT Services segments, and to a lesser extent from the Passenger Airline Group and Logistics. It increased by EUR 164m, or 3.0 per cent, to EUR 5.6bn in the reporting year.

The Group's external revenue contracted slightly by 0.1 per cent to EUR 30.0bn. The Passenger Airline Group segment's share of total revenue decreased to 75.4 per cent (– 0.7 percentage points). The Logistics segment accounted for 8.0 per cent of total revenue, Lufthansa Technik for 8.9 per cent, Catering for 6.8 per cent and IT Services for 0.9 per cent.

Other operating income fell by EUR 90m (– 4.4 per cent) to EUR 2.0bn. Higher write-ups on non-current assets (EUR + 28m) were offset by lower income from the write-back of provisions (EUR – 23m), lower exchange-rate gains (EUR – 44m), lower income from training services (EUR – 15m) and from subleasing aircraft (EUR – 11m).

External revenue by segment 2014 in %



Expenses Year-on-year changes in operating expenses were characterized by a lower cost of materials and depreciation and an increase in other operating expenses. Overall, they rose slightly by 0.1 per cent to EUR 31.4bn.

The cost of materials and services dropped by 1.2 per cent to EUR 17.3bn in the financial year 2014. Fuel costs were the main factor behind the decrease, falling by 5.1 per cent to EUR 6.8bn. This trend is wholly due to the 5.1 per cent decline in prices (after price hedging). The effects of lower volumes (– 0.1 per cent) were offset by negative exchange rate effects (+ 0.1 per cent). Fuel costs included a negative result of price hedging of EUR 149m (previous year: EUR 125m). Expenses for other raw materials, consumables and supplies were up by 2.9 per cent at EUR 2.7bn.

Expenses

	2014 in €m	2013 in €m	Change in %
Cost of materials and services	17,283	17,498	–1.2
of which fuel	6,751	7,115	–5.1
Staff costs	7,335	7,356	–0.3
Depreciation	1,512	1,767	–14.4
Other operating expenses	5,279	4,756	11.0
Total operating expenses	**31,409**	**31,377**	**0.1**

Earnings development The operating result increased by EUR 255m to EUR 954m compared with the same period last year. Positive year-on-year effects included lower depreciation following the adjustment to the useful lives of aircraft (EUR 351m) and lower fuel expenses (EUR 364m). Earnings were depressed by strikes and their effects by EUR 232m and a decline in yields from the passenger business.

All operating segments made positive earnings contributions to the Group's comprehensive income. The operating environment remained challenging, however, which was reflected in the performance indicators for the passenger airlines.

External revenue and operating result by segment 2014

	External revenue in €m	Year on year change in %	Operating result in €m	Year on year change in %
Passenger Airline Group	22,636	–0.9	553	7.8
Logistics	2,410	–0.4	100	26.6
MRO	2,673	3.0	392	–3.0
Catering	2,022	5.9	100	–4.8
IT Services	270	1.9	37	2.8

The profit from operating activities as defined by IFRS fell by EUR 84m year on year to EUR 767m. The financial result declined sharply by EUR 282m to EUR –587m.

The profit from operating activities and the financial result added up to a profit before income taxes of EUR 180m. This was EUR 366m lower than the year before. Deducting income tax of EUR 105m (previous year: EUR 220m) and earnings attributable to minority interests of EUR 20m (previous year: EUR 13m) resulted in net profit attributable to the shareholders of Deutsche Lufthansa AG of EUR 55m (previous year: EUR 313m).

No dividend will be paid for the 2014 financial year The Lufthansa Group's dividend policy provides for a dividend ratio of between 30 and 40 per cent of the operating result, as long as a dividend payment is possible from the net profit for the year as shown in the individual financial statements for Deutsche Lufthansa AG drawn up according to the commercial law provisions, and if there are no other opposing considerations.

The individual financial statements for Deutsche Lufthansa AG in accordance with German commercial law (HGB) present a net result for the financial year 2014 of EUR –732m. The resulting net loss for the year is to be balanced out by a transfer from the capital reserve in the same amount.

No dividend will be paid for the 2014 financial year. Once positive results are achieved again, the Lufthansa Group intends returning to distribute dividends according to its dividend policy. In line with the new dividend policy, a dividend payment of 10 to 25 per cent of EBIT should be made from financial year 2015 (payout in 2016), if and insofar as a positive HGB result allows for this. This means that the absolute amount of the dividend will be in the same range as under the previous policy.

Capital expenditure, cash flow, assets and financial position
While maintaining its strict cost management, the Lufthansa Group again made important investments in the financial year 2014 in order to open up prospects for the future. The comprehensive fleet renewal programme was pursued consistently. Fuel-efficient aircraft will improve the sustainable cost base significantly in the years ahead. The Group's capital expenditure rose substantially year on year by 11.1 per cent to EUR 2.8bn. Primary investment in down payments and final payments for aircraft, aircraft overhauls and equipment increased by 8.9 per cent.

The Lufthansa Group's cash flow from operating activities came to EUR 2.0bn in the reporting year, which is EUR 1.3bn below the previous year's figure. After deducting the net cash used for investing activities, free cash flow for the financial year 2014 was negative at EUR 297m (previous year: positive free cash flow of EUR 1.3bn). The Group's total assets rose by EUR 1.4bn to EUR 30.5bn as of 31 December 2014. Non-current assets were up by EUR 2.8bn, while current assets fell by EUR 1.4bn.

Within non-current assets, the item aircraft and reserve engines increased by EUR 1.2bn to EUR 13.6bn, largely due to additions in the current financial year. Within current assets, receivables rose sharply by EUR 395m to EUR 4.0bn.

Shareholders' equity (including minority interests) came to EUR 4.0bn as of the reporting date; a fall of 34.0 per cent mainly due to reporting date related revaluation of pension liabilities.

The equity ratio fell from 21.0 per cent at year-end 2013 to 13.2 per cent as of the reporting date. Net financial debt climbed to EUR 3.4bn (previous year: EUR 1.7bn).

Outlook for the Lufthansa Group In spite of the challenging market and the highly volatile operating environment, the Executive Board of Deutsche Lufthansa AG remains optimistic regarding the development of the Lufthansa Group and its companies.

The Executive Board believes that the broad diversification of the Lufthansa Group puts it in a good position to meet the present and future demands of the market. Diversification of the group in network airlines, point-to-point airlines and service companies is just as important in this context as the solid financial profile of the Lufthansa Group.

Starting with the first interim report in 2015, the Lufthansa Group will switch over all of its financial reporting to the new performance indicators EBIT, Adjusted EBIT and EACC. For the earnings forecast, the leading indicator is the Adjusted EBIT. It is derived from EBIT, and is adjusted for book gains and losses, impairment losses and non-recurring pension effects.

The Lufthansa Group is expecting a significant reduction in fuel expenses for 2015. If the oil price stayed at the same low level as at the beginning of the year and the US dollar did not appreciate any further, fuel costs may be lower than the previous year by at least a high three-digit million amount. However, these substantial savings will probably be offset to a large degree by a significant fall in yields at the airlines. Slightly lower unit costs and the absence of non-recurring costs from the previous year, together with higher earnings contributions from the service companies, will help to boost Adjusted EBIT for the Lufthansa Group, however.

Based on these assumptions, the Lufthansa Group estimates that revenue for 2015 will be slightly lower than last year and that Adjusted EBIT will be more than EUR 1.5bn. Main profit drivers will be the oil price and 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 the negotiations with unions at Lufthansa Passenger Airlines.

This earnings forecast does not include the negative effects of any future strikes – including the currently unforeseeable long-term consequences for customers' booking patterns of the many strikes by the pilots' union Vereinigung Cockpit last year. Overall risks from underlying macroeconomic developments remain.

The development of the financial year 2014 shows that the Company is not short of challenges. The programme "7to1 – Our Way Forward" has set the right course, which the Lufthansa Group will now follow: towards becoming a uniquely integrated global aviation group, which generates vital synergies by means of its broad footprint and hence creates value for customers, employees and shareholders. From this perspective, the Executive Board is confident that good progress can be made this year towards achieving these ambitious goals.

An intensive phase of far-reaching changes still lies ahead of the Company, a phase in which the necessary steps will be put into practice and the corporate culture will be further developed. The Executive Board is confident that staff and managers together will take and implement the right decisions to ensure that Lufthansa remains the first choice for customers, employees and shareholders.

Extract from the Annual Report for 2014. For the complete Annual Report please visit our website at www.lufthansagroup.com/investor-relations or order the printed version via internet service or by fax +49 (0) 69 696 – 90990. The printed version will be available from mid-April 2015.