Lufthansa Group

What drives us.

What defines us.

How we work.

Focused on our way.

Annual Report 2013

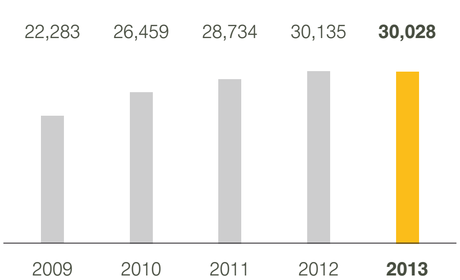
Key figures Lufthansa Group

		2013	2012[3]	Change in %
Revenue and result				
Total revenue	€m	30,028	30,135	–0.4
of which traffic revenue	€m	24,565	24,793	–0.9
Operating result	€m	697	839	–16.9
EBIT	€m	891	1,668	–46.6
EBITDA	€m	2,668	3,581	–25.5
Net profit/loss	€m	313	1,228	–74.5
Key balance sheet and cash flow statement figures				
Total assets	€m	29,084	28,559	1.8
Equity ratio	%	21.0	16.9	4.1 pts
Net indebtedness	€m	1,697	1,953	–13.1
Cash flow from operating activities	€m	3,290	2,842	15.8
Capital expenditure (gross)	€m	2,499	2,359	5.9
Key profitability and value creation figures				
Adjusted operating margin[1]	%	3.0	3.3	–0.3 pts
EBITDA margin	%	8.9	11.9	–3.0 pts
CVA	€m	3,133	375	
Lufthansa share				
Share price at year-end	€	15.42	14.24	8.3
Earnings per share	€	0.68	2.68	–74.6
Suggested dividend per share	€	0.45	–	
Traffic figures[2]				
Passengers	thousands	104,587	103,590	1.0
Freight and mail	thousand tonnes	1,965	1,984	–0.9
Passenger load factor	%	79.8	78.8	1.0 pts
Cargo load factor	%	69.1	69.4	–0.3 pts
Flights	number	1,028,260	1,067,362	–3.7
Employees				
Average number of employees	number	117,343	118,368	–0.9
Employees as of 31.12.	number	118,214	116,957	1.1

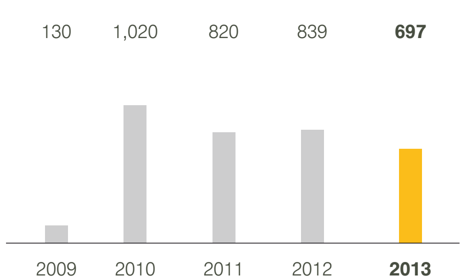
[1] Performance indicator to enable comparison with other airlines: (operating result + write-backs of provisions) / revenue.
[2] Previous year's figures have been adjusted.
[3] The comparable figures from last year were adjusted retrospectively due to the application of the revised IAS 19 as of 1 January 2013.

Date of publication: 13 March 2014.

Revenue in €m



Operating result in €m



Lufthansa Group overview

Key figures business segments

Passenger Airline Group		2013	Change in %
Revenue	€m	23,513	–0.2
of which external revenue	€m	22,838	–0.1
Operating result	€m	495	–11.0
Adjusted operating margin	%	2.6	–0.3 pts
Segment result	€m	623	12.1
EBITDA*	€m	2,105	–1.9
CVA	€m	175	
Segment capital expenditure	€m	1,837	–1.7
Employees as of 31.12.	number	54,702	–1.0

Passenger Airline Group The airlines in the Passenger Airline Group carried more passengers than ever before. Revenue fell slightly, however. The decline in operating profit is largely due to the one-off effects recognised in 2012 of transferring flight operations from Austrian Airlines to Tyrolean Airways, and to the sale of bmi. Lufthansa Passenger Airlines and SWISS increased their operating results.

Logistics		2013	Change in %
Revenue	€m	2,442	–9.2
of which external revenue	€m	2,418	–9.2
Operating result	€m	77	–26.7
Adjusted operating margin	%	3.6	–0.7 pts
Segment result	€m	88	–31.3
EBITDA*	€m	131	–33.8
CVA	€m	–41	
Segment capital expenditure	€m	318	60.6
Employees as of 31.12.	number	4,589	–0.4

Logistics Lufthansa Cargo suffered from very weak demand across the industry in the financial year. This resulted in lower revenue than in the previous year. Thanks to consistent capacity management, it was nonetheless possible to mitigate the effects of the market weakness on the result. Lufthansa Cargo's operating profit was down on the previous year.

MRO		2013	Change in %
Revenue	€m	4,180	4.2
of which external revenue	€m	2,598	7.0
Operating result	€m	404	23.2
Adjusted operating margin	%	10.9	2.0 pts
Segment result	€m	457	21.2
EBITDA*	€m	594	18.3
CVA	€m	377	56.4
Segment capital expenditure	€m	136	5.4
Employees as of 31.12.	number	19,917	–1.8

MRO Lufthansa Technik closed the financial year very successfully. Revenue and, above all, the operating result were up sharply. The global market leader in the MRO segment profited from consistent cost management and a particularly full order book.

Catering		2013	Change in %
Revenue	€m	2,514	0.4
of which external revenue	€m	1,909	–1.2
Operating result	€m	105	4.0
Adjusted operating margin	%	4.3	0.2 pts
Segment result	€m	123	–6.1
EBITDA*	€m	170	–22.0
CVA	€m	29	–25.6
Segment capital expenditure	€m	110	71.9
Employees as of 31.12.	number	32,307	7.4

Catering LSG Sky Chefs increased its revenue and operating result compared with the previous year. This was helped primarily by internal efficiency and cost management programmes. The company consolidated its global market leadership in airline catering and continues to grow with related products and in adjacent markets, which are becoming more and more relevant.

IT Services		2013	Change in %
Revenue	€m	640	5.1
of which external revenue	€m	265	3.5
Operating result	€m	36	80.0
Adjusted operating margin	%	5.6	2.2 pts
Segment result	€m	34	78.9
EBITDA*	€m	73	–3.9
CVA	€m	32	
Segment capital expenditure	€m	20	–16.7
Employees as of 31.12.	number	2,718	–1.7

* Without Group-internal profit and loss transfer/investment income.

IT Services Lufthansa Systems reported sharp increases in revenue and operating result in the past financial year. Here, too, measures to improve efficiency gained traction and cut costs significantly. In a positive market environment for airline IT services, revenue was boosted by many new customers, and innovative new products were brought to market.

2013 figures

30.0
Revenue in EUR bn

697
Operating result in EUR m

1,308
Free cash flow in EUR m

3,133
Cash value added in EUR m

8.3
Total Shareholder Return in per cent

←
Key figures
Lufthansa Group overview

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How do we create the best Lufthansa Group?

In challenging times like these, it is more important than ever to keep the long-term objective clearly in view, to know how to get there and to follow the path consistently. We are focused on our way. Our aim is to create a better Lufthansa Group. The strategy for achieving this is set. We are developing the necessary culture. We are permanently improving the effectiveness we need. Read here **what drives us, what defines us** and **how we are working** to be successful.

Focused on our way

From left: Harry Hohmeister, Bettina Volkens, Christoph Franz, Carsten Spohr, Simone Menne

Ladies and Gentlemen,

2013 was a successful, but also a demanding year for the Lufthansa Group.

The transformation of our company progressed well and is bearing fruit. We ended last year with a good result. All our business segments are profitable and all passenger airlines in the Lufthansa Group improved their results. More than 104 million passengers flew with us last year. This confirms our position as the biggest European airline group. Customer satisfaction also reached a new high. It is paying off that we are investing more than ever before for our customers: both in renewing our in-flight and ground product and in new aircraft. In 2013, we ordered a total of 168 short, medium and long-haul aircraft, with an aggregate list price of EUR 22bn. This sets the framework for the fleet structure until 2025.

From 2016 onwards, our customers can look forward to the first of the next-generation long-haul aircraft. They are not only more comfortable, but are also considerably quieter and more fuel-efficient. For the first time, we will have long-haul aircraft that consume less than three litres of kerosene per passenger per 100 kilometres. This not only protects the environment and brings us significant cost savings in the future, but will also contribute to positioning our core business segment, the airlines, to achieve sustainable success in a tough competition.

Investments in the future require solid results in the present. That is why, in the financial year 2013, we again systematically pursued the implementation of measures to improve earnings as part of our SCORE programme. We are on schedule and on the right track here, even though the measurable progress that we have made cannot be seen at first glance in the operating result. But with an operating result of EUR 697m, we have met our forecast for 2013.

The reported operating result is EUR 142m lower than in the previous year. As you read this annual report, you will see that this is largely due to the many one-off expenses that are incurred in times of renewal and structural development of our company. Another part of the decrease is the exceptionally high one-off effects reported in 2012, which boosted the result at the time, but which no longer apply in 2013. The one-off costs and expenses incurred for the implementation of SCORE and the renewal of our products also have an effect on our result. The main thing is, however, that all these factors are of limited duration. We know that our underlying structural result has improved sharply; last year by several hundred million euros.

This was only possible because we successfully implemented a large number of projects and so boosted our efficiency sustainably. They include the successful transfer of European traffic outside our hubs in Frankfurt and Munich to Germanwings, the successful launch of a new SWISS product offer at the site in Geneva, and the completion of the fleet renewal at Austrian Airlines. Another result of these activities is the fact that all the operating segments have streamlined their administrative structures considerably and will continue to do so. In this context, Lufthansa Global Business Services GmbH began operations as the central service unit for many of the Group's administrative activities on 1 January 2014.

There were many challenges from outside the company to test our ingenuity. In 2013, it was primarily the fluctuations on foreign exchange markets which notably depressed income for the airlines. Competitive pressure especially from the state-owned airlines in the Middle East and low-cost carriers in Europe did not ease either. It was all the more gratifying that all the passenger airlines were able to improve their results year on year in this difficult environment, and that Lufthansa Passenger Airlines generated a profit in European traffic again for the first time in five years.

The performance of the other operating segments in the Lufthansa Group was equally pleasing. Lufthansa Cargo was one of the few cargo airlines in the world to achieve a positive result. Lufthansa Technik, our long-standing guarantor of contributions to Group earnings, reported the best result in its history last year. LSG Sky Chefs improved revenue and result for the fourth year in a row, and Lufthansa Systems also increased its profits. At all these segments, the steady work put in over recent years – also together with our collective bargaining partners – is showing results.

On this note, the wage settlement agreed with ground staff in Germany in 2013 will provide stability. For the first time ever, we were able to agree on a settlement that contains individual terms for pay increases and productivity improvements for the employees in each segment. This is so important because the nature of competition varies from one operating segment to another. Overall, the competitive pressure did not decrease in 2013.

Our target for the financial year 2014 is to again increase the operating result significantly to EUR 1.3bn to 1.5bn. This will also include an increase of EUR 340m from altering our depreciation policy. This is only an accounting effect, however, and does not improve the true profitability of our company.

Given the clear turnaround in the operating result, and as a sign of confidence for the years ahead, the Executive Board and the Supervisory Board will make a proposal at the Annual General Meeting to pay a dividend of EUR 0.45 for the financial year just ended. We are thereby resuming our long-term policy of letting shareholders participate directly in the success of their company.

Over the past year, our share price performed positively, rising by 8.3 per cent, although this was less than the DAX. By continuing to increase the profitability of the Lufthansa Group, we also want to boost the value of the company sustainably and hope that this will give the share further momentum.

We are convinced that we are on the right track with our programme to develop the Lufthansa Group strategically, financially and culturally. The improvement in profits is just one aspect of our work. Equally important is that the cultural change we have initiated is put into practice by our employees. The need for change is generally accepted and is supported by the vast majority of employees in the Lufthansa Group, despite the many and sometimes painful steps it requires.

The process of change in our company, in your company, is well under way. It will ensure that the Lufthansa Group remains Europe's leading airline and aviation group. Carsten Spohr, who takes up his post as Chairman of the Executive Board and CEO on 1 May 2014, will continue to pursue this course. I would like to take this opportunity to wish my successor, my colleagues on the Executive Board and all the staff in the Lufthansa Group all the best and great success for the future. With the close of the Annual General Meeting, I will be leaving a company which is well positioned and which has many exciting prospects.

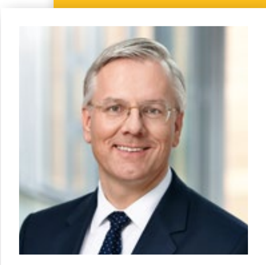
Also on behalf of my colleagues on the Executive Board, I would like to thank you for your trust in our work.
Stay with the crane as it forges ahead on its exciting journey!

Frankfurt, March 2014

Christoph Franz

Christoph Franz
Chairman of the Executive Board and CEO of Deutsche Lufthansa AG

With its good performance in 2013, the Lufthansa Group has again demonstrated its competitiveness in a difficult environment.



→ Christoph Franz

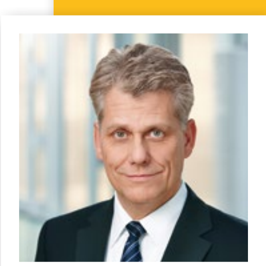
Chairman of the Executive Board and CEO
(until 30 April 2014)
Christoph Franz has been Chairman of the Executive Board and CEO of Deutsche Lufthansa AG since 1 January 2011.

Lufthansa Passenger Airlines is seeing initial improvements in its earnings. By investing in the product and the fleet, and by improving its cost management, it will successfully take the next steps.

→ Carsten Spohr

Chief Officer Lufthansa German Airlines
(Chairman of the Executive Board and CEO from 1 May 2014)
Carsten Spohr has been a member of the Executive Board of Deutsche Lufthansa AG and CEO of Lufthansa German Airlines since 1 January 2011.

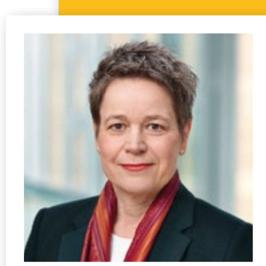
Group Airlines and Logistics remain the important pillars of the Lufthansa Group. Adjusted for the one-off effects in 2012, their earnings contributions have risen further.



→ Harry Hohmeister

Chief Officer Group Airlines and Logistics
Harry Hohmeister has been a member of the Executive Board of Deutsche Lufthansa AG since 1 July 2013.

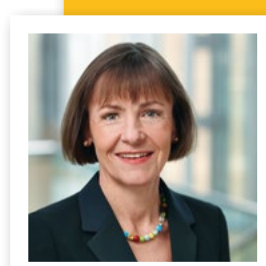
The financial stability of the Lufthansa Group improved again in the past financial year and still constitutes the foundation for the Company's successful performance.



→ Simone Menne

Chief Officer Finances and Aviation Services
Simone Menne has been a member of the Executive Board of Deutsche Lufthansa AG since 1 July 2012.

Times of intense change are a particular challenge for human resources management. The employees of the Lufthansa Group continue to be the heart of the Company.



→ Bettina Volkens

Chief Officer Corporate Human Resources and Legal Affairs
Bettina Volkens has been a member of the Executive Board of Deutsche Lufthansa AG since 1 July 2013.

Supervisory Board and Executive Board

Supervisory Board

Dr Wolfgang Röller
Former Chairman of the Supervisory Board Deutsche Lufthansa AG
Honorary Chairman

Dipl.-Ing. Dr-Ing. E. h. Jürgen Weber
Former Chairman of the Supervisory Board Deutsche Lufthansa AG
Honorary Chairman
(as of 7 May 2013)

Voting members

Wolfgang Mayrhuber
Former Chairman of the Executive Board Deutsche Lufthansa AG
Chairman of the Supervisory Board
(as of 7 May 2013)

Dipl.-Ing. Dr-Ing. E. h. Jürgen Weber
Former Chairman of the Executive Board Deutsche Lufthansa AG
Chairman of the Supervisory Board
(until 7 May 2013)

Christine Behle
Member of the National Executive Board of ver.di
Employee representative
Deputy Chairwoman of the Executive Board
(as of 7 May 2013)

Frank Bsirske
Chairman ver.di
Employee representative
Deputy Chairman of the Executive Board
(until 7 May 2013)

Jacques Aigrain
Chairman
LCH.Clearnet Group Limited, UK

Dr Werner Brandt
Member of the Executive Board SAP AG

Bernd Buresch
Coordinator
Enterprise Operation Center
Employee representative
(until 7 May 2013)

Jörg Cebulla
Flight captain and member of the Cockpit pilots' union
Employee representative
(until 7 May 2013)

Dipl.-Vwt. Jürgen Erwert
Administrative staff member
Employee representative
(until 7 May 2013)

Herbert Hainer
Chairman of the Executive Board adidas AG

Dr Jürgen Hambrecht
Former Chairman of the Executive Board BASF SE

Dominique Hiekel
Purser
Employee representative
(until 7 May 2013)

Uwe Hien
Purser and advisor of the trade union UFO in traffic matters
Employee representative
(as of 7 May 2013)

Dr h.c. Robert Kimmitt
Senior International Counsel
WilmerHale, USA

Dr Karl-Ludwig Kley
Chairman of the Executive Board Merck KGaA
(as of 7 May 2013)

Martin Koehler
Independent management consultant and former head of the Aviation Competence Center at The Boston Consulting Group

Doris Krüger
Head Corporate Ideas and Innovation Management
Employee representative
(as of 7 May 2013)

Dr Nicola Leibinger-Kammüller
Managing partner and Chair of Management Board
TRUMPF GmbH + Co. KG

Eckhard Lieb
Engine maintenance mechanic
Employee representative

Ralf Müller
State certified technician
Employee representative
(as of 7 May 2013)

Simon Reimann
Flight attendant and member of the trade union UFO
Employee representative
(until 7 May 2013)

Ilona Ritter
Chairwoman Bargaining Policy of the Cockpit pilots' union
Employee representative
(as of 7 May 2013)

Marlies Rose
Flight manager
Employee representative
(until 7 May 2013)

Dr Klaus G. Schlede
Former Deputy Chairman of the Executive Board Deutsche Lufthansa AG
(until 7 May 2013)

Andreas Strache
Flight manager
Employee representative
(as of 7 May 2013)

Christina Weber
Administrative staff member
Employee representative
(as of 7 May 2013)

Birgit Weinreich
Flight attendant
Employee representative
(as of 7 May 2013)

Matthias Wissmann
President of the German Automotive Industry Federation (VDA)

Dr Michael Wollstadt
Head IT Revenue Management
Employee representative
(until 7 May 2013)

Stefan Ziegler
Flight captain
Employee representative

Executive Board

Dr Christoph Franz
Chairman of the Executive Board and CEO

Harry Hohmeister
Member of the Executive Board
Chief Officer Group Airlines and Logistics
(as of 1 July 2013)

Stefan Lauer
Member of the Executive Board
Chief Officer Group Airlines and Corporate Human Resources
(until 30 June 2013)

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

Carsten Spohr
Member of the Executive Board
Chief Officer Lufthansa German Airlines

Dr Bettina Volkens
Member of the Executive Board
Chief Officer Corporate Human Resources and Legal Affairs
(as of 1 July 2013)

Clear objectives

We will play a leading role in the global process of consolidation.

Satisfied customers and sustainable entrepreneurial action are what drive us to achieve the lasting success of the Lufthansa Group. As a strong family of successful companies, we are in a position to actively shape the rapidly changing airline industry.

- To increase company value
- For a better energy footprint
- For good prospects and secure jobs for our employees

- Offer five-star experiences on the ground and on board
- Invest in the highest quality
- Give everything for a customer recommendation

- Boost the operating margin for more capital expenditure
- Develop the portfolio and partnerships further
- Get in shape to take up a better competitive position

Act sustainably entrepreneurially

Provide top quality for our customers

Expand our market position with higher earnings

Annual review

Q1 2013

Structural changes continue in the Lufthansa Group
As part of its SCORE programme, the Lufthansa Group enacts wide-ranging structural changes to its administration on 19 February 2013. Merging administrative functions in the areas of finance, purchasing and human resources in shared services centres, both in Germany and abroad, is intended to realise synergies and reduce costs. Several sites are to be closed. They include the headquarters of Deutsche Lufthansa AG in Cologne and the head office of Lufthansa Revenue Services GmbH (LRS) in Norderstedt.

Dividend suspended to strengthen financial profile
Also on 19 February 2013, the Executive Board decides to propose to the Annual General Meeting on 7 May 2013 to suspend the dividend for the financial year 2012 and to retain the entire EUR 296m in distributable earnings. At its meeting on 13 March 2013, the Supervisory Board agrees to this proposal in order to support the implementation of the SCORE programme.

Renewal of short and medium-haul fleet approved
At its meeting on 13 March 2013, the Supervisory Board of Deutsche Lufthansa AG approves the purchase for the Group of 100 new short and medium-haul aircraft from the Airbus A320 family as well as two A380s and six Boeing 777s in accordance with the Executive Board resolution taken on 19 February 2013. The order covers Lufthansa Passenger Airlines' planned growth and replacement needs in European traffic until 2025. On the one hand, this will advance the important renewal and harmonisation of the fleet, and on the other it will ensure that aircraft with greater fuel-efficiency and lower emissions will be deployed in the future.

Numerous strikes disrupt flight operations
In the course of wage negotiations for around 33,000 ground staff at the Lufthansa Group in Germany, the trade union ver.di calls a nationwide warning strike for 21 March 2013. As a result, Lufthansa Passenger Airlines cancels nearly 670 German and European flights that day. ver.di had previously organised strikes at certain airports in the course of wage negotiations for employees of private security firms. These also resulted in flight cancellations.

Q2 2013

Wage settlements signed
On 1 May 2013, the Employers' Federation for Air Transport Companies (AGVL) and the trade union ver.di agree on a wage settlement for ground staff. For the first time, the wage settlement provides for differences in the performance of the individual business segments. Germanwings and the representatives of the flight attendants' union UFO reach an agreement in the collective bargaining for flight attendants in June 2013.

AIRail service on track for ten years
On 5 May 2013, the Lufthansa AIRail service operated on the Cologne-Frankfurt route in cooperation with Deutsche Bahn (DB) and Fraport celebrates its 10th anniversary. Since 5 May 2003, Lufthansa passengers have been able to use ICE trains as a feeder service from Cologne to Frankfurt Airport with their plane ticket. The service on the Stuttgart-Frankfurt route was also updated and made more attractive in 2003.

New Supervisory Board appointments
New shareholder representatives are elected to the Supervisory Board at the Annual General Meeting on 7 May 2013. Wolfgang Mayrhuber, former Chairman of the Executive Board and CEO of Deutsche Lufthansa AG, and Dr Karl-Ludwig Kley, Chairman of the Executive Board of Merck KGaA and former CFO of Deutsche Lufthansa AG, succeed the Supervisory Board members Dipl.-Ing. Dr-Ing. E.h. Jürgen Weber and Dr Klaus G. Schlede as Chairman of the Supervisory Board and Chairman of the Audit Committee respectively.

Lufthansa Passenger Airlines and SWISS awarded prizes
On 18 June 2013, the Lufthansa Group collects several prizes at the World Airline Awards organised by Skytrax. The Lufthansa Passenger Airlines First Class Lounges are voted the best in the world. Lufthansa Passenger Airlines is also voted "Best Western European Airline" and "Best Transatlantic Airline". Over the preceding ten months, 18 million passengers from more than 100 countries took part in the world's largest aviation passenger survey. SWISS is also honoured again in 2013. At the World Travel Awards, the airline is voted "Europe's Leading Airline Business Class" for the third time in a row.

Q3 2013

Changes in several Executive Board positions

With effect from 1 July 2013, Dr Bettina Volkens (50) is appointed Chief Human Resources Officer with responsibility for Human Resources and Legal, while Harry Hohmeister (49) becomes the Executive Board member in charge of Group Airlines and Logistics. The two new Executive Board members succeed Stefan Lauer, who stepped down from his position in agreement with the Company with effect from 30 June 2013. The Chairman of the Executive Board and CEO of Deutsche Lufthansa AG, Dr Christoph Franz, informs the Supervisory Board in mid-September 2013 that he will not be available for a renewal of his appointment, which was originally to run until 31 May 2014. On 7 February 2014, the Supervisory Board names Carsten Spohr, currently Chief Officer Lufthansa German Airlines, as his successor. Mr Spohr is to take office on 1 May 2014.

New Germanwings launched

On 1 July 2013, Germanwings is launched with a newly developed, innovative product and brand concept. The airline is to successively take over decentralised European traffic outside the hubs in Frankfurt and Munich from Lufthansa Passenger Airlines until the end of 2014.

Retirement benefits to be restructured

In September 2013, the Lufthansa Group announces that its company pension scheme is to be switched to a sustainable long-term model. Thereafter, the Group terminates the company pension plans for its companies in Germany. Talks begin with the collective bargaining partners on new agreements for retirement and transitional benefits.

Renewal of long-haul fleet adopted

The Supervisory Board of Deutsche Lufthansa AG approves the purchase of 59 efficient, quieter aircraft from the latest generation for Lufthansa Passenger Airlines at its meeting on 18 September 2013. 34 Boeing 777-9Xs and 25 Airbus A350-900s are to be added to the Lufthansa Group's long-haul fleet, with phased deliveries scheduled from 2016 and 2020 respectively. In the period up to 2025, they will replace older B747-400 and A340-300 aircraft.

Q4 2013

Lufthansa Technik carries out production inspection of Boeing 787

Since October 2013, Lufthansa Technik is the first maintenance, repair and overhaul (MRO) provider in the world to have carried out complete production inspections on Boeing 787 aircraft for airlines and VIP clients. In these independent quality checks of newly built aircraft, the experts from Lufthansa Technik carry out an individual, on-site inspection of aircraft production at all the major manufacturers. This optimises production quality which ensures a high degree of reliability in subsequent operations.

Lufthansa Cargo puts first Boeing 777F cargo aircraft into service

On 19 November 2013, Lufthansa Cargo put the first of five B777F cargo aircraft on order into service. The B777F is currently one of the most efficient cargo aircraft around thanks to its high maximum load, fuel efficiency and long range. A second B777F joins the fleet in December 2013. The two new aircraft replace two MD-11s, which are leaving the fleet.

Lufthansa Passenger Airlines in Munich is recognised for the quality of its First Class Lounge

The Lufthansa First Class Lounge in Munich receives the coveted "International 5 Star Diamond Award" from the American Academy of Hospitality Services (AAHS) on 19 November 2013. The award is in recognition of the outstanding quality that Lufthansa provides for its customers in the lounge. This makes it one of "the most select First Class Lounges in the world" according to the jury. After Frankfurt and New York, this is the third Lufthansa First Class Lounge to receive an award.

Lufthansa Group operates aid flights to the Philippines

On 22 November 2013, Lufthansa Cargo organises a free disaster relief flight to the Philippines. Together with the "Aktion Deutschland Hilft" emergency aid alliance, Lufthansa Cargo provides fast, pragmatic assistance for those severely affected by the typhoon. On 10 November, just three days after the devastating natural disaster, Lufthansa Passenger Airlines had flown an Airbus A340-600 passenger aircraft to Manila with 25 tonnes of urgently needed relief supplies.

Lufthansa share

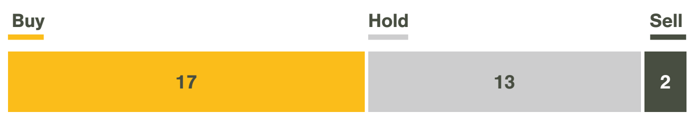
↗ Lufthansa share price up by 8.3 per cent in 2013. ↗ Executive Board and Supervisory Board propose a dividend of EUR 0.45. ↗ Analysts are largely positive about the Lufthansa share. ↗ Shareholder structure remains stable. ↗ Comprehensive, transparent communication with capital markets continued. ↗ The Lufthansa share is part of major share indices.

Lufthansa share price up again in 2013
The price of the Lufthansa share increased by 8.3 per cent in 2013. It closed the year at EUR 15.42, compared with a closing price of EUR 14.24 at year-end 2012. This meant that the share performed less well than the DAX index, which climbed by 25.5 per cent. In the previous year, the Lufthansa share rose by 55.0 per cent, outperforming the DAX (+29.1 per cent) by a factor of almost two.

Over the course of the year 2013, the Lufthansa share price exhibited a number of different trends. In the first half-year, the share appreciated by 9.5 per cent. It reached its high for the year on 4 June at EUR 17.10. Some of these gains were lost again in the third quarter (–7.6 per cent). In the fourth quarter, it was able to reverse these losses, however (+7.0 per cent).

Executive Board and Supervisory Board propose dividend of EUR 0.45 per share
For many years, the Lufthansa Group has enabled its shareholders to participate continually and directly in the Company's positive performance. Based on the turnaround in the development of the operating result in the financial year 2013, the Supervisory Board and the Executive Board are proposing to again pay out a dividend of EUR 0.45 per share. This is in line with the existing dividend policy and represents a payout ratio of around 30 per cent of the Group's operating result. A detailed explanation of the dividend policy can be found in the "Financial strategy" chapter on p. 29.

Analysts' recommendations* as of 31.12.2013



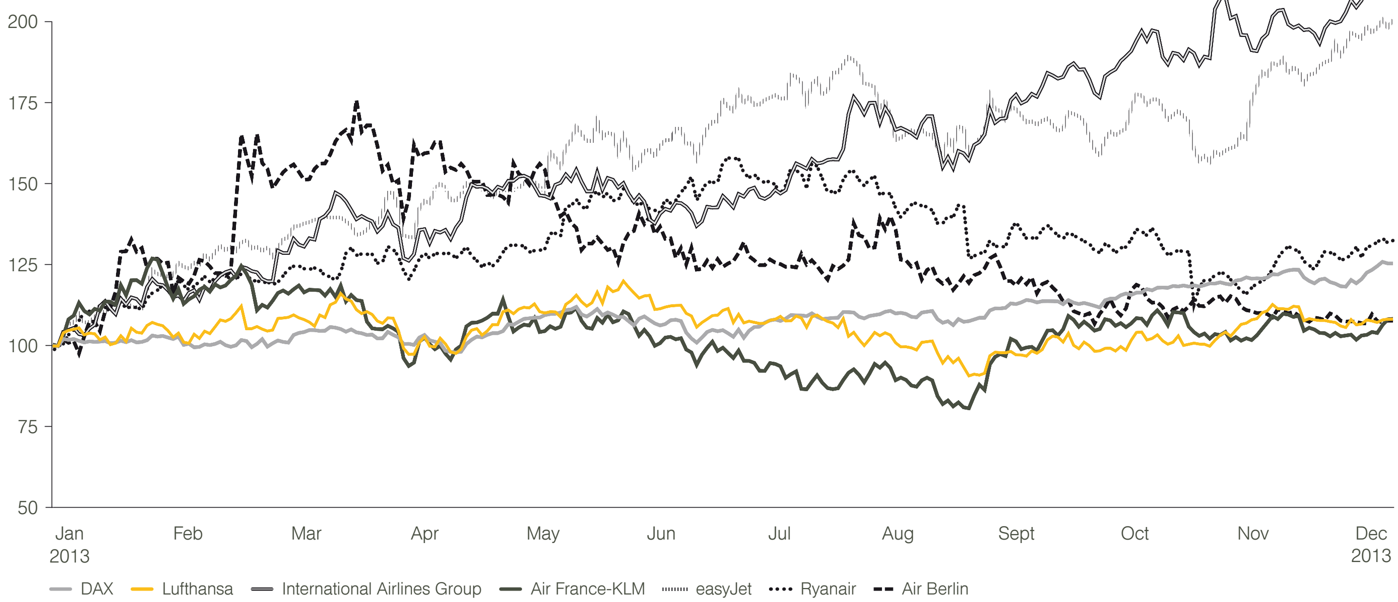
* Target price: EUR 17.06, average of 32 analysts.
Range: from EUR 13.00 up to EUR 20.00.

Majority of analysts view Lufthansa share positively
The Lufthansa share continues to be rated positively by analysts. They emphasise the progress made and the earnings improvements that are forecast with the SCORE programme. At year-end, 30 out of a total of 32 equity analysts recommended the share as a buy or a hold, and two as a sell.

The Lufthansa share: key figures

		2013	2012	2011	2010	2009
Year-end share price	€	15.42	14.24	9.19	16.36	11.75
Highest share price	€	17.10	14.47	17.39	17.77	12.31
Lowest share price	€	12.93	8.02	8.35	10.34	7.86
Number of shares	millions	461.1	459.9	457.9	457.9	457.9
Market capitalisation (at year-end)	€bn	7.1	6.5	4.2	7.5	5.4
Earnings per share	€	0.68	2.68	–0.03	2.47	–0.07
Cash flow from operating activities per share	€	7.15	6.20	5.14	6.71	4.35
Dividend per share	€	0.45	–	0.25	0.60	–
Dividend yield (gross)	%	2.9	–	2.7	3.7	–
Dividend	€m	207.5	–	114.5	274.8	–
Total shareholder return	%	8.3	57.7	–40.2	39.2	11.3

Performance of the Lufthansa share, indexed as of 31.12.2012, compared with the DAX and competitors, in %



Foreign ownership ratio and shareholder structure remain stable

In order to protect international air traffic rights and its operating licence, the German Aviation Compliance Documentation Act (LuftNaSiG) requires Lufthansa to provide evidence that a majority of its shares is held by German shareholders. For this reason, all Lufthansa shares are registered shares with transfer restrictions.

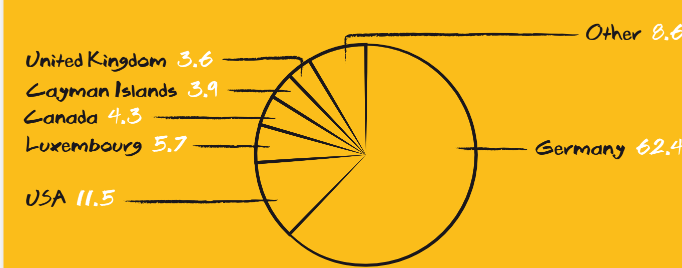
At the end of 2013, German investors held 62.4 per cent of the shares (previous year: 66.0 per cent). The second largest group with 11.5 per cent was shareholders from the USA (previous year: 12.9 per cent). Investors from Luxembourg accounted for 5.7 per cent, followed by Canada and the Cayman Islands with 4.3 and 3.9 per cent respectively. The shareholder structure therefore complies with the provisions of the German Aviation Compliance Documentation Act (LuftNaSiG).

The free float for Lufthansa shares is 100 per cent, as per definition of Deutsche Börse. As of the reporting date, 63.5 per cent (previous year: 59.9 per cent) of the shares were held by institutional investors. Private shareholders accounted for 36.5 per cent (previous year: 40.1 per cent).

There were no major structural changes concerning the largest institutional investors in the Lufthansa Group over the course of 2013. BlackRock, Inc. holds a 5.43 per cent stake and remains the largest shareholder in the Lufthansa Group. After reducing its position slightly to 4.75 per cent at year-end 2013 (2012: 5.12 per cent), The Capital Group Companies was again just behind Templeton Global Investors (5.00 per cent).

All the transactions requiring disclosure and published during the financial year 2013, as well as the quarterly updates on the shareholder structure, can be found on our website i www.lufthansagroup.com/investor-relations.

Shareholder structure by nationality
as of 31.12.2013 in %



Free float: 100%

Our balanced shareholder structure provides an important base for the Lufthansa Group. We will continue to work transparently and credibly to increase company value.

Lufthansa Group continues active communications with investors

In 2013, the Investor Relations department again provided investors with timely and in-depth information. In addition to the Company's own quarterly conferences, the Executive Board and Investor Relations team presented the Company's latest developments at a total of 38 roadshows and nine investor conferences in 2013. They held more than 300 one-on-one and group meetings with institutional investors. The SCORE programme, the performance of Lufthansa Passenger Airlines and the transfer of decentralised traffic to Germanwings were discussed at two additional events in June and October. Special attention was also paid to German private investors in 2013. Investor relations representatives answered questions from private investors at four dedicated events. The service for private shareholders also includes the shareholder information letter, which was published twice in 2013 and can be viewed on the Investor Relations website. The site also contains the financial calendar and the dates of all the conferences and shareholder events that the Lufthansa Group will be attending.

In addition to detailed reporting in the annual and interim reports, the monthly Investor Info provides the capital markets with the latest traffic figures for the airborne companies and other current news from the Group. On request, creditors and bondholders are also sent our Creditor Info several times a year, which contains information of relevance to them.

All of the publications, financial reports, presentations, background information, speeches and the latest news are also available at i www.lufthansagroup.com/investor-relations.

Membership of major share and sustainability indices

As a member of the DAX, the Lufthansa Group is one of the 30 largest publicly listed companies in Germany. At year-end the share had an index weighting of 0.88 per cent. With a market capitalisation of EUR 7.1bn at year-end, the Lufthansa Group came in at number 28 (previous year: 26) in the ranking of DAX companies by market capitalisation. Its market capitalisation increased year on year by EUR 0.6bn. In terms of stock market turnover, the Lufthansa share moved up four places to number 22. Trading volume for the share amounted to 850,471,679 shares in 2013; this represents a transaction volume of EUR 12.7bn (previous year: EUR 10.0bn).

The Lufthansa share is represented in several international indices, including the DAX30, S&P Europe 350 and EURO STOXX. It also features in the FTSE4Good, Ethibel and ECPI sustainability indices.

In addition to its stock market listings in Germany, investors tied to assets denominated in US dollars can also gain exposure to the Lufthansa Group via the Sponsored American Depository Receipt Program (ADR). Since late 2011, the Lufthansa ADRs have also been registered on the standardised trading and information platform OTCQX.

The Lufthansa share: data

ISIN International Security Identification Number	DE0008232125
Security identification number	823212
German stock exchange code	LHA
Stock exchanges	Frankfurt, Stuttgart, Munich, Hannover, Dusseldorf, Berlin, Hamburg, Xetra
Prime sector	Transport & Logistics
Industry	Airlines
Indices (Selection)	DAX30, Bloomberg EMEA Airlines Index, Bloomberg European Travel Index, Bloomberg World Airlines Index, Dow Jones Germany, EURO STOXX Index, FTSE4Good, FTSE Eurofirst Index, S&P Europe 350 Index, S&P Global 1200 Index, STOXX Europe Index

Ladies and Gentlemen,

In the financial year 2013, the Supervisory Board again carried out the duties conferred on it by law, the Company's Articles of Association and its internal regulations: to appoint the members of the Executive Board, to supervise their work and to advise them. The Executive Board's reporting obligations and the list of transactions requiring authorisation are set out in law and are specified in internal regulations.

The Executive Board provided us with full, timely information on the competitive environment, planned Company policy as well as all significant strategic and operating decisions. Larger items of projected capital expenditure and equity investments as well as planned Group financing activities were coordinated with us. The Chairman of the Supervisory Board read the minutes of the Executive Board meetings and discussed the current course of business with the Chief Executive Officer on an ongoing basis.

In 2013, the Supervisory Board held five meetings, on 13 March, 6 and 7 May, 18 September and 4 December. In December we carried out the regular review of the efficiency of our working practices and together with the Executive Board issued an updated declaration of compliance with the German Corporate Governance Code; see also i www.lufthansagroup.com/declaration-of-compliance. There were no conflicts of interest requiring disclosure in 2013. No member of the Supervisory Board was present at fewer than half the meetings of the Supervisory Board or the Supervisory Board committees.

Our meetings focused on the economic development of Deutsche Lufthansa AG and its associated companies. Particular attention was paid to the merger of Germanwings and decentralised traffic of Lufthansa Passenger Airlines. The progress made with the SCORE programme, developments in fuel expenses and fees and charges, and the sharp rise in benefit obligations were also key issues. In September we held in-depth discussions with the Executive Board about the further strategic development of the Group and the corresponding plans for the Group's fleet. Altogether, we approved the acquisition of 168 aircraft of various types for the airlines in the Group in the period up to 2025. We also approved the capital expenditure to build the second section of the Airbus A380 maintenance hangar at Frankfurt Airport.


Wolfgang Mayrhuber, Chairman of the Supervisory Board

The Executive Board informed us regularly of changes in the shareholder structure, the performance of the Lufthansa share, transactions with derivative instruments, and allocations to and returns from the Lufthansa pension fund. The disclosures required by takeover law made in the combined management report by the Executive Board in accordance with Sections 289 Paragraph 4 and 315 Paragraph 4 of the German Commercial Code require no further comment.

In view of the increased demands made of managing the group airlines, the Supervisory Board decided in May to split the responsibilities previously held by Mr Stefan Lauer for Group Airlines and Corporate Human Resources, including the post of Chief Human Resources Officer, into two separate functions with effect from 1 July 2013, thus expanding the Executive Board to five members. Mr Lauer concluded his work on the Executive Board in agreement with the Company as of 30 June 2013. The Supervisory Board thanks Mr Lauer for the work he carried out with great expertise and commitment during his 13 years in office. With his contribution to the strong growth of the Lufthansa Group, not just in the field of human resources policy, he has rendered the Company an outstanding service.

On the recommendation of the Steering Committee, which met four times in 2013, the Supervisory Board appointed the successors to Mr Lauer at its meeting on 6 May. Dr Bettina Volkens was made a full member of the Executive Board of Deutsche Lufthansa AG with responsibility for Human Resources and Legal, and was appointed Chief Human Resources Officer, while Mr Harry Hohmeister was made a full member of the Executive Board of Deutsche Lufthansa AG with responsibility for Group Airlines and Logistics. Both appointments were made for the period from 1 July 2013 to 30 June 2016. The Arbitration Committee did not have to be convened in the reporting period.

In an extraordinary meeting on 7 February 2014, the Supervisory Board followed the recommendation of the Steering Committee and named Carsten Spohr as Chairman of the Executive Board and CEO of Deutsche Lufthansa AG with effect from 1 May 2014. Mr Spohr, whose appointment as a member of the Board was extended to 31 December 2018 in the meeting held on 13 March 2013, will succeed Dr Christoph Franz, who declared himself unavailable to renew his five-year term of office as a member and Chairman of the Executive Board, and who, in agreement with the Company, will step down from his role effective 30 April 2014.

The Supervisory Board regrets the departure of Dr Christoph Franz, but respects his personal decision and would like to thank him for the strategic decisions he has taken with great rigour and persistence in his five years on the Executive Board, of which a good three years were as Chairman of the Executive Board and CEO. Dr Christoph Franz has served the Company well, above all with the SCORE programme to sustainably improve the competitiveness of the Lufthansa Group, which is the result of his leadership and bears his signature.

In its meeting on 12 March 2014, the Supervisory Board followed the recommendation of the Steering Committee and named Karl-Ulrich Garnadt, CEO of Lufthansa Cargo AG, as successor to Carsten Spohr, making him a full member of the Executive Board of Deutsche Lufthansa AG and CEO of Lufthansa German Airlines. The appointment was made for the period from 1 May 2014 to 30 April 2017.

In 2013, the Nomination Committee met once and the Audit Committee four times, three of which in the presence of the auditors. The Audit Committee discussed the interim reports with the CFO before their publication.

The committee also dealt with the supervision of accounting processes and the effectiveness of the internal control system, risk management and internal auditing systems. The members received regular reports on risk management, compliance and the work of the Group's internal audit department. A detailed discussion took place on extending the depreciation period for aircraft and reserve engines from twelve to twenty years and reducing the residual value from 15 per cent to 5 per cent.

Information on the committees' work was provided at the beginning of the following Supervisory Board meeting.

The five-year term of office of all the members of the Supervisory Board ended with the close of the Annual General Meeting on 7 May 2013. The Supervisory Board thanks its departing members – Dominique Hiekel, Marlies Rose, Frank Bsirske, Bernd Buresch, Jörg Cebulla, Jürgen Erwert, Simon Reimann, Dr Klaus Schlede, Dipl.-Ing. Dr-Ing. E.h. Jürgen Weber and Dr Michael Wollstadt – for the responsibility they held and for their constructive and dedicated work.

Particular thanks are due to Dr Klaus Schlede and Jürgen Weber. Both gentlemen have made a lasting contribution to the development of the Company over the last twenty years and have rendered an outstanding service to Deutsche Lufthansa AG. Dr Klaus Schlede served the Company as CFO for eleven years, was Deputy Chairman of the Executive Board for seven years and Chairman of the Supervisory Board for five years; for the last ten years he has chaired the Audit Committee. Jürgen Weber was a member of the Company's Executive Board for fourteen years, twelve of which as Chairman of the Executive Board and CEO. He chaired the Supervisory Board from 2003 to 2013. On the occasion of the Annual General Meeting 2013, the Supervisory Board appointed Jürgen Weber as Honorary Chairman of the Supervisory Board, to the applause of the shareholders. His name will always be closely associated with the foundation of the Star Alliance and the positioning of the Company at the top of the airline industry.

New shareholder representatives were elected for five years at the Annual General Meeting 2013. Dr Karl-Ludwig Kley and I are new members of the Supervisory Board. Back in spring 2013, the employees of the Lufthansa Group elected Christine Behle, Doris Krüger, Ilona Ritter, Christina Weber, Birgit Weinreich, Uwe Hien, Ralf Müller and Andreas Strache as new members of the Supervisory Board.

In the elections held at the constitutive meeting of the newly elected Supervisory Board on 7 May 2013, I was elected Chairman of the Supervisory Board and Ms Behle was elected as my deputy. In accordance with the Articles of Association, we are both members of the Steering Committee and also the Arbitration Committee as required by Section 27 Paragraph 3 of the Co-determination Act; Dr Hambrecht and Mr Ziegler were also elected to both committees. The members of the Nomination Committee are Dr Brandt, Dr Hambrecht and I. Dr Kley was appointed Chairman of the Audit Committee and Ms Ritter, Dr Brandt, Mr Hien, Mr Koehler and Mr Lieb as ordinary members.

We appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Dusseldorf, who were elected as auditors for the parent company and the Group at the Annual General Meeting 2013, to audit the financial statements and the consolidated financial statements, the combined management report and the risk management system. The Audit Committee acknowledged the declaration of independence provided by PricewaterhouseCoopers and discussed the main topics of the audit. No potential grounds for disqualifying the auditors or doubting their impartiality came to light during the course of the audit.

The consolidated financial statements 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 International Financial Reporting Interpretations Committee (IFRIC) as applicable in the European Union (EU). The auditors audited the annual financial statements and consolidated financial statements of Deutsche Lufthansa AG and the combined management report as of 31 December 2013 in accordance with the legal requirements, and had no reservations to make. They further confirmed that the system for the early identification of risks established by the Executive Board is suitable for the early identification of developments which could endanger the Company's continued existence. During their audit the auditors did not come across any facts in contradiction with the declaration of compliance.

In early March 2014, the Audit Committee discussed the audit reports in detail with the CFO in the presence of the two auditors who had signed the financial statements.

At the Supervisory Board accounts meeting the auditors reported on their audit findings and answered questions. We examined the financial statements and the consolidated financial statements of Deutsche Lufthansa AG, the combined management report and the proposal for profit distribution in detail and had no objections to make. The financial statements and the consolidated financial statements were approved. The 2013 annual financial statements of Deutsche Lufthansa AG as prepared by the Executive Board have thereby been adopted. We agree with the Executive Board's proposal for profit distribution.

Despite the difficult environment, the Group was able to close the financial year 2013 with a good result. The Supervisory Board thanks the Executive Board and all the staff of the Lufthansa Group for their commitment and their successful work.

In January 2014, Mr Ulrich Hartmann died at the age of 75. Ulrich Hartmann was one of the most important entrepreneurs in Germany, recognising early on the need for consolidation in the energy industry, among others. His wealth of experience in restructuring a significant industry branch was extremely valuable for the Lufthansa Group. Mr Hartmann was also a member of our Supervisory Board from 1998 until 2010. He also supported us with his advice as a member of the Audit and Nomination Committees. We will always remember him respectfully.

Cologne, 12 March 2014

For the Supervisory Board
Wolfgang Mayrhuber, Chairman

Corporate governance

↗ Executive Board and Supervisory Board work together closely to sustainably increase Company value. ↗ Recommendations of the German Corporate Governance Code are largely followed. ↗ Executive Board remuneration is linked to sustainable Company success. ↗ Accounting and financial communications conform to international standards. ↗ Compliance Programme is in force throughout the Group.

Cooperation between Executive Board and Supervisory Board is characterised by trust

The Executive Board and Supervisory Board have a close and trusting working relationship in the interests of the Company. Their common aim is to increase Company value sustainably.

The Supervisory Board has adopted internal regulations, which both complement and clarify the statutory requirements governing the work of the Executive Board and the Supervisory Board as well as the cooperation between them. The members of the Executive Board are jointly responsible for the management of the entire Company and inform each other of all significant activities and transactions. The Executive Board reports regularly to the Supervisory Board, which is made up of equal numbers of shareholder and employee representatives. At the Supervisory Board meetings, the Executive Board informs the Supervisory Board four times a year on business developments at the Group and its affiliated companies, as well as once a year on operational planning and financial planning for the Group. The Executive Board presents the Company's quarterly reports to the Supervisory Board. Furthermore, the Chairman of the Executive Board informs the Chairman of the Supervisory Board and the Supervisory Board of important matters.

As a rule, the Executive Board takes decisions by simple majority of votes cast. There are a number of transactions for which the Executive Board requires the prior approval of the Supervisory Board. These include, for example, borrowing, capital expenditure, especially for aircraft and other non-current assets above a certain value threshold, long-term leasing of aircraft, establishing companies, acquisitions or disposals of shares, entering new businesses or discontinuing any existing businesses within the scope of the Articles of Association, as well as signing or suspending control agreements and strategically important cooperation agreements.

The Supervisory Board elects a Steering Committee made up of four members with equal shareholder and employee representation, which makes recommendations to the Supervisory Board on the contents, form and signing of service contracts with the Executive Board members. The Steering Committee is also responsible for other staff matters regarding Executive Board members and senior managers.

A six-member Audit Committee with equal shareholder and employee representation is also elected, which is essentially responsible for matters relating to accounting principles, risk management, the internal control system and compliance. It also discusses the quarterly reports with the Executive Board before they are published. Other important aspects are the necessary independence of the auditors, their appointment, defining the focus of audits and the fee arrangements. The Committee also makes a recommendation to the Supervisory Board on the auditors, to be put forward for confirmation at the Annual General Meeting, and on adopting the individual and consolidated financial statements. The Nomination Committee consists of three members elected from among the shareholder representatives. It proposes suitable Supervisory Board candidates to the Supervisory Board, which can in turn put them forward for the election of new Supervisory Board members at the Annual General Meeting. The Arbitration Committee required under Section 27 Paragraph 3 of the Co-determination Act is only convened when the necessary two thirds majority for appointing or revoking the appointment of a member of the Executive Board has not been reached. The Committee then has one month to submit the proposal again or make a new suggestion to the Supervisory Board.

The Supervisory Board member Dr Robert Kimmitt is Senior International Counsel at the law firm WilmerHale. The Supervisory Board member Matthias Wissmann is a partner at the law firm WilmerHale. The Supervisory Board member Martin Koehler was a Senior Advisor at the consultancy firm The Boston Consulting Group (BCG) until October 2013. In the past, the Lufthansa Group has had advisory contracts with both WilmerHale and BCG, and will probably continue to do so in the future. Neither Mr Wissmann nor Dr Kimmitt nor Mr Koehler advise the Lufthansa Group as part of these contracts.

Furthermore, both WilmerHale and BCG have confirmed in writing that they have taken organisational steps to ensure that fees from advisory work for the Lufthansa Group are not taken into account either directly or indirectly in determining the remuneration that the aforementioned gentlemen receive from the law firm and the consultancy company respectively. The aforementioned Supervisory Board members therefore have no potential conflict of interests and there is no question of their independence, and the Supervisory Board's approval of these advisory contracts is not required.

Members of the Executive Board and Supervisory Board are personally liable to the Company for damages resulting from a culpable breach of their fiduciary responsibilities. Lufthansa has taken out a D&O (directors' and officers' liability insurance) policy for both Boards, with an excess in line with the requirements of the Stock Corporation Act and the German Corporate Governance Code. The names of Executive Board and Supervisory Board members and their responsibilities, as well as the members and duties of committees set up by the Supervisory Board, are listed on p. 6 and from p. 209.

Declaration of compliance with the German Corporate Governance Code

At their meeting on 4 December 2013, the Executive Board and Supervisory Board issued the following declaration of compliance with the German Corporate Governance Code: "In accordance with Section 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of Deutsche Lufthansa AG declare that between the last declaration of compliance and the publication of the amended German Corporate Governance Code (the Code) in the official section of the Federal Gazette on 10 June 2013 and as from the revision of the Code on 10 June 2013, the recommendations of the Code have, with the following exception, been complied with and will continue to be complied with in future: In accordance with clause 4.2.3 paragraph 2 of the Code as amended, the total remuneration of the Executive Board members and the variable bonus components are to be capped. The service contracts with Board members cap all the main elements of remuneration, including the fixed salary, the variable bonus and the retirement benefit commitment. Ancillary benefits at Deutsche Lufthansa AG are not subject to an overall cap. In particular, private flights in line with IATA regulations and with restricted booking status should not be capped for members of the Executive Board of Deutsche Lufthansa AG. Since the booking status is restricted, the related ancillary benefit is small. The members of the Executive Board should be able to use the company's main product and the opportunity to meet employees and passengers on board as widely as possible in line with international practice, including for private travel."

The full text of the declaration of compliance can be found on the website i www.lufthansagroup.com/declaration-of-compliance.

Shareholders and Annual General Meeting are involved in Company decisions

Lufthansa shares are registered shares with transfer restrictions. Every share has identical voting rights. Registration in the shareholders' register takes place by means of shareholder data provided electronically via banks and the clearing system. The provisions of the German Aviation Compliance Documentation Act (LuftNaSiG) stipulate that Lufthansa apply special criteria for registration in addition to the requirements of the German Stock Corporation Act (AktG). This relates in particular to the disclosure of nationality for people and of domicile for companies and for entities with disclosure obligations under the German Securities Trading Act (WpHG) of any majority stake or controlling interest held by a non-German owner. All shareholders listed in the shareholders' register can exercise their voting rights at the Annual General Meeting. The electronic service for the registration process required under stock corporation law includes the option of appointing proxies, banks and shareholder associations to exercise these voting rights via internet and by postal vote. Shareholders can also follow the speeches made at the Annual General Meeting by the Chairmen of the Supervisory and Executive Boards online. More information can be found on the website i www.lufthansagroup/investor-relations.

Transparent accounting and financial communications conform to international standards

The Lufthansa Group prepares its consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), taking account of interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as applicable in the European Union (EU). The individual financial statements for Deutsche Lufthansa AG, which are required by law and are relevant for the dividend payment, are prepared according to the German Commercial Code (HGB). PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft in Dusseldorf has been appointed to audit the financial statements for 2013. The auditors' fees for the 2013 financial year are summarised in the Notes to the consolidated financial statements, "Note 47" on p. 206.

Trading in Lufthansa shares or in financial instruments based on them, in particular options or derivatives, by members of the Executive Board, Supervisory Board and members of the Lufthansa German Airlines Board – known as directors' dealings – are announced immediately as soon as a threshold of EUR 5,000 is exceeded in the calendar year. This also applies to people and companies closely related to the group mentioned above. As of 31 December 2013, the value of all shares, options or derivatives held by members of the Executive and Supervisory Boards did not exceed that of 1 per cent of all shares issued by the Company.

The Lufthansa Group informs shareholders, analysts and the general public in a timely and equitable manner. More information on these activities can be found in the chapter "Lufthansa share" on p. 12 and on the website i www.lufthansa.com/investor-relations.

Executive Board remuneration is aligned with sustainable Company performance

The current remuneration structure for the Executive Board has been in effect since 2011. The rules of the German Corporate Governance Code on remuneration for Executive Boards have been implemented in full, with the exception disclosed in the declaration of compliance, as have those of the Act on Appropriate Executive Board Remuneration (VorstAG). These require publicly listed companies to align their remuneration structures with the sustainable development of the company. Variable components of remuneration should generally be based on performance over several years.

The variable remuneration of Executive Board members at Deutsche Lufthansa AG consists of two components: one part is based on the operating margin, the cash value added (CVA) and various sustainability parameters; the other is determined on the basis of the share performance based LH-Performance programme. 75 per cent of the portion of variable remuneration calculated using the operating margin is paid the following year, and therefore on an annual basis. The remaining 25 per cent is carried forward for another two years. At the end of the assessment period, which runs for three years in total, the amount carried forward is to be multiplied by a factor of between 0 and 2. How high the factor is depends to 70 per cent on the CVA achieved over the three-year period and to 30 per cent on sustainability parameters such as environmental protection, customer satisfaction and staff commitment. The second portion of the variable remuneration is determined as part of the LH-Performance programme and depends on the performance of the Lufthansa share over a period of several years. Participation in the LH-Performance programme is obligatory for Executive Board members. Payments under the LH-Performance programme depend on a minimum performance by the Lufthansa share; see also the section "Performance-related pay for managers is linked to the Company's performance" from p. 33.

The Act on Appropriate Executive Board Remuneration (VorstAG) defines a vesting period of at least four years for stock option programmes; this period is also given as a general orientation and recommendation for long-term incentive models. The duration of the LH-Performance programme begun in 2011 has therefore been increased from three to four years, even though it is not a stock option programme within the meaning of the Act. Extending the duration to four years initially meant that there was no longer any opportunity of receiving a payment under an option package in 2014, as the LH-Performance programme for 2010 ends in 2013 and the programme for 2011 ends in 2015. To close this gap, the Supervisory Board voted to introduce an additional one-off option that can be exercised after three years as part of the LH-Performance programme for 2011.

At the Annual General Meeting held on 3 May 2011, the current system of Executive Board remuneration was approved by 98.41 per cent of votes validly cast. If any changes are to be made to the current system, the modified system of remuneration will again be put forward for approval at the Annual General Meeting.

In accordance with Section 13 Paragraph 1 of the Articles of Association, the fixed remuneration for members of the Supervisory Board for the financial year 2013 was EUR 80,000. The Chairman receives EUR 240,000 and the Deputy Chairman EUR 120,000. The Chairman of the Audit Committee receives an additional EUR 60,000; other members of the Audit Committee receive an additional EUR 30,000. Chairs of other committees receive an additional EUR 40,000 and members of other committees an additional EUR 20,000. Remuneration for committee work is subject to the proviso that the committee met at least once in the financial year.

Details of remuneration and retirement benefit commitments for members of the Executive Board and of remuneration for members of the Supervisory Board can be found in the remuneration report, which is part of the management report. The amounts paid to the individual Executive Board and Supervisory Board members are published in "Note 45" to the consolidated financial statements, from p. 201.

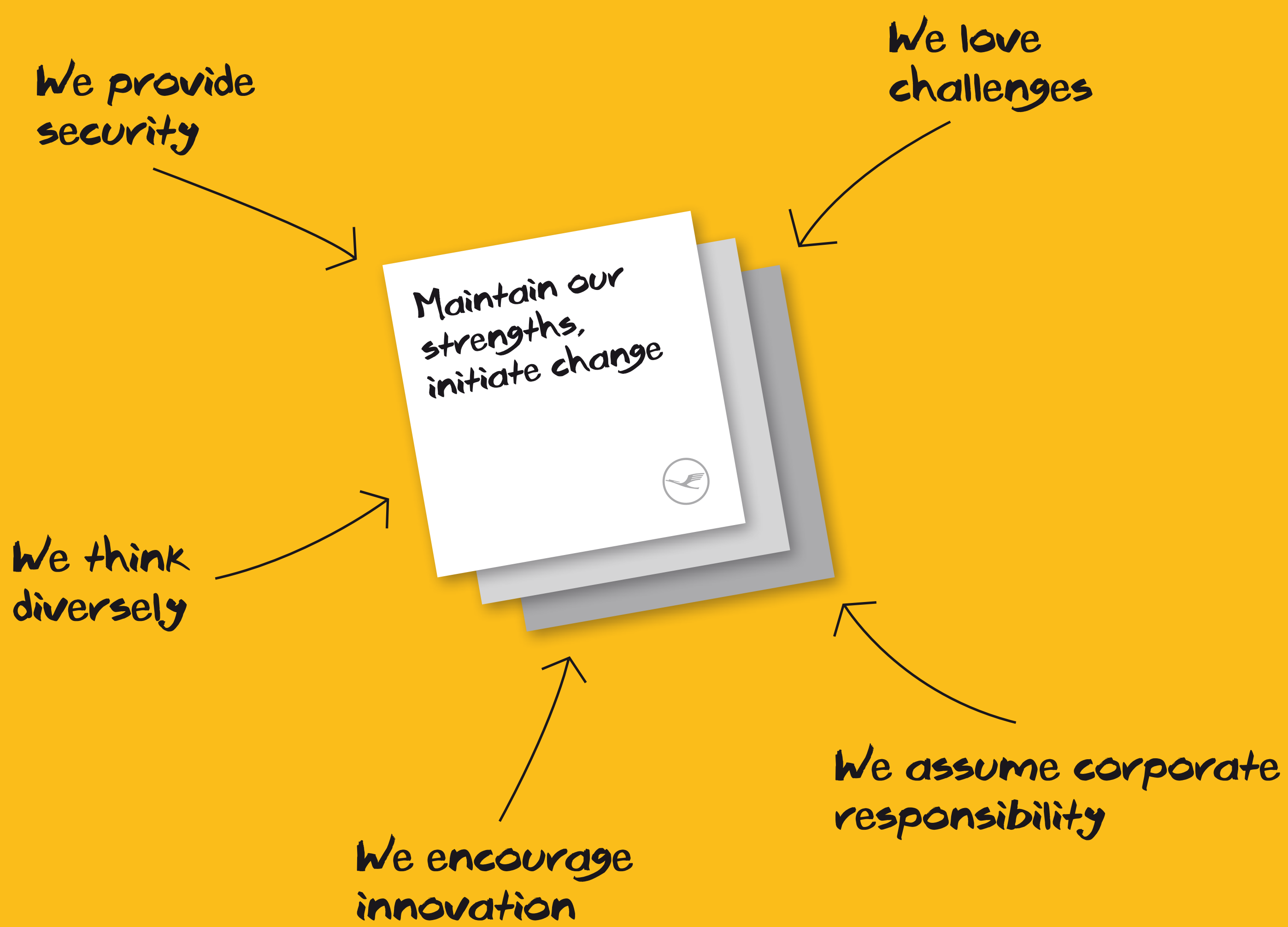
Programme with various different elements helps to ensure compliance

Compliance describes all measures taken to ensure the correct conduct of companies, their management and staff with respect to statutory and the company's own obligations and prohibitions. The Lufthansa Compliance Programme is intended to prevent staff and the Company from coming into conflict with the law and at the same time to help them to apply statutory regulations correctly. The Lufthansa Compliance Programme is made up of the following elements: Competition, Capital Markets, Integrity, Embargo and Corporate Compliance. An ombudsmen system gives staff the opportunity to report any suspicion of criminal activity or breaches of the compliance regulations. The central Compliance Office, which reports to the Board member responsible for Human Resources and Legal, and the Compliance Officers in Group companies among others, ensure that the Lufthansa compliance programme is enforced throughout the Group by means of regular internet-based training courses and information published on the intranet. The Audit Committee of the Supervisory Board is informed twice a year by means of a Compliance Report. Additional information incorporating the latest amendments is available from i www.lufthansagroup.com/responsibility.

A passion for development

We will take our common values to a new level.

If we want to become more adaptable to dynamic markets every day, we have to keep challenging the ways in which we think and act. Common values are the compass for our process of change. We stand out for being alert, agile and flexible in our development.



Combined management report

To the extent that the combined management report refers to sources other than the combined management report or the consolidated financial statements (e.g. internet sites), the contents of these sources are not part of the combined management report and are solely for informational purposes.

Standards applied and changes in the group of consolidated companies

The consolidated financial statements for 2013 and the quarterly reports are prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as applicable in the European Union (EU). The commercial law provisions of Section 315a Paragraph 1 of the German Commercial Code (HGB) have also been applied. All mandatory standards and interpretations for the 2013 financial year were respected. Changes in reporting standards occurred with the mandatory application of IAS 19R Employee Benefits and IFRS 13 Fair Value Measurement as of 1 January 2013. To facilitate comparison, the figures presented in this report have been calculated as if IAS 19R had already been applied last year. For the adjustments to the previous year's figures, we refer to the sections "Earnings position" and "Assets and financial position" on p. 43–57. The other standards and interpretations mandatory for the first time as of 1 January 2013 did not have a significant effect on the Group's net assets, financial and earnings position as shown in the present annual report. For further details, see the Notes to the consolidated financial statements from p. 138.

Until the end of the financial year 2012, new commercial aircraft and reserve engines were depreciated over a period of twelve years to a residual value of 15 per cent. Technological developments and economically induced higher requirements towards cost-efficiency have resulted in significant changes to the projected useful economic life of the commercial aircraft and reserve engines used in the Lufthansa Group. In line with the fleet strategy, which takes these aspects into account, as well as with external considerations, new commercial aircraft and reserve engines are depreciated over a period of 20 years to a residual value of 5 per cent since 1 January 2013. The adjustment to their useful lives was made prospectively as a change in an accounting estimate in accordance with IAS 8.32. The change was therefore not made retrospectively for past reporting periods. As a result of the change in the accounting estimate of the useful economic life of these assets, depreciation and amortisation was EUR 68m lower in the financial year 2013 and impairment losses were EUR 76m lower. For the year 2013, this only affects the result from operating activities and not the reported operating result, however. For the effects on future reporting periods, we refer to "Note 2" to the consolidated financial statements on p. 145.

There have been no significant changes to the group of consolidated companies since this time last year. The individual changes compared with year-end 2012 are shown in "Note 1" to the consolidated financial statements on p. 142. These changes had no significant effect on the consolidated balance sheet and the consolidated income statement in comparison with the same period last year.

Principles of the Group

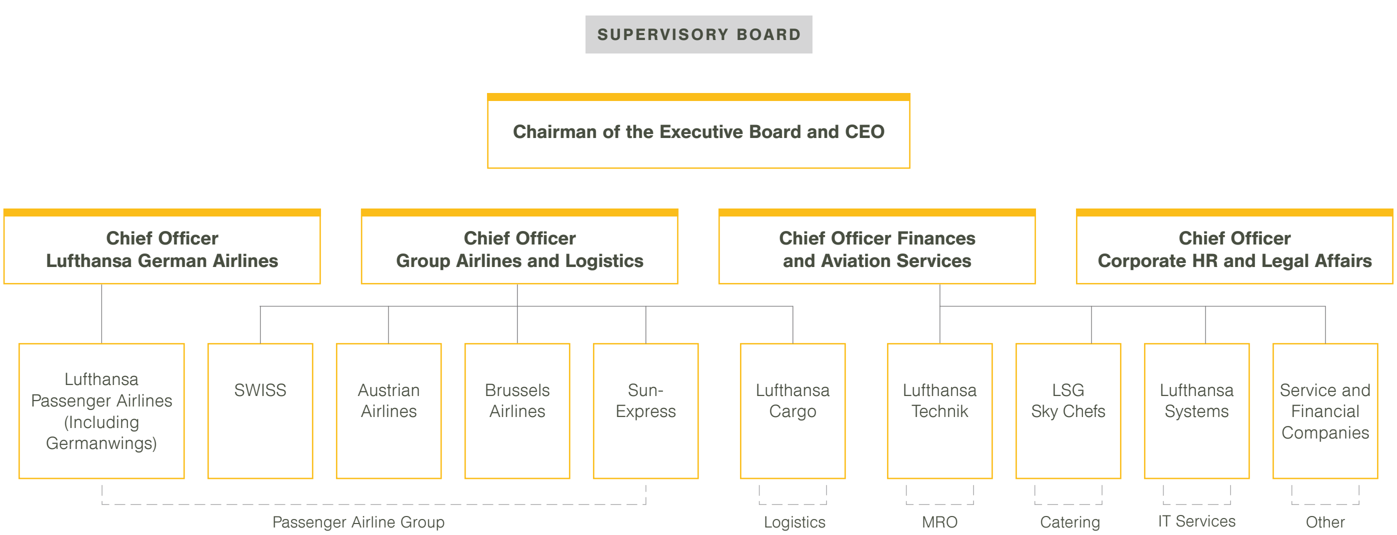
Business activities and Group structure

↗ The Lufthansa Group is made up of five business segments, which each hold leading market positions. ↗ The airlines form the core business segment of the Lufthansa Group. ↗ Diversified portfolio ensures a stable performance. ↗ Changes in the market environment require adjustments to Executive Board responsibilities.

Diversified segment portfolio means a stable performance
The Lufthansa Group is an aviation group with global operations and a total of almost 500 subsidiaries and associated companies. It consists of five business segments, which encompass the areas of passenger transportation and airfreight, as well as downstream services: Passenger Airline Group, Logistics, MRO, Catering and IT Services. All the segments are market leaders in their respective areas. In 2013, the Lufthansa Group generated revenue of EUR 30.0bn and employed an average of 117,343 staff.

The airlines Lufthansa Passenger Airlines, SWISS and Austrian Airlines make up the core business segment of the Lufthansa Group. They are all positioned as quality airlines and enjoy an outstanding reputation in the market. The airline portfolio is supplemented by the low-cost airline Germanwings and the equity investments in the Belgian network carrier Brussels Airlines and the German-Turkish charter airline SunExpress. The airline group defended its European market leadership in the reporting period, again recording the greatest number of passengers and the highest revenue of any European airline. As a provider of standard, express and special cargo services, the Logistics segment is also a global market leader.

Lufthansa Group structure



The service segments MRO, Catering and IT Services complement the airlines in the Lufthansa Group portfolio. They provide a comprehensive range of services for customers both within and outside the Group. Lufthansa Technik is the global market leader in the maintenance, repair and overhaul of commercial aircraft. Its product portfolio covers the whole spectrum from one-off jobs to the servicing of entire fleets. The Catering segment is also the global number one in its area. LSG Sky Chefs supplies national and international carriers with airline catering. In addition, it increasingly operates in adjacent markets, where it also offers its catering products as well as services in combination with in-flight articles. The IT Services segment is one of the leading IT service providers to the airline industry. Detailed information on each business segment can be found in the respective chapters on p. 58–85. The main equity holdings are listed in the Notes to the consolidated financial statements from p. 211.

The Lufthansa Group's strategic formation, with a diversified portfolio of business segments that offset economic fluctuations, forms the foundation for a stable business performance.

Changes to the division of Executive Board responsibilities in 2013

Deutsche Lufthansa AG has the management and supervisory structures typical for companies in Germany. The Executive Board is responsible for managing the Company; it defines its strategic direction and strives for sustainable increases in its value. The Supervisory Board appoints, advises and supervises the Executive Board.

Deutsche Lufthansa AG is managed by five Board members. Dr Christoph Franz is Chairman of the Executive Board and CEO. Simone Menne is Chief Officer Finances and Aviation Services, and Carsten Spohr is in charge of Lufthansa Passenger Airlines. He is to succeed Dr Christoph Franz as Chairman of the Executive Board and CEO on 1 May 2014. By assuming this new role, a successor is to be appointed to the position of Executive Board member responsible for Lufthansa Passenger Airlines. The Supervisory Board will make a decision on this by the end of April 2014. Responsibility for Group Airlines and Corporate Human Resources, including the post of Chief Human Resources Officer, was held by a single person until mid 2013. It has now been split, primarily to reflect the greater demands to be met by the Chief Human Resources Officer, but also those of managing the airline group.

The new Executive Board members who have carried out these duties since 1 July 2013 are Dr Bettina Volkens, responsible for Human Resources and Legal, and Harry Hohmeister, who is in charge of Group Airlines and Logistics.

Deutsche Lufthansa AG is the parent company and at the same time the largest single operating company in the Group. The individual business segments are run as separate Group companies, with the exception of Lufthansa Passenger Airlines within the Passenger Airline Group segment. They have their own profit and operating responsibility and are monitored by their respective supervisory boards, in which members of Deutsche Lufthansa AG's Executive Board are also represented. Further information can be found in the Notes to the consolidated financial statements, "Note 45" from p. 201.

The Lufthansa Group is an aviation company with operations worldwide. Its Passenger Airline Group, Logistics, MRO, Catering and IT Services segments each play a leading role in their industry.

Legal and regulatory factors

↗ Regulatory and other factors influence the course of business for the Lufthansa Group. ↗ Flight operations in Frankfurt are permanently restricted by the night-flight ban. ↗ Ever tighter rules on consumer protection place a burden on companies. ↗ EU airlines suffer from EU emissions trading. ↗ The Lufthansa Group supports the implementation of the Single European Sky.

The Lufthansa Group and its business segments are subject to numerous legal and regulatory standards. In the following chapter, we look at those regulations which require political debate and correction in order to avoid a general environment and specific situations that distort competition.

Flight operations in Frankfurt permanently restricted by night-flight ban

Since the new north-west runway was opened in Frankfurt, a night-flight ban has been in place between 11 p.m. and 5 a.m. During the peripheral hours of the night (10 p.m. to 11 p.m. and 5 a.m. to 6 a.m.) only 133 scheduled flights are permitted on average over the year. This has repeatedly resulted in aircraft already taxiing to the runway having to return to the departure gate and passengers having to stay overnight in Frankfurt. The Lufthansa Group airlines' flight timetable is in line with these rules and tries to ensure the greatest regularity possible for passengers, despite the adverse economic effects. Exemptions for departures between 11 p.m. and midnight will only be granted if the delay is due to factors beyond the control of the airline involved, for example if weather conditions restrict operations.

Ever tighter consumer protection rules

As an international company, the Lufthansa Group is bound by a large number of national, European and international consumer protection regulations. As a matter of course the Company complies with these standards. It can, nonetheless, be observed that these regulations are increasingly being tightened to the detriment of companies. In some cases, rulings have gone against companies and against the letter of the law. Concrete examples of this and of their effects on the Lufthansa Group can be found in the Risk report in the section "Risks from ever stricter consumer protection" on p. 109.

EU emissions trading and national air traffic tax – competitive discrimination remains

The subject of climate protection remains a high priority for the airline industry and for the Lufthansa Group. As part of IATA proposal for CO_2-neutral growth, the airline industry has set its own ambitious goals for reducing CO_2 emissions. They aim for an annual improvement of 1.5 per cent in the fuel and CO_2 efficiency of global air transport in the period up to 2020. From 2020, emissions are to remain constant despite traffic growth and by 2050 are even to be reduced by a net 50 per cent compared to 2005. The EU Emissions Trading Scheme for air transport, in operation since 1 January 2012, also aims at protecting the climate. The European Commission's policy has been suspended for states outside the European Union and currently only applies to flights within the EU. This puts EU airlines at a disadvantage compared to their non-European competitors, and severely limits the desired positive effects for the climate. A functioning emissions trading scheme and competitive neutrality are inextricably linked and are essential for a sustainable climate policy.

Alongside emissions trading, the industry is also adversely affected by the fact that a number of European states, including the UK, France, Germany and Austria, have chosen to retain a national air traffic tax. Unilateral moves by countries lead to avoidance strategies and a distortion of competition as a result of domestic and foreign companies being affected to different degrees. In addition, the German tax, in particular, deprives domestic airlines of funds amounting to some EUR 530m per year, which is required for the acquisition of fuel-efficient aircraft. Ecological and economic benefits are therefore lost, both directly and indirectly. It is therefore no surprise that national air traffic taxes are also the subject of criticism at a political level. The German Federal Council called for them to be abolished twice in 2013. Despite broad support, the issue was not addressed in the coalition talks. More information can be found in the section "Risks from regulating the emissions trading scheme" on p. 107.

Single European Sky still not accomplished

The international organisation of air traffic control forms a key element of a comprehensive climate and sustainability policy. For this reason, the European Parliament and the European Council adopted the Single European Sky (SES) in 2004. Its implementation is still moving very slowly, however. The European Commission has now proposed a further reform to the legal framework for SES, known as SES II plus, but the member states are as yet reluctant to accept it. The Functional Airspace Blocks established at great expense as part of SES also do not yet meet the high expectations that were set for them. If this succeeds, it would mean more airspace capacity, fewer delays, more stable flight plans, lower air traffic control fees and considerable savings in fuel and emissions for the airlines in the Lufthansa Group as well as for other European airlines. Rigid structures, complexity and the disparate objectives of the interest groups involved have so far prevented the project from meeting its implementation targets, however.

Principles of free and fair competition by means of opening up and regulating markets

Since the 1990s, the USA and the EU have pursued the political goals of liberalising and privatising the airline industry, with the aim of using market mechanisms and efficient competition to make air travel economically and financially independent. With the exception of some constraints, this has largely been achieved. In doing so, the principles of common benefits and interests, reciprocal opportunities, and national control and responsibility formed the basis of the international aviation system. As the aviation industry is not included in the World Trade Organisation (WTO), the competition control mechanisms, which are urgently required to open up the market, are only applied via market access and bilateral air transport agreements. This system is based on the above-mentioned understanding of mutual consent.

The presence of new, state-owned companies, whose owners break this international consensus, is now threatening this global market, which is founded on bilateral agreements and where, up until now, private and state-owned companies have operated alongside one another. Without the WTO to resolve disputes and with a loss of national self-regulation, there is more and more cut-throat competition, which ignores fundamental aspects of sustainability. The consequence is a drastic shifting of traffic and economic benefits to regions outside of Europe with scarcely comparable environmental, social and consumer standards. Policy-makers in Europe have fought for decades for compliance with these standards. Enforcing countries' own obligations to supervise their companies and competition has to be emphasised much more strongly. Otherwise, European states in particular will increasingly lose their own air transport connections – with considerable consequences for sites and economies. Free competition must be fair.

The effects of these and other factors on the opportunities and risks for the Lufthansa Group can be found in the chapters "Opportunities report" from p. 97 and "Risk report" from p. 102.

Embargo policy entails strict conditions

Embargoes relevant for the Lufthansa Group not only affect the import and export of goods and the provision of services, but also the movement of capital and payments as well as the signing and performance of contracts.

Due to the range of its services the business of Lufthansa Technik is also particularly exposed to economic embargoes. The provisions of some embargoes prevent Lufthansa Technik from rendering services to airlines from certain countries or to certain legal or natural persons. In some cases, contracts require approval by the authorities, which is generally only given subject to strict conditions that have an adverse effect on the contract's profitability. These may be conditions relating to the vertical integration of services (technically sensible modifications may not be carried out in some cases) or requirements that the work performed and materials used are precisely documented and regular written reports submitted. Restrictions on the movement of capital and payments represent further obstacles for the business of Lufthansa Technik.

Breaches of embargo conditions can result in severe penalties. Permanent monitoring and compliance with foreign trade regulations and embargoes and the maintenance and continuous improvement of functioning export controls are complex and expensive tasks which place an additional burden on Lufthansa Technik.

Research and development

Both in its individual companies and across business segments, the Lufthansa Group continuously works on innovative products and research and development projects. In some cases, these activities are coordinated centrally, but mostly they are carried out decentrally by the individual operating segments. The outstanding culture of innovation that characterises the Company and its staff plays a key role in enhancing and expanding the range of products. This regularly provides opportunities for further growth, an improved environmental impact and greater efficiency. The specific activities to develop new services and products that take place in the individual operating segments are described in the reports for the respective segments on p. 58 – 85, and are summarised in the "Opportunities report" from p. 97. Further information on research and development activities, including research projects and sustainability initiatives, can also be found in the chapter "Corporate responsibility" from p. 93.

Goals and strategies

↗ Lufthansa Group strives for sustainable increase in company value. ↗ Leading market positions of all companies to be extended. ↗ Focus on continual increase in customer satisfaction and sustainable economic development. ↗ SCORE programme is an important step towards continuous optimisation of the Lufthansa Group. ↗ Existing financial stability provides important room for manoeuvre. ↗ Dividend policy under review.

Group strategy

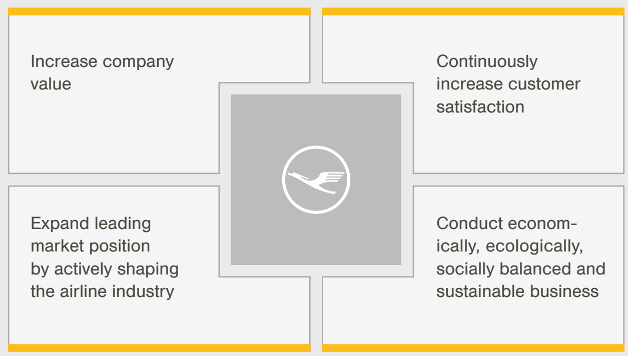
↗ We are using SCORE as starting point for the further development of the Lufthansa Group

When the SCORE programme was started in 2012, we took a decision to modernise the structure of the Lufthansa Group and to change its corporate culture. The Group must stand on strong financial foundations, respond flexibly to changing markets and competition, and at the same time act responsibly toward customers, the environment and society. We are standing by our four strategic objectives:

- Increase company value.
- Expand the leading market position of our airlines and service companies by actively shaping the aviation industry.
- Continuously increase customer satisfaction.
- Conduct economically, ecologically and socially balanced and sustainable business.

In our ongoing process of change towards more efficient structures and processes for greater agility and adaptability, the cultural change that has been initiated in parallel is particularly important. Because it is only when all the business segments work together as well as possible, when they not only operate alongside one another, but also with and for one another, that the Lufthansa Group can realise its full potential.

The pillars of Group strategy



In this context, the implementation of the SCORE programme, with its activities to increase revenue, cut costs and realign structures across all operating segments, also has a long-term significance in terms of the corporate culture. Our objectives are entrepreneurship, flexibility and optimised cooperation within the Lufthansa Group. The motivation and the dedication of our employees are prerequisites for shaping the future development together.

↗ We are increasing company value in order to keep developing the Lufthansa Group successfully

Our ability to add sustainable value is the fundamental condition for the Lufthansa Group to keep investing successfully for the benefit of its customers in its business segments, fleets, products and services, as well as in its staff. It is also the prerequisite for meeting our obligation towards our shareholders to give them an adequate financial return as well as for keeping the product and service promise we give our customers.

Increasing company value is therefore the foundation for the successful development of the Lufthansa Group. By establishing cash value added (CVA) as the performance indicator for value-based management, we ensure that this objective is factored into all key decisions. This is also how we ensure that the comprehensive capital expenditure on our fleet delivers an adequate return on capital for our shareholders.

The focus is also on profitability in current business operations. Last year, we again increased both sales and load factor of our Group fleet by means of active, disciplined capacity management and a lower number of flights. This was a decisive step towards optimising unit costs and revenue, which shows in the higher profitability of the Passenger Airline Group.

For the first time in five years, Lufthansa Passenger Airlines made a profit again in European traffic. The progress at the new Germanwings since its launch in mid-2013 confirms that the strategic decision to serve European traffic outside the German hubs Frankfurt and Munich exclusively with a high-quality product in the low-cost segment was correct. Austrian Airlines has also returned to profitability as a result of its restructuring. In the context of our SCORE programme, a large number of segment-specific and cross-segment activities have also been initiated to boost profitability. Implementing them through to their full earnings impact across the Group still has the highest priority.

One important goal in terms of increasing company value is to maintain the investment grade rating. Together with further improvements to our financial strength, this will allow us to keep financing the Company's development on attractive terms in future. Our liquidity management will continue to optimise the return on capital.

↗ We are expanding our leading market positions by actively shaping the aviation industry

As the market leader in most of our segments and from our position as one of the world's largest aviation groups, it remains our aspiration to be involved in actively shaping the global development of the aviation sector and to profit from its growth.

Our policies for the strategic development of the Group, but also of each individual operating segment, range from organic growth to strategic acquisitions, and from the expansion of existing partnerships to the establishment of new ones. As part of the ongoing global trend towards consolidation, we will continue to examine all possible acquisitions which have the potential to significantly increase the competitiveness of the Lufthansa Group and create value for our shareholders.

Especially in Europe, the progress of consolidation in the airline industry still has a long way to go to reach the level that can be found in North America, for instance. While we continue to expand our existing partnerships – for example in the passenger business with our North Atlantic joint venture A++ with United Airlines and Air Canada, or the Japanese joint venture J+ with ANA – we are always looking at opportunities for new partnerships and cooperation wherever they serve the strategic development of the Lufthansa Group and support a course of sustainable, profitable growth.
We follow this approach both in the passenger business, by reviewing further joint ventures with a regional focus, as well as in our service companies, by looking at possible partnerships in the areas of logistics, MRO, catering and IT services.

In order to keep expanding our global market position, we are also continnously developing strategic innovations. As in the past – such as with the establishment of the Star Alliance and the first commercial joint ventures in the airline industry – we intend to continue playing a major role in shaping the ongoing development of the entire aviation industry by means of strategic innovations.

↗ We invest in the quality of our products and in a modern fleet for the benefit of our customers

In the years ahead, the Lufthansa Group will focus on further increasing customer comfort and operating efficiency in all its segments. At present, we have a total of 261 new aircraft on order with a list value of EUR 32bn, which are to be delivered in the period up to 2025 to cover future growth and replacement needs. In 2013, the Lufthansa Group ordered a total of 168 short, medium and long-haul aircraft, with an aggregate list price of EUR 22bn. The aircraft are intended in particular for Lufthansa Passenger Airlines and SWISS. This fleet modernisation programme not only reduces the range of aircraft models and the complexity of the fleet, but also increases its operating and environmental efficiency. The new aircraft will also improve the passenger experience even further. Our new in-flight products add significantly to the comfort of travelling. The positive feedback received from our customers on the Airbus A380 and the Boeing 747-8 confirms that they reward the investment in new types of aircraft and in-flight products. This can also be seen in the numerous prizes that Lufthansa Passenger Airlines won at the World Airline Awards 2013, for example – an important milestone on the way to becoming the first Western five-star airline. At SWISS and Austrian Airlines, continuous investment in the in-flight and ground product aimed at increasing customer benefits also plays a vital role.

Our comprehensive programme of capital expenditure to ensure quality leadership is also being pursued in the other business segments. Lufthansa Cargo took delivery of the first two of its five Boeing 777F freighters in 2013, creating opportunities for further profitable growth. There are also plans to construct one of the most modern and efficient airfreight terminals in the world at its main hub in Frankfurt. The range of investments at Lufthansa Technik stretches from new stations for highly efficient and innovative engine washes, to procurement of the latest aircraft components. Our catering division LSG Sky Chefs has enhanced its profile in terms of quality and productivity. Acquisitions of various plants and comprehensive capital expenditure on new kitchens in growth regions not only enable the company to enter new markets, but also to further increase the quality of service for our airline customers. Lufthansa Systems is also investing specifically in the development of cutting-edge technologies and products, as demonstrated by its technology leadership in wireless in-flight entertainment solutions and applications for cruise shipping and the hotel industry.

Our SCORE programme aims for a sustainable increase in the operating result to EUR 2.65bn for the financial year 2015.

And of course, in parallel with the capital expenditure on our fleet, products and services, we are also investing in our employees, whose discerning service delights our customers around the world on the ground and in the air every day.

↗ Our way of doing business is economically, ecologically and socially balanced – that opens up opportunities for company and staff

We aspire to conduct our business in all areas sustainably and responsibly with respect to investors, the environment and society. While we ensure our sustainable economic success by embedding the CVA concept in all decision-making processes, our comprehensive investment in a new, more efficient fleet, in particular, makes an important contribution to further improving our company's ecological impact. By 2025, the older Boeing 747-400 and Airbus A340-300 aircraft are to be replaced by models like the B777-9X and the A350-900. The fuel consumption of these next-generation aircraft is around 25 per cent lower, and they only need 2.9 litres of fuel for 100 passenger-kilometres. As well as much lower exhaust emissions, the noise footprint of the new models will be at least 30 per cent smaller than of today's aircraft. As the unit costs (costs per seat-kilometre) of our new aircraft are also around 20 per cent lower, economy and ecology go hand in hand here. By also safeguarding jobs in this way, these orders open up sustainable opportunities for our employees as well.

Many other projects illustrate the extent of our multifaceted commitment, with which the Lufthansa Group also follows a path of sustainable growth. They include both the industry-leading, six-month flight trial of bio-kerosene at Lufthansa Passenger Airlines, the new lightweight containers that replace old transport containers at Lufthansa Cargo and LSG Sky Chefs, as well as the range of social commitments, such as to the Group-wide aid organisation HelpAlliance and a host of other projects and initiatives.

↗ Our outlook: 2015 and beyond

Our SCORE programme aims for a sustainable increase in the operating result to EUR 2.65bn for the financial year 2015. All the Group companies are working at top speed to implement more than 3,000 individual segment-specific and cross-segment measures. The sustainable earnings improvement is intended to make a key contribution to safeguarding our ongoing programme of investment. An overview of the main activities can be found in the "SCORE programme" section on p. 40.

With the structural measures in particular, we are focusing on continuously improving the cooperation between all business segments in order to realise the full potential of the Lufthansa Group. SCORE, along with the simultaneous cultural change among our managers and our employees throughout the entire Group, are therefore laying the foundations for long-term agility and adaptability beyond 2015. With more efficient structures, we want to react faster and more flexibly to changes in market conditions and customer requirements, and to generate an adequate return on capital, so as to enable sustainable growth and secure jobs for the long term. Step by step, we are building an even stronger Lufthansa Group with the degree of freedom and room for manoeuvre to play an active role in shaping the aviation industry.

Financial strategy

↗ Our financial strength creates sustainable competitive advantages and trust

Our financial strategy is consistently aimed at ensuring the Company's strategic and operational freedom of action at all times. Thanks to our existing financial stability, we have created room for manoeuvre which represents a significant advantage in competition with other airlines. This financial profile makes the Lufthansa Group a trusted and valued partner for customers and business partners around the world.

↗ We are implementing the financial strategy consistently in concrete dimensions

The core aspects of the financial strategy are incorporated into all of the Lufthansa Group's key planning and decision-making processes:

- **Maintain a good credit rating from the point of view of investors and lending institutions.** Our aim is to further strengthen the existing investment grade rating.
- **Ensure adequate liquidity.** Our aim is to maintain minimum liquidity of EUR 2.3bn at all times. This reduces liquidity and refinancing risks.
- **Maintain a stable capital structure.** We aim for an equity ratio of 25 per cent in the medium term. We plan to achieve this target by retaining sufficient profits and continuing the successive funding of pension obligations.
- **Manage net debt.** The Group's borrowing capacity is measured via the debt repayment ratio. This is an adjusted measure of cash flow from operating activities in relation to net indebtedness, including pension provisions. We have set a minimum figure of 35 per cent for the debt repayment ratio and are aiming for a target of 45 per cent. This target is clearly within the rating agencies' comparable indicators for an investment grade rating.
- **Maintain a largely unencumbered fleet.** The majority of our aircraft fleet is unencumbered and wholly owned by the Group. This creates not only financial, but also a high degree of operational flexibility.
- **Hedge against external financial risks.** Our integrated risk management enables us to manage the financial risks to which the Group is exposed. These are principally fuel price, interest rate and exchange rate risks. Rule-based hedging is aimed at smoothing out price fluctuations.

↗ Shareholders participate in the Company's success

Enabling our shareholders to participate in the Company's success is of great importance. According to the current dividend policy, dividends are based primarily on the Group's operating profit based on IFRS. In the past, we have regularly distributed 30 to 40 per cent of the operating profit as a dividend in successful financial years. A prerequisite for the payment of a dividend is sufficient net profit for the year in the individual financial statements for Deutsche Lufthansa AG prepared in accordance with the German Commercial Code (HGB); see from p. 126.

Development of earnings and dividends

		2013	2012	2011	2010	2009
Operating result	in €m	697	839	820	1,020	130
Net profit/loss (Group)	in €m	313	1,228	–13	1,131	–34
Net profit/loss (HGB)	in €m	407	592	–116	483	–148
Dividend per share	in €	0.45[1]	–	0.25	0.60	–
Dividend ratio (based on operating result)	in %	29.8	–	14.0	26.9[2]	–
Dividend yield (gross)	in %	2.9	–	2.7	3.7	–

[1] Suggested dividend per share.
[2] 31,4% based on the operating result of 876m reported for 2010.

We intend to let our shareholders participate regularly in the Company's success also in the future and to distribute part of the profits within the framework of a set dividend policy. However, the current dividend policy is in need of review in 2014, partly due to the changes to the depreciation policy, in order to ensure that it remains consistent with the financial goals of the Lufthansa Group also in the future. We will inform our shareholders of the results of this review in the course of 2014.

Information on performance against strategic targets for the financial year 2013 can be found in the Economic report in the section "Performance against targets" from p. 40. A summary of the strategic goals for the financial year 2014 can be found in the section "Outlook for the Lufthansa Group" from p. 120.

Management system and supervision

↗ Value-based management system aims for sustainable increase in the value of the Lufthansa Group. ↗ CVA is the key management indicator for measuring the value contribution. ↗ EBITDA^{plus} amounts EUR 6.0bn in 2013. ↗ Value contribution of EUR 3.1bn in the financial year. ↗ CVA concept to be reviewed following change in depreciation policy.

Sustainable increase in company value remains the ultimate objective

Since 1999, the Lufthansa Group has applied a value-based management system to lead and manage the Group. This approach is an integral part of all planning, management and controlling processes. The demands made of the Company by shareholders in terms of an appropriate return on capital and sustainable capital appreciation are firmly embedded in the whole system of corporate management. The objective is to create sustainable value across economic cycles. The achievement of value creation targets is reviewed on a regular basis and the results are incorporated into our internal and external reporting. The value-based management system is also linked to performance-related pay. Details can be found in the "Performance-related pay for managers is linked to the Company's performance" section from p. 33.

Value contribution is measured by CVA

The Lufthansa Group currently uses cash value added (CVA) as its main performance indicator. CVA is based on the return expectations of all investors and lenders and measures the value contribution generated in the reporting period by each individual business segment and by the Group as a whole.

The CVA is an absolute residual amount, which is calculated as the difference between the cash flow generated in a given year and the minimum cash flow required to increase the value of the Company. If the cash flow generated is higher than the minimum required cash flow, the value creation is expressed by a positive CVA. The individual parameters are calculated as follows:

The minimum required cash flow is the sum of the required return on capital employed, the capital recovery rate and the flat tax rate. The capital base is defined as the total of non-current and current assets less interest-free liabilities. It is measured at historic cost. The pace of depreciation and amortisation therefore has no effect on the calculation and evolution of the capital base. The required return on capital is calculated using the weighted average costs of debt and equity for the Lufthansa Group and for the individual operating segments (weighted average cost of capital – WACC).

In 2013, the WACC was derived from the following parameters:

Return on capital 2013

in %	
Risk-free market interest rate	3.2
Market risk premium	5.1
Beta factor	1.1
Proportion of equity	50
Proportion of debt	50
Cost of equity	**8.8**
Cost of debt	**3.6**

These parameters are reviewed every year and updated as necessary for the following year's corporate planning and performance measurement. Short-term fluctuations are smoothed in order to ensure the long-term character of the concept. In the course of the regular review of the individual parameters of CVA, it became apparent that, given consistently low interest rates and further falls in the risk premium for shareholders' equity, it was necessary to adjust the WACC. In the financial year 2014, a WACC of 5.9 per cent is to be used for the Lufthansa Group.

On the basis of the financial strategy, a target capital structure of 50 per cent equity at market value and 50 per cent debt is used to calculate the WACC for both the Group and the business segments. The different segment risks are factored in by means of individual costs of equity, and therefore total costs of capital. In this way, the Lufthansa Group ensures that the allocation of capital to projects in the business segments is adjusted for risk. The following table illustrates the required return on capital for the Lufthansa Group and its individual business segments:

Cost of capital (WACC) for the Group and the business segments

in %	**2013**	2012	2011	2010	2009
Group	6.2	7.0	7.0	7.9	7.9
Passenger Airline Group	6.2	7.0	7.0	7.9	7.9
Logistics	6.5	7.2	7.2	8.2	8.2
MRO	6.0	6.7	6.7	7.6	7.6
Catering	6.2	7.0	7.0	7.9	7.9
IT Services	6.0	6.7	6.7	7.6	7.6

Reconciliation EBITDA^{plus}

in €m	**2013**	**2012***
Operating result	**697**	**524**
Depreciation and amortisation	1,697	1,722
Result from disposal of property, plant and equipment	3	53
Income from reversal of provisions	191	162
Impairment losses on intangible assets and property, plant and equipment	–137	–137
Change in pension provisions before interests	242	132
Operating EBITDA^{plus}	**2,693**	**2,456**
Pro rata pre-tax results of non-consolidated equity investments	210	124
Interest income	120	141
Result from disposal of financial assets	15	642
Financial cash flow EBITDA^{plus}	345	907
Non-recurring effects	**3,002**	**–**
Cash flow EBITDA^{plus}	**6,040**	**3,363**

* As reported in previous year.

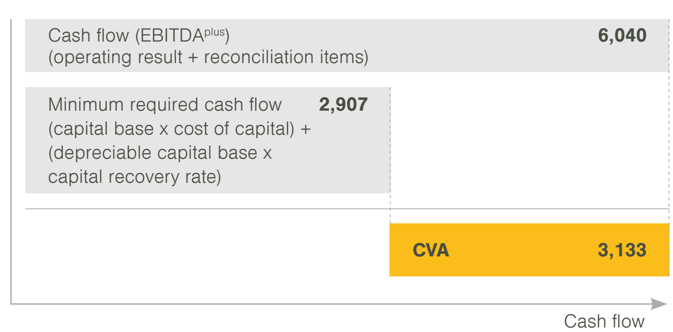
The minimum required cash flow includes the so-called capital recovery, in order to reflect the depletion of the Company's non-current assets in the production process. This is derived from total depreciable non-current assets and represents the amount that needs to be put by every year and invested at a rate equivalent to the WACC in order to recoup the amount of the purchase costs by the end of the asset's useful life. The relevant useful life for CVA is that used for depreciation and amortisation purposes. The switch to the 20-year useful life of aircraft and reserve engines made in 2013 therefore affects the minimum required cash flow and ultimately the CVA.

Finally, the expected tax payment is added by applying a surcharge of currently 0.6 per cent of the capital base. The minimum required cash flow for 2013, taking the new useful life of aircraft and reserve engines and the related changes into account, amounted to EUR 2.9bn (previous year: EUR 3.0bn).

In the Lufthansa Group, the cash flow effectively generated is represented by EBITDA^{plus}, which is made up of an operating and a financial component. The operating component of EBITDA^{plus} is derived from the operating result by adjusting it for non-cash items. These are principally depreciation and amortisation, income from the write-back of provisions and net changes in pension provisions. Then the financial component of EBITDA^{plus} is added, comprising pro rata pre-tax earnings of non-consolidated equity investments, net interest income and earnings contributions from the disposal of financial investments. This ensures that EBITDA^{plus} includes all significant cash-relevant items. In the reporting year, the Lufthansa Group's EBITDA^{plus} came to EUR 6.0bn (previous year: EUR 3.4bn).

In order to obtain the CVA, the minimum required cash flow is then deducted from EBITDA^{plus}.

Calculation of cash value added (CVA) 2013 in €m



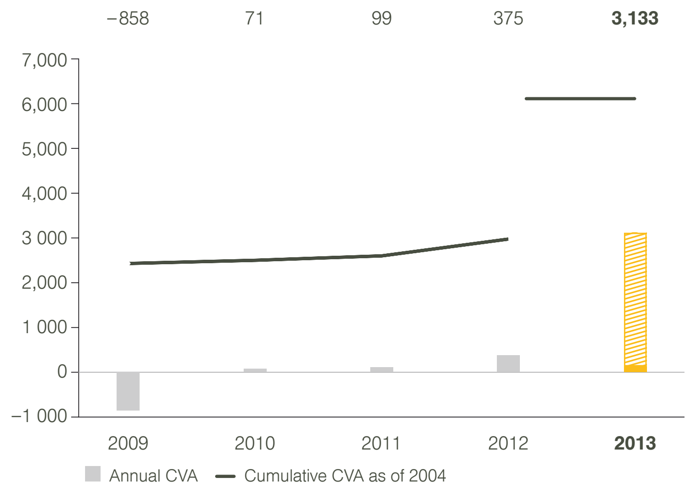
Lufthansa Group generates value contribution of EUR 3.1bn in 2013; substantial one-off effect from change in depreciation policy

In 2013, the Lufthansa Group generated a positive CVA of EUR 3.1bn, of which EUR 3.0bn is due to the effects of altering the depreciation policy.

Value creation (CVA) of the Lufthansa Group and the business segments

in €m	**2013**	2012	2011	2010	2009
Group	3,133	375	99	71	–858
Passenger Airline Group	175	–340	–122	–198	–691
Logistics	–41	65	202	233	–264
MRO	377	241	152	172	164
Catering	29	39	–25	–28	–68
IT Services	32	7	23	–23	3

Performance of Lufthansa Group
Cash value added in €m



The minimum required cash flow to be generated each year depends to a large extent on the period in which aircraft and reserve engines are used and in which the committed capital they represent has to be recouped. The assumption on which the CVA has been based to date was that aircraft and reserve engines would be used for an average of twelve years and then replaced. In fact, the useful life of aircraft and reserve engines is longer, however. As of 1 January 2013, an average useful life of 20 years has therefore been assumed for depreciation purposes. For the current fleet, this means that the useful life of twelve years prior to 2013 assumed greater depreciation per year, so more of the capital employed has already been recouped than would be the case with a useful life of 20 years.

In future, the depreciation is to be calculated under the new assumptions for each period. However, to avoid recouping more than the original acquisition costs of the currently active fleet over its entire useful life, the CVA was adjusted on a one-off basis in 2013 by the difference of EUR 3.0bn. This avoids the need to make further adjustments in the future as a result of the current change in the useful life. Further information can be found in the “Earnings position” chapter from p. 43.

The Lufthansa Group is confident of generating a positive CVA in the financial year 2014. The more fundamental aim is to generate lasting value across economic cycles. In the last ten years, for example, the Lufthansa Group has generated positive aggregate CVA, including the one-off addition described above, of EUR 6.1bn.

A number of financial targets in addition to value creation are described more closely in the “Financial strategy” section on p. 29.

CVA concept to be reviewed following change in depreciation policy

As a key variable in all of the Company’s main decision-making process, and as a vital performance indicator for the remuneration of Executive Board members and managers, the CVA plays a key role in the management of the Company. It has now been used successfully as a performance indicator in the Company for 15 years. A longer useful life for aircraft and reserve engines, which is one reason for the change in the depreciation policy, also affects the CVA as described. The Executive Board of the Lufthansa Group will take this opportunity to subject the CVA concept to a critical review and, if necessary, to replace it with a similarly broad indicator of value creation, if one can be found that is capable of fulfilling the essential role of CVA.

Performance-related pay for managers is linked to the Company's performance

The Lufthansa Group's system of remuneration for the Executive Board, managers and staff traditionally attaches great importance to incentive programmes which are linked to the Company's performance. Managers receive a performance-related bonus made up of two components in addition to their basic salary.

The first component of this performance-related remuneration system is the LH-Bonus programme. It includes a variable bonus related to the reporting period and is a core element of the Lufthansa Group's management and leadership system. LH-Bonus covers targets at Group, segment and individual levels. For Executive Board members and managers, the Group's performance is measured equally by reference to the operating margin and the cumulative CVA for the Group over three years. The three-year reference period reflects the aim of creating sustainable value. The segment's economic performance is captured primarily by the CVA for each business segment. In addition, each segment can define its own specific key performance indicators (KPI).

The second, long-term component of the performance-related remuneration system for managers is the LH-Performance share programme, which has been in place since 1997. This annual programme ties one component of remuneration to the performance of the Lufthansa share and therefore rewards the increase in company value.

LH-Performance combines a personal investment by the participants in Lufthansa shares with the granting of appreciation rights. Participation is obligatory for members of the Executive Board and voluntary for managers and non-payscale staff without managerial responsibility. The Lufthansa Group offers a discount on the personal investment. In return the shares are subject to a lock-up period until the end of the programme. The appreciation rights are made up of a performance and an outperformance option. A payment is made on the performance option if the performance of the Lufthansa share at the end of the programme has exceeded a predetermined hurdle rate, which is based on the Lufthansa Group's cost of equity. The outperformance option generates a payment at the end of the programme if the Lufthansa Group share has performed better over the course of the programme than a basket made up of the shares of the main European competitors.

Since 2011, the renewed LH-Performance programmes have run for four years. More information on the share programmes can be found at i www.lufthansagroup.com/investor-relations and in "Note 37" to the consolidated financial statements from p. 181.

Structure and scope of Executive Board and Supervisory Board remuneration remain unchanged in the financial year (Remuneration report in accordance with Section 315 Paragraph 2 No. 4 HGB)

The structure of Executive Board remuneration introduced in 2011 is intended to achieve a roughly equal balance between the two components "fixed annual salary" and "variable annual bonus and remuneration with a long-term incentive effect and risk characteristics". Defining a significant minimum performance or outperformance of the Lufthansa share price as a condition ensures that the majority of variable remuneration components are based on performance over several years.

In accordance with the resolution adopted at the Annual General Meeting on 8 May 2012, the remuneration of Supervisory Board members has been switched to an exclusively fixed sum of EUR 80,000 for an ordinary member with effect from the financial year 2013. The detailed remuneration report and amounts paid to the individual members of the Executive and Supervisory Boards can be found in the Notes to the consolidated financial statements, "Note 45" from p. 201.

Economic report

Macroeconomic situation

↗ Global economic growth stabilised in 2013. ↗ In contrast to the euro zone, the German economy reported growth. ↗ Sharp fluctuations in exchange rates depressed the result of the Lufthansa Group. ↗ The oil price remained on high level in 2013.

Euro debt crisis depresses global economy

The global economic performance stabilised in 2013. After the global economy grew by 2.6 per cent in 2012, growth continued at a similar rate of 2.5 per cent in 2013. The US central bank and the European Central Bank (ECB) continued their policy of low interest rates.

GDP development

in %	**2013***	2012	2011	2010	2009
World	2.5	2.6	3.1	4.3	−1.9
Europe	0.3	−0.1	2.0	2.2	−4.4
Germany	0.6	0.9	3.4	3.9	−5.1
North America	1.9	2.7	1.9	2.6	−2.8
South America	2.6	2.7	4.1	5.8	−1.3
Asia/Pacific	4.8	4.5	4.6	7.4	1.9
China	7.7	7.7	9.3	10.5	9.2
Middle East	2.7	2.7	5.3	5.6	1.7
Africa	3.5	5.4	0.7	4.8	2.9

Source: Global Insight World Overview as of 15.1.2014.
* Forecast.

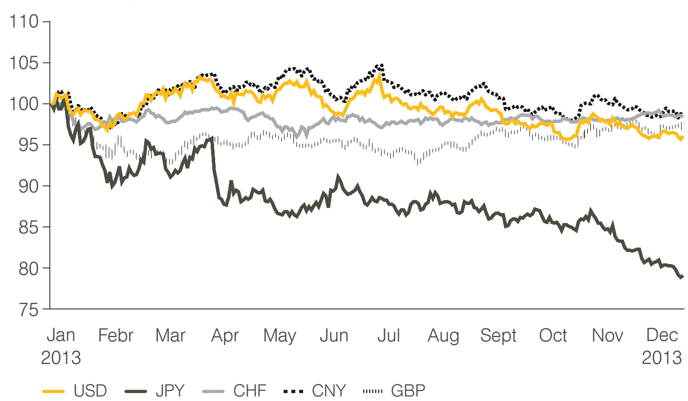
After a period of stagnation at the end of the previous year, the US economy picked up again in the first two quarters of 2013, buoyed by consumer spending. The budget crisis in autumn 2013 again had a negative effect on economic growth, however. Altogether, the US economy grew by 1.9 per cent in the reporting period (2012: 2.7 per cent).

The tangible slowdown in the Japanese economy over the course of 2012 was halted in 2013. Growth came to 1.4 per cent in 2012, but rose to 1.7 per cent in 2013. Public-sector investment in national infrastructure boosted growth, whereas low capital expenditure by the private sector had the opposite effect. The Japanese central bank initiated an expansive monetary policy from which the export-oriented Japanese economy has benefited substantially to date.

The pace of growth in emerging Asian markets recovered slightly over the course of 2013. Economies in the Asia/Pacific region grew by 4.8 per cent, compared with growth of 4.5 per cent the year before. China and India accounted for much of this growth. China's economy expanded by 7.7 per cent in 2013, as in the previous year. Economic output in India rose by 4.6 per cent.

There continue to be great regional disparities in Europe. The southern debtor nations in the euro zone continued to suffer from negative growth rates in the reporting year, but to a lesser extent than in the previous year. For the euro zone as a whole, the recession that had persisted for six successive quarters came to an end in the first half of 2013. Overall, Europe reported a growth rate of 0.3 per cent for the year 2013. In contrast to the general trend, Germany registered growth of 0.6 per cent (2012: 0.9 per cent).

Currency development 2013
EUR 1 in foreign currency, indexed to 100%



Currency development EUR 1 in foreign currency

	2013	2012	2011	2010	2009
USD	1.3279	1.2851	1.3910	1.3239	1.3945
JPY	129.41	102.49	110.74	115.94	130.39
CHF	1.2306	1.2052	1.2303	1.3780	1.5095
CNY	8.1632	8.1111	9.0023	8.9789	9.5286
GBP	0.8489	0.8109	0.8676	0.8574	0.8907

Source: Reuters, annual average daily price.

Foreign exchange markets still dominated by strong euro

On the currency markets, the euro mostly traded higher in 2013 than in the previous year. The US dollar lost an average of 3 per cent against the euro, which reduced expenses for the Lufthansa Group. In the same period, the pound sterling lost around 5 per cent against the euro, the Japanese yen 25 per cent and the Swiss franc 2 per cent. These sometimes severe exchange rate movements weighed heavily on the Lufthansa Group's revenue for the last financial year. The exchange rate of the Chinese renminbi was virtually unchanged.

By means of a proven, rule-based hedging policy, the Lufthansa Group tries to mitigate the influence of exchange rate fluctuations on its business performance. More information can be found in the "Risk report" from p. 109. Including these hedges, currency movements had an overall negative effect of EUR 38m on the Group's operating result for 2013.

Short-term interest rates continue to fall, long-term rates stabilise

Short-term interest rates in the euro area rose by nearly 7 per cent over the course of the year, but compared with the previous year they fell by around 60 per cent. Average 6-month Euribor was 0.34 per cent (previous year: 0.83 per cent).

For long-term funding, the average 10-year euro swap fell year on year from 1.96 per cent to 1.91 per cent.

The Lufthansa Group uses the positive correlation between the operating result, which is dependent on the strength of the economy, and short-term interest movements as an inherent hedging mechanism and therefore holds most of its financial liabilities at floating rates. Details can be found in the "Risk report" from p. 111.

Oil price stays high and moves sideways

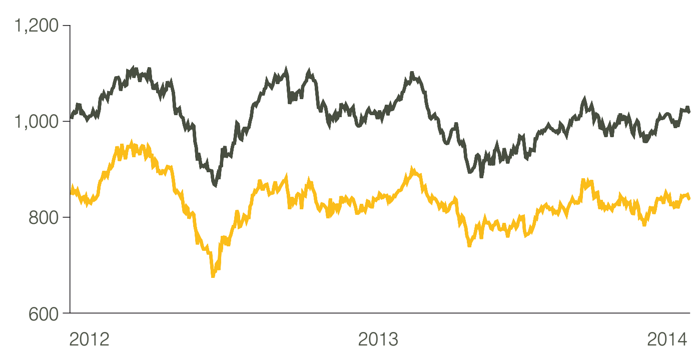
After a price rise in the first quarter of 2013, with prices just below USD 119/barrel, the price of a barrel of Brent sank again sharply in the second quarter, falling below USD 100/barrel for a short time in April. In the second half of the year, the oil price rose again significantly, at times reaching prices of USD 116/barrel. On 31 December 2013 a barrel of Brent Crude cost USD 110.80. The average price in 2013 was USD 108.73/barrel, or 2.6 per cent less than in the previous year.

The jet fuel crack, the price difference between crude oil and kerosene, moved between USD 10.63/barrel and USD 21.88/barrel in 2013. Volatility was lower in the second half of the year. In this period, the jet fuel crack moved between USD 14.20/barrel and USD 18.70/barrel. On average over the year it traded at USD 16.63/barrel and was therefore 12.0 per cent lower than in the previous year. The price at year-end was USD 18.36/barrel.

The average price for kerosene was USD 988/tonne in 2013. The Lufthansa Group's fuel costs fell by 4.5 per cent, or EUR 334m, year on year. Volumes and exchange rates were primarily responsible for the decrease. Fuel costs were driven up by the negative hedging result stemming from lower kerosene prices.

The fuel price is a central factor behind changes in the Lufthansa Group's expenses. To limit the ensuing risks, the Company has a systematic risk management system for fuel with a rule-based hedging strategy. The principle of rolling hedges means, however, that there are also periods in which fuel hedging does not deliver a positive earnings contribution. Fuel hedging therefore depressed the operating result by EUR 125m in 2013. Detailed information on the Lufthansa Group's hedging policy can be found in the "Risk report" from p. 109.

Price development of crude oil and kerosene in USD/t



Source: Lufthansa, based on market data.

Sector developments

↗ Aviation is a long-term growth industry. ↗ Sales worldwide increased in 2013, with large regional disparities. ↗ Revenue passenger-kilometres up by 5.2 per cent in a difficult environment. ↗ Airfreight traffic is growing more slowly than passenger traffic. ↗ Global airline industry reports steep year-on-year increase in net profit. ↗ Competition in the airline industry remains dynamic.

The aviation sector affects all the segments in the Lufthansa Group. Its effects are either felt directly in the Passenger Airline Group or indirectly via the influence of airlines in general as the main customer group for the service companies. The following comments therefore apply to the Group as a whole.

Sales performance 2013

in % compared with previous year	Revenue passenger-kilometres	Cargo tonne-kilometres
Europe	3.8	1.8
North America	2.3	–0.4
Central and South America	6.3	2.4
Asia / Pacific	7.1	–1.0
Middle East	11.4	12.8
Africa	5.1	1.0
Industry	**5.2**	**1.4**

Source: IATA Air Passenger / Air Freight Market Analysis 12 / 13.

Regional developments in aviation continue to vary

As with macroeconomic performance, aviation varies from one region to another. Despite the general economic weakness, European airlines reported sales growth of 3.8 per cent. Airlines from the Asia/Pacific region saw an increase in sales of 7.1 per cent and North American carriers of 2.3 per cent. Air traffic in Africa saw strong growth of 5.1 per cent. Latin American airlines increased their sales even more sharply by 6.3 per cent. And the carriers from the Middle East also recorded strong growth of 11.4 per cent. Aviation is a long-term growth industry, with annual sales growth of between 5.2 and 7.9 per cent in the years 2010 to 2013.

Passenger traffic rises again in a difficult environment

Total revenue passenger-kilometres picked up by an average of 5.2 per cent worldwide. Contrary to expectations, the premium segment in particular put in a robust performance. According to information from the International Air Transport Association (IATA), premium traffic went up year on year by 4.2 per cent in 2013.

Airfreight traffic sees only slight growth

With sales growth of 1.4 per cent, global airfreight volumes recorded a much lower rate of growth than passenger traffic in 2013. Sales by airlines from the Middle East climbed by 12.8 per cent, while African carriers reported sales growth of 1.0 per cent. A fall of 1.0 per cent was incurred by airlines from the Asia/Pacific region, mainly as a result of depressed economic growth. Sales by European airlines grew by 1.8 per cent. Airlines from Latin America recorded growth of 2.4 per cent, whereas those in North America had to contend with a fall of 0.4 per cent.

European airline industry expects positive result for 2013

As a result of weak global economic performance, European airlines in particular redoubled their cost-cutting efforts and improved their capacity discipline. IATA raised its industry forecast for 2013 and is now forecasting a net profit for the global airline industry of USD 12.9bn. This is a much larger profit than in the previous year (USD 7.4bn). The earnings situation of airlines in North America (USD 5.8bn) and Europe (USD 1.7bn) in particular is a great improvement on 2012.

Competition in the airline industry remains in flux

The global air transport sector again saw a number of mergers and new partnerships in 2013. In April 2013, International Airlines Group acquired a majority stake in the Spanish low-cost carrier Vueling. As announced, Emirates and Qantas launched their partnership in Australia-Europe traffic at the beginning of the second quarter. In early October, Etihad received approval from the Indian authorities to acquire a 24 per cent stake in the Indian airline Jet Airways. Delta Airlines acquired an equity interest of 49 per cent in Virgin Atlantic in June, with the two airlines to launch a transatlantic joint venture in early 2014. In late 2013, Singapore Airlines and the Tata Group founded a joint venture in India. The first flights are planned for the second half of 2014. The merger of American Airlines and US Airways to form the largest airline in the world by passenger numbers was approved by the American authorities in the fourth quarter. As a result, US Airways will join the oneworld alliance at the end of March 2014 and leave the Star Alliance at the same time. The Asian low-cost carrier Air Asia established Air Asia India in the fourth quarter of 2013 as part of a joint venture with the Indian Tata Group. Also in the fourth quarter, Etihad acquired an interest of 33.3 per cent in Darwin Airlines from Switzerland, which has been offering regional feeder flights to and from larger European airports under the name of Etihad Regional since the beginning of 2014.

The Taiwanese carrier EVA Air officially became a new member of the Star Alliance in June. A decision was also taken in December 2013 to admit Avianca Brazil in 2014. Star Alliance therefore remains well represented in Brazil following Brazilian airline TAM's announcement that it would move to oneworld. The Star Alliance integration process with Air India was resumed after a temporary suspension. Qatar Airways joined the oneworld alliance in the fourth quarter of 2013, and at the same time has started a partnership between its frequent flyer programme and British Airways. TAM announced that as part of its merger with Chilean airline LAN, it would leave the Star Alliance in 2014 in favour of membership in the oneworld alliance.

Mergers, alliances and partnerships continue to dominate the airline industry.

Course of business

↗ Lufthansa Group business developed as expected in 2013. ↗ All business segments made positive operating earnings contributions. ↗ New wage settlement for ground staff differentiates between segments for the first time. ↗ New appointments to Supervisory Board and Executive Board. ↗ Transferring decentralised traffic in Germany to Germanwings has a positive effect. ↗ Significant aircraft orders placed.

Overview of the course of business

All business segments report positive operating results
The Lufthansa Group's business performed in line with expectations in 2013. The dominating external factors in the financial year were low average fuel prices on the positive side, and on the negative side, weak economic performance in some regions and highly volatile exchange rates. In this environment, all the business segments were able to generate positive operating results.

The air transport business is highly seasonal and began for the Lufthansa Group with a weak first quarter, followed by much stronger second and third quarters. The fourth quarter was somewhat weaker again. The airlines in the Lufthansa Group continued their restrictive capacity management, which enabled them to stabilise or even improve their load factors.

Within the Passenger Airline Group, Lufthansa Passenger Airlines was able to improve its operating profit significantly. Lower unit costs and sales on a par with the previous year were the main drivers of this. SWISS also generated an operating profit, which was slightly higher than in the previous year. Measured in Swiss francs, its earnings were even significantly higher. Austrian Airlines reported an operating profit in the financial year for the first time since its acquisition by the Lufthansa Group. The previous year's strong result was owed largely to one-off and non-recurring effects, without which it would have been negative.

Business at Lufthansa Cargo was severely affected by the weak market and the corresponding fall in freight volumes. By adjusting its capacities, the company kept the cargo load factor stable, but average yields and the operating profit were well down on the previous year.

Lufthansa Technik had a very successful financial year and reported a very high operating profit thanks to successful cost-cutting and a particularly full order book. In 2013, the Catering segment was able to achieve a slight increase on its good operating result in 2012. The IT Services segment improved its operating result significantly year on year.

All of the business segments in the Lufthansa Group contribute to the Company's success.

Significant events

Lufthansa Group reaches agreement with unions on new wage settlements
On 1 May 2013, the Air Transport Employers' Federation (AGVL) and the trade union ver.di agreed on a wage settlement for the circa 33,000 ground staff employed in Germany by the Lufthansa Group. For the first time, the wage settlement differentiates between the productivity of the individual segments and provides for modest wage increases, and in some cases for wage cuts, depending on the economic situation. In return, the Lufthansa Group has pledged to safeguard employees' jobs until 2015. The agreement was preceded by several nationwide warning strikes in Germany. Germanwings and the representatives of the flight attendants' union UFO reached an agreement in the collective bargaining for flight attendants in June 2013. Negotiations with the pilots' union Vereinigung Cockpit (VC) for cockpit staff at Lufthansa Passenger Airlines, Germanwings and Lufthansa Cargo could not be brought to a conclusion by the end of the year.

Executive Board and Supervisory Board proposed to suspend the dividend for the 2012 financial year
At the Annual General Meeting on 7 May 2013, the Executive Board and the Supervisory Board tabled a proposal to suspend the dividend for the financial year 2012 and to retain the entire EUR 296m in distributable earnings for the financial year. Because of that the Lufthansa Group's financial profile was strengthened and the implementation of the SCORE programme supported. Moreover, it was suggestet that the Executive Board and the Supervisory Board will propose the payment of a dividend to shareholders again when the downwards trend in earnings and margins is sustainably reversed. Based on the positive development in the operating result, after adjustment for non-recurring effects, the Executive Board and Supervisory Board have therefore decided to table a proposal at the Annual General Meeting to pay a dividend again for the financial year 2013.

New members elected to Executive Board and Supervisory Board – Dr Christoph Franz does not renew his term of office
The Supervisory Board's shareholder representatives were newly elected in line with the proposals made by the Supervisory Board at the Annual General Meeting held on 7 May 2013. Wolfgang Mayrhuber, former Chairman of the Executive Board and CEO of Deutsche Lufthansa AG, and Dr Karl-Ludwig Kley, Chairman of the Executive Board of Merck KGaA and former CFO of Deutsche Lufthansa AG, succeeded the previous members of the Supervisory Board, Dipl.-Ing. Dr-Ing. E.h. Jürgen Weber and Dr Klaus G. Schlede, who, until 7 May 2013, were Chairman of the Supervisory Board and Chairman of the Supervisory Board's Audit Committee, respectively. The remaining eight shareholder representatives were re-elected. Two employee representatives had previously been re-elected to the Supervisory Board and eight new representatives elected for the first time. The election of the employee representatives was contested for alleged formal irregularities. In the first instance, the challenge was upheld and the election was declared invalid from the effective date of the ruling (ex nunc). Proceedings have now moved to the second instance, however. Depending on the further course of the proceedings, a repeat of the elections for the employee representatives cannot be ruled out.

With the beginning of the third quarter, Dr Bettina Volkens (50) took up her role as Chief Human Resources Officer with responsibility for Human Resources and Legal, and Harry Hohmeister (49) started work as Chief Officer Group Airlines and Logistics. Mr Hohmeister will exercise his function as CEO of SWISS in parallel. The two new Executive Board members succeed Stefan H. Lauer, who, in agreement with the Supervisory Board, stepped down from his position with effect from 30 June 2013.

Dr Christoph Franz, the Chairman of the Executive Board and CEO of Deutsche Lufthansa AG, informed the Supervisory Board on 16 September 2013 that he would not be available to renew his contract. His current appointment runs until 30 April 2014. On 7 February 2014, the Supervisory Board named Carsten Spohr, currently Chief Officer Lufthansa German Airlines, as his successor. Mr Spohr will take office on 1 May 2014.

New Germanwings takes over decentralised traffic in Germany
The new Germanwings took off on 1 July 2013. With a new and innovative product and brand concept, the airline will successively take over European traffic outside the hubs in Frankfurt and Munich from Lufthansa Passenger Airlines by early 2015. Passengers can choose from three product categories that vary according to price and comfort features. This transfer has already substantially improved the segment's financial position in European traffic in 2013.

Lufthansa Group restructures retirement benefits
In early September 2013, the Executive Board of Deutsche Lufthansa AG announced its intention to restructure the company pension schemes in place at Lufthansa Group companies based in Germany. The agreements on retirement and transitional benefits were terminated with effect from year-end 2013. Talks are currently under way with the collective bargaining partners about new agreements.

Decision taken on fleet renewal
In September, the Supervisory Board of Deutsche Lufthansa AG approved the purchase of a total of 59 fuel-efficient, considerably quieter new generation aircraft for Lufthansa Passenger Airlines. 34 Boeing 777-9Xs and 25 Airbus A350-900s are to be added to the Lufthansa Group's long-haul fleet, with phased deliveries scheduled from 2016 and 2020, respectively. In the period up to 2025, they will replace older B747-400 and A340-300 aircraft. The new aircraft will primarily serve as substitutes for those currently operated by Lufthansa Passenger Airlines. They supplement the order placed earlier for 100 aircraft from the A320 family for the short and medium-haul segments, which are also to be delivered through to 2025. Orders were also placed for two A380s for Lufthansa Passenger Airlines and six B777s for SWISS, for delivery by 2015 and 2016 new generation respectively.

SCORE programme

The implementation of the SCORE programme is proceeding in all areas and segments of the Lufthansa Group. In the context of the merging of activities from the areas of finance, purchasing and HR, these will be outsourced to shared services centres, which commenced work on 1 January 2014. A settlement of interests was agreed with the co-determination bodies at Lufthansa Revenue Services GmbH in Norderstedt, which will enable implementation to take place as planned. Talks are still under way with the co-determination bodies about closing Deutsche Lufthansa AG's head office in Cologne. Administrative units of SWISS, Lufthansa Cargo and LSG Sky Chefs have already been transferred to shared services centres.

SCORE is increasing the future viability of the Lufthansa Group.

A review of all ground processes at Lufthansa Passenger Airlines identified an annual savings potential of EUR 180m from sustainable improvements in efficiency. The effects of the 220 process-based measures on the organisational units and jobs at Lufthansa Passenger Airlines are currently the subject of intense discussions with the respective co-determination bodies. Once the notification and consultation process has been completed, the measures are to be implemented.

Progress was made in other segments, too, for example at Lufthansa Technik in making administrative structures more streamlined; at SWISS with the new production base and new fare structures in Geneva or at LSG Sky Chefs with efficiency gains in Germany and the USA. In the IT Services segment, the infrastructure area is to be hived off, generating substantial savings in IT expenses for the Lufthansa Group.

On 2 July 2013, the Executive Board of Deutsche Lufthansa AG paved the way for Lufthansa CityLine GmbH to move from Cologne to Munich. This represents a further step towards focusing Lufthansa CityLine on continental feeder flights to the Lufthansa hubs in Munich and Frankfurt. In the future, most of Lufthansa CityLine's flight operations will take place in Munich. The move will enable closer integration between the administrative functions and flight operations of Lufthansa CityLine and Lufthansa Passenger Airlines in Munich. The move is planned for the second half of 2014.

Measures to improve earnings totalling EUR 926m were successfully implemented as part of the SCORE programme in the financial year 2013. Important steps in the 2013 financial year were the initiatives to improve earnings in intercontinental traffic at Lufthansa Passenger Airlines, which contributes EUR 100m, the transfer of decentral routes from Lufthansa Passenger Airlines to Germanwings, with an earnings contribution of EUR 93m at Lufthansa Passenger Airlines, and the creation of an independent operating base with a new business model by SWISS at its site in Geneva, which contributes EUR 15m. These and other activities are described in detail in this section as well as in the chapters on the business segments on p. 58–85. All the measures helped to offset cost increases and to significantly boost the operating result before non-recurring expenses. The systematic implementation and continuation of SCORE across all of the Lufthansa Group's business segments and subsidiaries will strengthen the future viability of the Group on a sustainable basis.

Target achievement

SCORE programme increases structural profitability
For the Passenger Airline Group and Logistics segments in particular, the financial year 2013 was largely shaped by a volatile market environment. In line with the very different pace of economic growth across the regions, demand also varied considerably across the entire route network. Underlying political and economic developments were reflected in sometimes severe fluctuations in oil prices and exchange rates.

Nevertheless, considerable progress was also made in the context of the SCORE programme in 2013. Its significant contribution to improving the operating result more than offset the adverse revenue effects of fluctuating exchange rates and general cost inflation. As forecasted in the 2012 annual report, the operating profit of EUR 697m was higher than that reported for 2012 (EUR 524m), that is before adjustment of the pension obligations in accordance with IAS 19R. The main earnings drivers were the Passenger Airline Group and MRO segments. Earnings also improved after taking the non-recurring factors described in the management report into account. The expectation of further revenue growth compared with 2012 was not met, however. At EUR 30.0bn, the Lufthansa Group's revenue was roughly on a par with the previous year (EUR 30.1bn).

Target achievement for the Lufthansa Group and business segments

			Revenue			Operating result
	Revenue 2012 in €m	**2013 forecast**	**Revenue 2013** in €m	Results 2012 in €m	**2013 forecast**	**Results 2013** in €m
Lufthansa Passenger Airlines	17,261	above previous year	**17,302**	25	above previous year	**265**
SWISS	4,220	above previous year	**4,223**	204	in line with previous year	**226**
Austrian Airlines	2,158	above previous year	**2,069**	203	above adjusted previous year (€ –7m)	**25**
Reconciliation	–80		**–81**	124		**–21**
Passenger Airline Group	23,559	moderate increase	**23,513**	556	moderate increase	**495**
Logistics	2,688		**2,442**	105	above previous year, three digits	**77**
MRO	4,013	moderate increase	**4,180**	328	stable	**404**
Catering	2,503	above previous year	**2,514**	101	above previous year	**105**
IT Services	609	above previous year	**640**	20	above previous year	**36**
Other	0		**0**	–261		**–378**
Internal revenue/Reconciliation	–3,237		**–3,261**	–10		**–42**
Lufthansa Group	**30,135**	**further revenue growth**	**30,028**	**839**	**higher than reported 2012 (€ 524m)**	**697**

Lufthansa Passenger Airlines forecast higher revenue and an improvement in its operating result for 2013. Both targets were achieved, with revenue rising slightly to EUR 17.3bn (+0.2 per cent), while the operating result went up significantly from EUR 25m to EUR 265m. This was due, in particular, to the successful transfer of loss-making European traffic outside the hubs in Frankfurt and Munich to Germanwings, and to the continued optimisation of the unit revenue to unit cost ratio by deploying larger aircraft and optimising the mix of travel classes.

SWISS forecast higher revenue and an operating result in line with that of 2012 for the financial year 2013. Both the revenue and the earnings target were reached. Revenue rose slightly to EUR 4.2bn (+0.1 per cent) and the operating result climbed to EUR 226m (+10.8 per cent). Profitability was boosted in particular by the reorganisation at the base in Geneva and significant cost savings as a result of SCORE.

Austrian Airlines projected higher revenue for the 2013 financial year and an improvement in its operating result after adjustment for restructuring. The airline missed its revenue target, reporting revenue of EUR 2.1bn (–4.1 per cent). The operating result did, however, increase by EUR 32m to EUR 25m compared to 2012, after adjustment for the restructuring effects mentioned above. The drivers of this very pleasing performance were strict capacity discipline and the consistent pursuit of restructuring activities.

The Passenger Airline Group altogether forecast a moderate increase in revenue and operating profit for 2013, assuming that the operating environment remained stable. Revenue of EUR 23.5bn (–0.2 per cent) fell short of its target. The influence of exchange rates was reflected in declining average yields, and so, too, in lower revenue with higher load factors. Compared to the previous year, which was strongly marked by positive non-recurring effects at Austrian Airlines, the operating result also fell by EUR 61m to EUR 495m. After adjusting for the non-recurring factors, the operating result improved significantly.

For the financial year 2013, the Logistics segment was expecting an increase in its operating profit, which should have been somewhere in the three-digit million euro range. Following an operating result of EUR 105m in the previous year, an operating profit of EUR 77m was reported for 2013. The particularly volatile demand in the airfreight market turned out to be very weak, although Lufthansa Cargo had assumed at the start of the year that the market would pick up.

The MRO segment expected a moderate increase in revenue and a stable earnings development in 2013. The moderate revenue increase was achieved at EUR 4.2bn (+4.2 per cent), and the operating result even soared by 23.2 per cent to EUR 404m. This more than moderate increase was driven by strict cost management and a particularly strong demand situation in the reporting year.

The Catering segment forecast higher revenue and a higher operating profit for 2013. Both targets were met. Revenue rose by 0.4 per cent to EUR 2.5bn, and the operating profit by 4.0 per cent to EUR 105m, largely thanks to successful restructuring efforts.

The IT Services segment expected both revenue and profitability to go up in 2013. Lufthansa Systems was also able to meet its forecast, boosting revenue and earnings substantially. Revenue climbed by 5.1 per cent to EUR 640m and the operating result increased from EUR 20m to EUR 36m.

The Group's net profit for the year was expected to fall in 2013 due to considerable non-recurring effects, including the sale and transfer of Amadeus shares in the previous year. This forecast proved correct, and net profit for the period fell by EUR 915m to EUR 313m.

The Lufthansa Group generated positive CVA in the 2013 financial year, and thereby achieved its target of sustainable value creation.

The Company is aiming for an equity ratio of 25.0 per cent in the medium term. In 2012, the ratio came to 16.9 per cent, and at the end of 2013 had already reached 21.0 per cent. The debt repayment ratio was projected to rise from 34.4 per cent in 2012 to at least 35 per cent in the short term. The figure of 37.0 per cent recorded in 2013 outperformed this target.

In addition, the Lufthansa Group aimed for minimum liquidity of EUR 2.3bn. This target was also met in 2013, with a figure of EUR 4.7bn. As forecast, the fleet was again largely owned and unencumbered in 2013.

Lufthansa Group financial profile: target achievement

	Results 2012	**Targets**	**Results 2013**
Equity ratio	16.9%	medium term 25%	21.0%
Debt repayment ratio	34.4%	minimum 35%	37.0%
Liquidity	€5.0bn	Minimum liquidity €2.3bn	€4.7bn
Free cash flow	€1.4bn	uncertain	€1.3bn
Fleet	largely unencumbered	largely unencumbered	largely unencumbered

The year 2013 was very challenging for the Lufthansa Group, but also successful overall. The performance of the adjusted operating result can be described as pleasing, even though this is not yet visible as such in the reported operating result. As before, it is necessary to boost the Lufthansa Group's structural profitability.

For the first time, the forecasts and other financial targets set by the Lufthansa Group and its business segments for the financial year 2014 are presented together in the section "Outlook for the Lufthansa Group" from p. 120.

Earnings position

Revenue is on a par with the previous year at EUR 30.0bn. Traffic revenue is down slightly. Staff costs rise, while the cost of materials and services declines. Net profit falls sharply to EUR 313m due to positive non-recurring effects in 2012. Earnings per share amount to EUR 0.68.

Change in accounting standard IAS 19

The revised version of IAS 19 Employee Benefits (revised in 2011, IAS 19R), application of which has been mandatory from 1 January 2013, had a substantial influence on the presentation of the earnings position in this annual report. The figures presented in this report for the previous year have been calculated in accordance with the effective IFRS, as if IAS 19R had already been applied last year. Due to the elimination of both delayed recognition of actuarial losses and the option of recognising past service expenses pro rata, service expenses have been presented as being EUR 308m lower in the financial year 2012. The change in accounting for partial retirement and similar programmes reduced the staff costs recognised for the previous year by EUR 3m. By contrast, net interest expense for the financial year 2012 was EUR 54m higher as a result of adjusting forecast plan income to the discount rate applied at the beginning of the year. Adjusting the figures for the previous year meant that profit before income taxes for 2012 was EUR 257m higher and profit after income taxes was EUR 238m higher.

Changes to the useful life of commercial aircraft and reserve engines

Until the end of the financial year 2012, new commercial aircraft and reserve engines were depreciated over a period of twelve years to a residual value of 15 per cent. In particular, technological developments and economically induced higher requirements towards cost-efficiency have resulted in significant changes to the projected useful economic life of the commercial aircraft and reserve engines used in the Lufthansa Group. In line with the fleet strategy, which takes these aspects into account, as well as with external considerations, new commercial aircraft and reserve engines are depreciated over a period of 20 years to a residual value of 5 per cent since 1 January 2013. The adjustment to their useful lives was made prospectively as a change in an accounting estimate in accordance with IAS 8.32. The change was therefore not made retrospectively for past reporting periods. As a result of the change in the accounting estimate of the useful economic life of these assets, depreciation and amortisation was EUR 68m lower in the financial year 2013 and impairment losses were EUR 76m lower. For the year 2013, this only affects the result from operating activities and not the reported operating result, however. For the effects on future reporting periods, we refer to “Note 2” to the consolidated financial statements from p. 145. Calculation of the internal management metric CVA and the dividend policy, which depends on the operating result, are also affected by the changes in the depreciation parameters. Both of these are to be reviewed over the course of the financial year to ensure their continued suitability and any adjustments made as necessary.

Discontinued operations

As a result of the contract for the sale of British Midland Ltd. (bmi) to International Consolidated Airlines Group, S.A. (IAG) signed by Deutsche Lufthansa AG and IAG on 22 December 2011, bmi was presented in the Group’s income statements for the financial years 2011 and 2012 as a discontinued operation in line with IFRS 5. bmi had been deconsolidated when the sale transaction was completed on 19 April 2012. The proceeds from the discontinued operation in the financial year 2012 included the after-tax result recorded for bmi until its disposal and changes in the valuation or proceeds of disposal for the discontinued operation compared with the 2011 financial statements, which in this case are the proceeds of the aforementioned contractual agreement. For details of the result of the discontinued operation, we refer to “Note 15” of the consolidated financial statements on p. 157.

Traffic figures of the Lufthansa Group's airlines*

		2013	2012	Change in %
Passengers carried	thousands	104,587	103,590	1.0
Available seat-kilometres	millions	262,682	260,169	1.0
Revenue seat-kilometres	millions	209,649	205,015	2.3
Passenger load factor	%	79.8	78.8	1.0 pts
Freight/mail	thousand tonnes	1,965	1,984	–0.9
Available cargo tonne-kilometres	millions	14,893	14,749	1.0
Revenue cargo tonne-kilometres	millions	10,285	10,240	0.4
Cargo load factor	%	69.1	69.4	–0.3 pts
Total available tonne-kilometres	millions	41,218	40,925	0.7
Total revenue tonne-kilometres	millions	30,879	30,408	1.5
Overall load factor	%	74.9	74.3	0.6 pts
Flights	number	1,028,260	1,067,362	–3.7

* Previous year's figures have been adjusted.

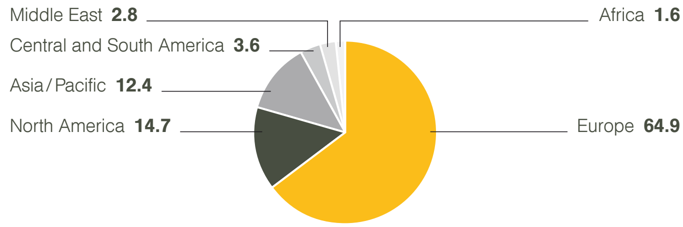
Revenue and income

Operating income for the financial year 2013 was lower than in the previous year, falling by 2.4 per cent to EUR 32.2bn altogether. Revenue was more or less stable year on year at EUR 30.0bn. Although traffic revenue fell slightly by 0.9 per cent to EUR 24.6bn despite greater traffic, other revenue rose by 2.3 per cent to EUR 5.5bn. Other operating income declined sharply by EUR 743m (–26.7 per cent) to EUR 2.0bn due to non-recurring effects in the previous year.

Traffic revenue down 0.9 per cent

Traffic revenue for the Group contracted by 0.9 per cent to EUR 24.6bn. While the higher sales boosted revenue by 2.1 per cent, a 0.7 per cent drop in prices (including fuel surcharge and air traffic tax) and negative exchange rate effects (–2.3 per cent) led to a reduction in revenue. The decline in traffic revenue, primarily due to exchange rates, was the main reason why it was not possible to reach the higher revenue target set the year before.

Traffic revenue Group in %



The Passenger Airline Group segment accounted for 88.5 per cent of traffic revenue, by far the largest share. Revenue here was just 0.1 per cent down on the previous year, at EUR 21.7bn. While sales volumes were up by 2.3 per cent, slightly lower prices (–0.1 per cent) and negative exchange rate effects (–2.3 per cent) resulted in lower revenue.

Traffic revenue in the Logistics segment was down by 7.8 per cent at EUR 2.4bn. Sales were stable year on year, but lower prices (–4.9 per cent) and adverse exchange rate effects (–2.9 per cent) caused revenue to fall.

Revenue and income

	2013 in €m	2012 in €m	Change in %
Traffic revenue	24,565	24,793	–0.9
Other revenue	5,463	5,342	2.3
Total revenue	**30,028**	**30,135**	**–0.4**
Changes in inventories and work performed by the entity and capitalised	158	113	39.8
Other operating income	2,042	2,785	–26.7
Total operating income	**32,228**	**33,033**	**–2.4**

Other revenue climbs steeply

Other revenue stems primarily from the MRO, Catering and IT Services segments, and to a lesser extent from the Passenger Airline Group and Logistics as well. It increased by EUR 121m, or 2.3 per cent, to EUR 5.5bn in the reporting year.

Of this, the MRO segment generated EUR 2.6bn (+7.0 per cent), Catering EUR 1.9bn (–1.2 per cent) and IT Services EUR 265m (+3.5 per cent). The airborne companies in the Passenger Airline Group and Logistics segments contributed EUR 691m (–4.6 per cent) to other revenue.

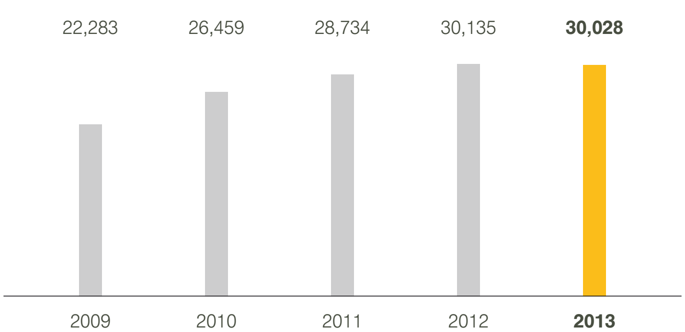
External revenue by segment

2013	External revenue in €m	Year on year change in %	Share of total revenue in %
Passenger Airline Group	22,838	–0.1	76.1
Logistics	2,418	–9.2	8.0
MRO	2,598	7.0	8.6
Catering	1,909	–1.2	6.4
IT Services	265	3.5	0.9

Revenue again dominated by Passenger Airline Group

The Group's external revenue contracted slightly by 0.4 per cent to EUR 30.0bn. The Passenger Airline Group segment's share of total revenue increased to 76.1 per cent (+0.3 percentage points). The Logistics segment accounted for 8.0 per cent of total revenue, Lufthansa Technik for 8.6 per cent, Catering for 6.4 per cent and IT Services for 0.9 per cent.

Revenue in €m



A regional breakdown of revenue by sales location is given in the segment reporting section; see the Notes to the consolidated financial statements, "Note 43" from p. 195. The regional distribution of traffic revenue by traffic region for the segments Passenger Airline Group and Logistics is described in the chapters on the respective business segments on p. 61 and from p. 72.

Other operating income falls due to higher book gains in the previous year

Other operating income fell by EUR 743m (–26.7 per cent) to EUR 2.0bn. The decline stems largely from the book gains of EUR 631m in total realised in the previous year on the transfer of 4.0 per cent of the shares in Amadeus IT Holding S.A. to the Lufthansa Pension Trust and on the sale of 3.61 per cent of the shares in Amadeus IT Holding S.A. via the capital market. The previous year also included further book gains of EUR 27m from the sale of 1.45 per cent of the shares in Fraport via the capital market. Income from write-backs of provisions went up to EUR 191m (previous year: EUR 162m), while exchange rate gains fell by EUR 60m. Other items did not vary significantly compared with the previous year. "Note 6" to the consolidated financial statements from p. 152 contains a detailed list of other operating income.

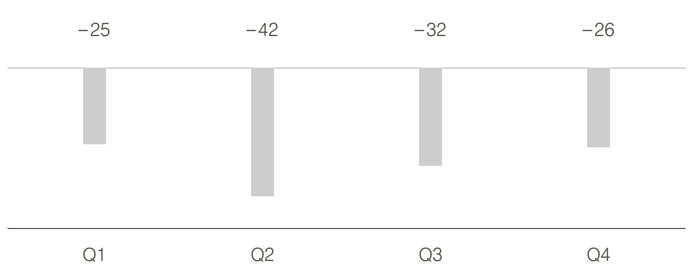
Expenses

Operating expenses were dominated by higher staff costs, which were offset by the lower cost of materials and services. Overall, they fell slightly by 0.1 per cent to EUR 31.4bn.

Cost of materials and services down by 2.4 per cent

The cost of materials and services dropped by 2.4 per cent to EUR 17.5bn in the financial year 2013. Fuel costs were the main factor behind the decrease, falling by 4.5 per cent to EUR 7.1bn. Although expenses fell due to lower volumes (–1.5 per cent) and positive exchange rate effects (–3.0 per cent), fuel prices were unchanged on the year after hedging. Fuel expenses include a negative price hedging result of EUR 125m (previous year: a positive price hedging result of EUR 128m). Expenses for other raw materials, consumables and supplies were up by 1.5 per cent at EUR 2.7bn.

Result of fuel price hedging per quarter 2013 in €m



Expenses

	2013 in €m	2012 in €m	Change in %	Percentage of operating expenses in %
Cost of materials and services	17,510	17,946	–2.4	55.8
of which fuel	7,058	7,392	–4.5	22.5
of which fees and charges	5,154	5,167	–0.3	16.4
of which operating lease	74	113	–34.5	0.2
Staff costs	7,350	6,741	9.0	23.4
Depreciation	1,766	1,839	–4.0	5.6
Other operating expenses	4,753	4,885	–2.7	15.2
of which sales commissions paid to agencies	366	405	–9.6	1.2
of which indirect staff costs and external staff	895	883	1.4	2.9
of which rental and maintenance expenses	791	760	4.1	2.5
Total operating expenses	**31,379**	**31,411**	**–0.1**	**100.0**

Overall, fees and charges fell slightly by 0.3 per cent to EUR 5.2bn. Lower take-off and landing fees (–1.9 per cent) and handling charges (–1.6 per cent) were offset mainly by high passenger fees (+3.8 per cent). Expenses for the air traffic tax declined by 2.5 per cent to EUR 353m. Other purchased services fell to EUR 2.6bn, in particular due to lower charter expenses (–24.5 per cent) and lower expenses for operating leases (–34.5 per cent).

Staff costs up 9.0 per cent as result of SCORE

Staff costs increased by 9.0 per cent to EUR 7.4bn in the reporting period. On average over the year, the Group had 117,343 employees (–0.1 per cent). This sharp increase can be attributed partly to one-off effects in the previous year. The transfer of Austrian Airlines' flight operations to Tyrolean Airways and the settlement of bmi's pension obligations reduced expenses in last year's financial statements by a total of EUR 325m. Adjusted for this effect, the increase of just 4.0 per cent stems in particular from higher SCORE restructuring expenses of EUR 245m (previous year: EUR 160m) and higher contributions to pension provisions as a result of lower interest rates.

Depreciation and amortisation down by 4.0 per cent

Depreciation and amortisation fell by 4.0 per cent to EUR 1.8bn in the financial year 2013. Although depreciation on aircraft was down by just 1.1 per cent, other depreciation and amortisation (including the relief from extending the useful lives of aircraft and reserve engines, and impairment losses) declined sharply by 12.8 per cent to EUR 387m. Impairment losses went up to EUR 137m in total (previous year: EUR 117m). Of the total, EUR 124m (previous year: EUR 102m) related to five Boeing 747-400s, five Airbus A340-300s, eight B737-500s, eight B737-300s, one A310, 14 Canadair Regional Jet 700s and three Fokker F70s, which have been decommissioned or are held for disposal. By contrast, impairment losses were reduced by EUR 76m and depreciation and amortisation by EUR 68m as a result of extending the useful lives of commercial aircraft and reserve engines.

Other impairment losses of EUR 8m (previous year: EUR 27m) were incurred on two B747-400s, one A340-300 and three ATRs as well as on repairable spare parts for aircraft, shown in the consolidated balance sheet as assets held for sale. These impairment charges are recognised in other operating expenses.

Other operating expenses contract by 2.7 per cent

Other operating expenses fell year on year by 2.7 per cent to EUR 4.8bn. Lower exchange rate losses (EUR –185m) and agency commissions (EUR –39m) were offset largely by higher rental and maintenance expenses (EUR +31m) and higher expenses for advertising and sales promotion activities (EUR +20m). The individual other items did not vary significantly compared with last year.

Earnings development

The operating result of the Lufthansa Group fell by EUR 142m to EUR 697m, largely due to a reduction in staff costs in the previous year and higher restructuring expenses for SCORE. Adjusted for these non-recurring effects, the operating profit rose by EUR 268m. All the operating segments made positive contributions to the Group's overall earnings. The operating environment remained challenging, however, which was reflected in the performance indicators for the airborne companies.

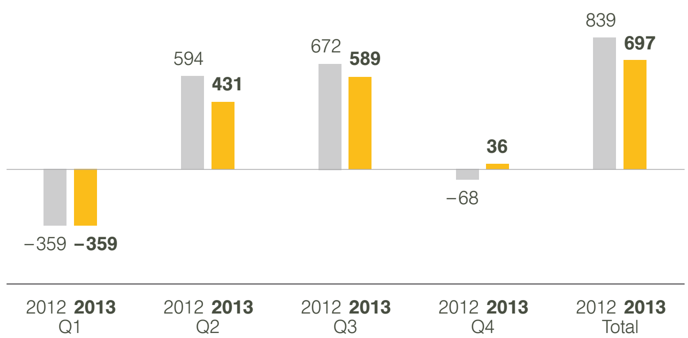
Higher restructuring costs of SCORE depress operating result

The profit from operating activities as defined by IFRS fell sharply by EUR 773m year on year to EUR 849m. As in prior years, to obtain the operating result it was adjusted for net book gains, write-backs of provisions, impairment losses, results of financial investments and measurements of financial liabilities on the reporting date. Given the exceptional nature of the item, the reduction in depreciation and amortisation as a result of extending the useful lives of aircraft and reserve engines was also not included in the operating result for the financial year 2013. This adjusted operating result facilitates comparison of the financial performance with other financial years. The adjustments applied are shown in the "Reconciliation of results" table on p. 49. In 2013, net income of EUR 152m (previous year: EUR 783m) was eliminated in this way. After these adjustments, the operating profit came to EUR 697m (previous year: EUR 839m). The adjusted operating margin, calculated by adding write-backs of provisions, was 3.0 per cent (previous year: 3.3 per cent).

The contribution of the individual business segments to the operating profit varied enormously. Whereas the airborne companies suffered a noticeable fall in earnings – due to the above-mentioned positive effects in the previous year – the service companies were able to increase their earnings contributions, in some cases substantially. Profit for the Passenger Airline Group sank year on year by EUR 61m, or 11.0 per cent, to EUR 495m. After a significant fall of 9.2 per cent in revenue, the operating profit for the Logistics segment even contracted by 26.7 per cent to EUR 77m. By contrast, the MRO segment improved its profits substantially to EUR 404m (+23.2 per cent). The Catering and IT Services segments also generated higher operating profits of EUR 105m (+4.0 per cent) and EUR 36m (+80.0 per cent) respectively.

The other Group companies, which under IFRS 8 do not require separate reporting, and the central Group functions reduced the operating result by a total of EUR 378m (previous year: EUR –261m). At central Group functions, the major burden on earnings were the expenses of EUR 224m (previous year: EUR 108m) charged by the other segments for restructuring activities as part of the SCORE programme.

Development of operating result by quarter in €m



The variation in seasonal earnings was similarly pronounced. Earnings for the individual business segments in the Group also have their own variations and ranges of fluctuation. Altogether, their disparate performance in the financial year 2013 had a stabilising effect on the Group's operating result.

Profit breakdown of the Lufthansa Group

	2013 in €m	2012 in €m	Change in %
Operating income	32,228	33,033	–2.4
Operating expenses	–31,379	–31,411	–0.1
Profit from operating activities	**849**	**1,622**	**–47.7**
Financial result	–304	–326	6.7
Profit/loss before income taxes	**545**	**1,296**	**–57.9**
Income taxes	–219	–91	–140.7
Profit/loss from continuing operations	**326**	**1,205**	**–72.9**
Profit/loss from discontinued operations	0	36	–100.0
Profit/loss attributable to minority interests	–13	–13	0.0
Net profit/loss attributable to shareholders of Deutsche Lufthansa AG	**313**	**1,228**	**–74.5**

Financial result improves

The financial result improved by EUR 22m to EUR –304m. The result from equity investments went up by a total of EUR 31m. Although the result of companies accounted for using the equity method improved to EUR 92m (previous year: EUR 31m), largely due to earnings contributions from Terminal 2 GmbH & Co. OHG and SunExpress, the remaining result from equity investments was lower at EUR 33m (previous year: EUR 63m). Net interest developed positively to EUR –346m (previous year: EUR –372m) thanks to lower interest expenses. The result from other financial items was down by EUR 35m to EUR –83m. Lower time values of options used for currency hedges resulted in expenses of EUR 20m (previous year: income of EUR 82m). Changes in the value of hedging instruments considered as held for trading under IAS 39 accounted for further losses of EUR 60m. Expenses of EUR 3m (previous year: EUR 29m) were incurred for write-downs on loans.

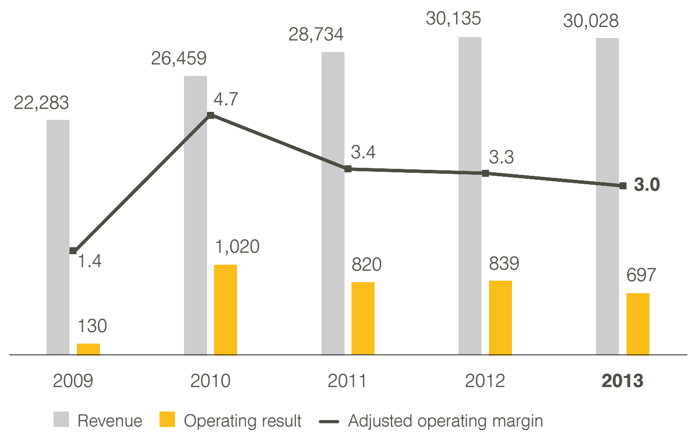
Net profit down sharply to EUR 313m due to positive non-recurring effects in the previous year

Earnings before interest and tax (EBIT) came to EUR 891m. In the previous year, EBIT amounted to EUR 1.7bn. It includes the profit from operating activities, the result from equity investments and other financial items. Adding depreciation and amortisation results in EBITDA of EUR 2.7bn (previous year: EUR 3.6bn). The main reasons for this steep fall in earnings – which was already forecast in the annual report for 2012 – were the book gains of EUR 658m realised on the disposal of equity investments in the previous year and the total savings of EUR 325m also achieved the previous year by transferring Austrian Airlines' flight operations to Tyrolean Airways, as well as the settlement of pension obligations at bmi. Adjusted for these non-recurring effects, EBITDA rose slightly year on year.

The profit from operating activities and the financial result added up to a profit before income taxes of EUR 545m. This was EUR 751m lower than the year before. After deducting income tax of EUR 219m (previous year: EUR 91m) and profits attributable to minority interests of EUR 13m (previous year: EUR 13m), the net profit for the period attributable to shareholders of Deutsche Lufthansa AG came to EUR 313m (previous year: EUR 1.2bn).

Basic and diluted earnings per share came to EUR 0.68 (previous year: EUR 2.68), see also "Note 16" to the consolidated financial statements on p. 157.

Development of revenue, operating result in €m
and of the adjusted operating margin in %



Long-term overview of earnings is volatile

The Lufthansa Group and its business segments operate in a volatile environment, which is severely exposed to economic cycles and other external factors. Despite this, the Company is confident of its ability to generate stable income, even during times of crisis, and to benefit disproportionately from economic upswings. The Company reported positive operating results even in the weaker years of 2009 and 2012 (EUR 130m and EUR 839m respectively), and attained much higher earnings levels in the other years. The 2013 result is characterised by numerous one-off expenses, which are necessary to boost productivity for more difficult economic periods. Under these circumstances – and considering earnings without the non-recurring expenses – the Lufthansa Group closed a successful financial year with a good result in 2013.

Reconciliation of results

in €m	2013 Income statement	2013 Reconciliation with operating result	2012 Income statement	2012 Reconciliation with operating result
Total revenue	**30,028**	**–**	**30,135**	**–**
Changes in inventories	158	–	113	–
Other operating income	2,042	–	2,785	–
of which book gains and current financial investments	–	–53	–	–777
of which income from reversal of provisions	–	–191	–	–162
of which write-ups on capital assets	–	–10	–	–9
of which period-end valuation of non-current financial liabilities	–	–28	–	–37
Total operating income	**32,228**	**–282**	**33,033**	**–985**
Cost of materials and services	–17,510	–	–17,946	–
Staff costs	–7,350	–	–6,741	–
of which past service costs	–	–12	–	3
Depreciation	–1,766		–1,839	
of which impairment losses	–	137	–	117
of which effects from adjusting the depreciation of aircraft	–	–68	–	–
Other operating expenses	–4,753		–4,885	
of which impairment losses on assets held for sale – non-operating	–	8	–	27
of which expenses incurred from book losses and current financial investments	–	34	–	39
of which period-end valuation of non-current financial liabilities	–	31	–	16
Total operating expenses	**–31,379**	**130**	**–31,411**	**202**
Profit / loss from operating activities	**849**	**–**	**1,622**	**–**
Total from reconciliation with operating result	–	–152	–	–783
Operating result	**–**	**697**	**–**	**839**
Result from equity investments	125	–	94	–
Other financial items	–83	–	–48	–
EBIT	**891**	**–**	**1,668**	**–**
Write-downs (included in profit from operating activities)	1,766	–	1,839	–
Write-downs on financial investments (including at equity)	11	–	74	–
EBITDA	**2,668**	**–**	**3,581**	**–**

Profit distribution

The Lufthansa Group's current 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 financial statement for Deutsche Lufthansa AG according to the German General Accounting Principles, and if there are no other opposing considerations; see also the "Financial strategy" chapter on p. 29.

Full details of the financial statement for Deutsche Lufthansa AG in accordance with the German General Accounting Principles can be found from p. 126. It presents a net profit for the financial year 2013 of EUR 407m. Following the transfer of EUR 200m to retained earnings, distributable profit comes to EUR 207m.

The Executive Board and Supervisory Board will propose to the Annual General Meeting to be held on 29 April 2014 to distribute this profit to shareholders by paying a dividend of EUR 0.45 per share. The Lufthansa Group intends to continue paying regular dividends in future as part of a fixed dividend policy. Given the adjustments made to the policy on depreciation and amortisation, however, this dividend policy as a whole is to be reviewed in the course of 2014 and may be revised.

Assets and financial position

↗ Capital expenditure rises to EUR 2.5bn in 2013. ↗ Fuel-efficient aircraft will improve the future cost base significantly. ↗ Free cash flow down to EUR 1.3bn. ↗ Further reductions in financial liabilities. ↗ Total assets up to EUR 29.1bn. ↗ Capital structure improves slightly in 2013.

Capital expenditure

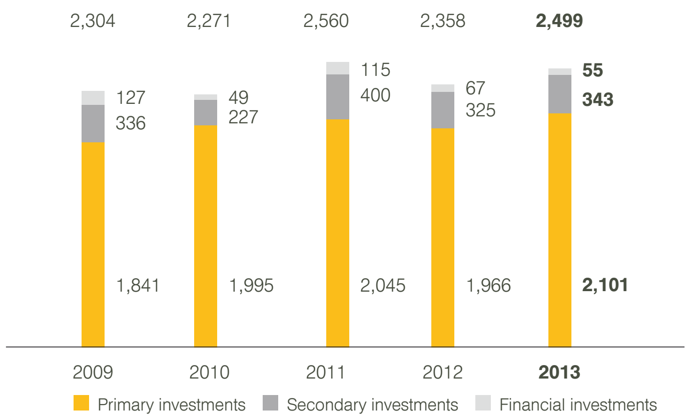
Investment safeguards the Group's future development
While maintaining its strict cost management, the Lufthansa Group again made important investments in the financial year 2013 in order to open up prospects for the future. The comprehensive fleet renewal programme was pursued unchanged. Fuel-efficient aircraft will improve the sustainable cost base significantly in the years ahead. The Group's capital expenditure rose year on year by 5.9 per cent to EUR 2.5bn. Primary investment in down payments and final payments for aircraft, aircraft overhauls and equipment increased by 6.9 per cent.

Capital expenditure for other items of property, plant and equipment and for intangible assets, known as secondary investment, rose by 5.5 per cent to EUR 343m. Property, plant and equipment, such as technical equipment and machinery, operating and office equipment, accounted for EUR 249m of the total (previous year: EUR 244m). EUR 94m (previous year: EUR 79m) was invested in intangible assets such as licences and goodwill.

Financial investments of EUR 55m (previous year: EUR 67m) related to share purchases, capital increases and loans.

In 2013, the Passenger Airline Group accounted for the majority of capital expenditure at EUR 1.8bn (previous year: EUR 1.9bn). Expenses were primarily on new aircraft and down payments for aircraft. The segment's capital expenditure included a total of 43 aircraft: five Boeing 747-8s, one Airbus A330, one A321, 17 A320s, four A319s and four Embraer 195s. Another ten A319s and one A340 were reclassified from operating leases to finance leases as the agreements were extended. This capital expenditure also includes aircraft overhauls and down payments.

Primary, secondary and financial investments in €m*



* Excluding acquired net assets from changes in group of consolidated companies.

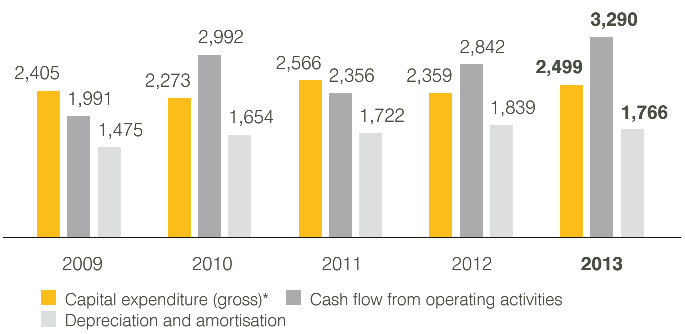
Capital expenditure in the Logistics segment increased to EUR 318m (previous year: EUR 198m), mainly due to the purchase of two B777F freighters.

Capital expenditure of EUR 136m (previous year: EUR 129m) in the MRO segment was partly for purchasing reserve engines and partly for capital increases at portfolio companies. Capital expenditure of EUR 110m (previous year: EUR 64m) in the Catering segment consisted of maintaining existing production facilities, purchasing shares in companies and extending loans to equity investments. In the IT Services segment, capital expenditure was roughly on a par with the previous year at EUR 20m (previous year: EUR 24m).

Cash flow

Cash flow from operating activities reaches EUR 3.3bn
The Group's cash flow from operating activities increased by EUR 448m (+15.8 per cent) during the year. Starting from a profit before income taxes that was EUR 751m lower than in the previous year, the elimination of non-cash depreciation and amortisation and of cash flows attributable to investing and financing activities had a positive impact of EUR 484m on the calculation of cash flow from operating activities compared with the previous year. Furthermore, working capital improved sharply year on year by EUR 630m.

Capital expenditure, cash flow from operating activities and depreciation and amortisation in €m



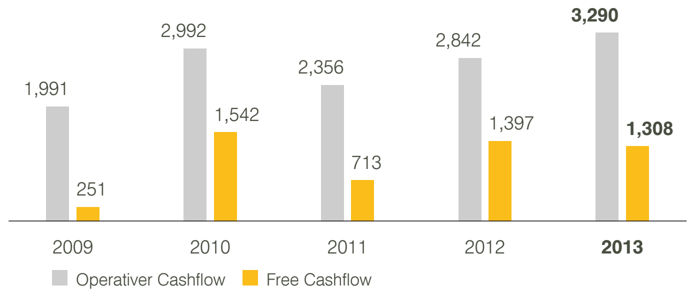
* Capital expenditure shown without pro rata profit/loss from the equity valuation.

This development is primarily due to changes in pension provisions (EUR 463m) and restructuring provisions for SCORE (EUR +128m), which are recognised in the income statement but not in the cash flow statement. EUR 61m in expenses from changes in market value were also eliminated as they had no impact on cash flow from operating activities. Furthermore, the previous year's figure was depressed by negative cash flow of EUR 82m from the discontinued operations at bmi. By contrast, higher income tax payments of EUR 92m (previous year: EUR 34m) reduced cash flow from operating activities in the reporting year.

Free cash flow down to EUR 1.3bn due to high sales proceeds in the previous year
Gross capital expenditure for the Lufthansa Group came to EUR 2.5bn. This included the primary, secondary and financial investment described above as well as repairable spare parts for aircraft.

Asset disposals gave rise to income of EUR 233m in 2013. Aircraft disposals accounted for EUR 176m and repayments received for loans for EUR 33m. Income of EUR 366m was generated in the previous year from the transfer and sale of shares in Amadeus and Fraport respectively.

Cash flow from operating activities and free cash flow in €m



Interest and dividend income went down by 18.0 per cent to EUR 318m. This brought total net cash used for investing activities to EUR 2.0bn (previous year: EUR 1.4bn).

After deducting this net cash used for investing activities, free cash flow for the financial year 2013 was substantially positive at EUR 1.3bn (previous year: EUR 1.4bn). The internal financing ratio, that is the proportion of capital expenditure financed from cash flow, came to 131.7 per cent (previous year: 120.5 per cent).

Further reductions in financial liabilities
In the financial year 2013, the Lufthansa Group retained its policy of funding pension obligations flexibly over the medium term. A total of EUR 712m was funded in Germany and abroad.

The purchase of securities for EUR 1.7bn and the sale of securities for EUR 1.3bn resulted in a net cash outflow of EUR 422m (previous year: EUR 745m).

The balance of financing activities was a net cash outflow of EUR 904m (previous year: EUR 111m). New borrowing of EUR 536m related mainly to several aircraft financing agreements. In addition to repaying EUR 993m in financial liabilities (of which EUR 500m related to the repayment of a EUR bond), cash flow was used to pay interest (EUR 424m), purchase minority interests (EUR 9m) and distribute profits attributable to non-controlling interests (EUR 14m).

Cash and cash equivalents at EUR 4.6bn
Cash and cash equivalents decreased by EUR 31m in the reporting period to EUR 1.4bn at year-end. This includes a decrease of EUR 13m in cash and cash equivalents due to exchange rate movements. Total cash and cash equivalents (including current securities) came to EUR 4.6bn (previous year: EUR 5.0bn).

Assets

Total assets up to EUR 29.1bn

Since accounting for pension obligations was altered in accordance with IAS 19R, it has been necessary to adjust the figures for prior years to facilitate comparison. The revision meant that pension obligations and other provisions under partial retirement and similar programmes were increased by a total of EUR 3.8bn for the financial year 2012. Deferred tax assets rose by EUR 711m, while deferred tax liabilities fell by EUR 148m. Group equity contracted by EUR 3.5bn as of year-end 2012. Furthermore, other assets fell by EUR 571m.

The Group's total assets rose by EUR 525m to EUR 29.1bn compared with year-end 2012. Whereas non-current assets increased by EUR 639m to EUR 19.4bn, current assets shrank by EUR 114m to EUR 9.7bn.

Within non-current assets, the item aircraft and reserve engines increased by EUR 516m to EUR 12.4bn, largely due to additions in the current financial year. The increase of EUR 87m in other equity investments is due to the change in the market value of the shares in JetBlue (EUR +91m), which is not recognised in profit and loss. Loans and receivables went up by a total of EUR 27m. The increase of EUR 67m in derivative financial instruments stemmed primarily from currency and fuel hedging and was offset by a fall in the market values of interest rate hedges.

Within current assets, receivables fell slightly by EUR 18m to EUR 3.6bn. The market value of current financial derivatives (mostly from fuel and exchange rate hedging) went up by EUR 245m. Cash and cash equivalents, consisting of current securities, bank balances and cash-in-hand, declined by EUR 270m to EUR 4.7bn. Assets held for sale were EUR 39m lower at EUR 71m.

Abbreviated cash flow statement of the Lufthansa Group

	2013 in €m	2012 in €m	Change in %
Profit/loss before income taxes	545	1,296	−57.9
Depreciation and amortisation/reversals	1,738	1,925	−9.7
Net proceeds on disposal of non-current assets	−11	−739	−98.5
Net interest/result from equity investments	221	278	−20.5
Income tax payments	−92	−34	170.6
Measurement of financial derivatives through profit or loss	80	19	321.1
Change in working capital	809	179	352.0
Cash flow from continuing operations	**3,290**	**2,924**	**12.5**
Cash flow from discontinued operations	–	−82	–
Cash flow from operating activities	**3,290**	**2,842**	**15.8**
Investments and additions to repairable spare parts	−2,538	−2,479	2.4
Purchase/disposal of shares/non-current assets	238	646	−63.2
Dividends and interest received	318	388	−18.0
Net cash from used in investing activities	**−1,982**	**−1,445**	**37.2**
Free cash flow	**1,308**	**1,397**	**−6.4**
Purchase/disposal of securities/fund investments	**−422**	**−745**	**−43.4**
Capital increase	–	–	–
Transactions with minority interests	−9	–	–
Non-current borrowing and repayment of non-current borrowing	−457	469	–
Dividends paid	−14	−131	−89.3
Interest paid	−424	−449	−5.6
Net cash from used in investing activities	**−904**	**−111**	**714.4**
Changes due to currency translation differences	−13	8	–
Cash and cash equivalents 1.1.	**1,436**	**887**	**61.9**
Cash and cash equivalents 31.12.	**1,405**	**1,436**	**−2.2**

Capital structure improved slightly

Moving to equity and liabilities, shareholders' equity (including minority interests) came to EUR 6.1bn as of the reporting date; an increase of 26.2 per cent. The increase stems primarily from reductions in pension provisions (EUR 839m) without effect on profit and loss, which are due, in turn, to the higher discount rate used compared with the previous year. The positive after-tax result (EUR 326m) and positive changes in the market value of financial assets (EUR +163m) also boosted shareholders' equity, which was diminished by negative differences of EUR 48m from currency translation. As total assets increased by 1.8 per cent at the same time, the equity ratio went up as a result to 21.0 per cent (year-end 2012: 16.9 per cent).

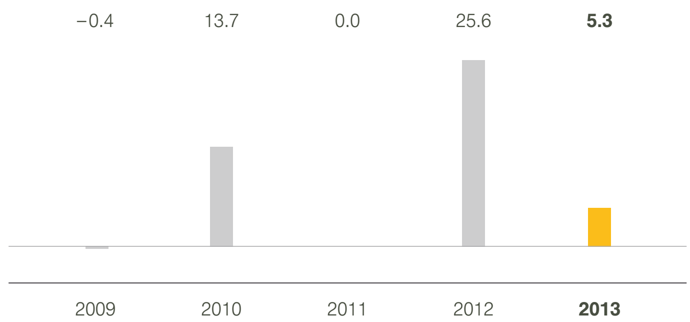
Non-current liabilities and provisions fell sharply by EUR 1.9bn to EUR 12.0bn. By contrast, current borrowing also rose sharply by EUR 1.2bn to EUR 11.0bn. Within non-current liabilities, the pension obligations decreased by EUR 1.1bn, mainly due to the rise in the discount rate. Non-current borrowing fell by EUR 1.1bn, in particular because a EUR bond and a borrower's note loan (EUR 954m in total) were reclassified as current borrowing in view of their maturities.

Development of earnings, equity and equity ratio

		2013	2012	2011	2010	2009
Result*	€m	326	1,241	4	1,143	−22
Equity*	€m	6,108	4,839	8,044	8,340	6,202
Equity ratio*	%	21.0	16.9	28.6	28.4	23.5

* Including minority interests.

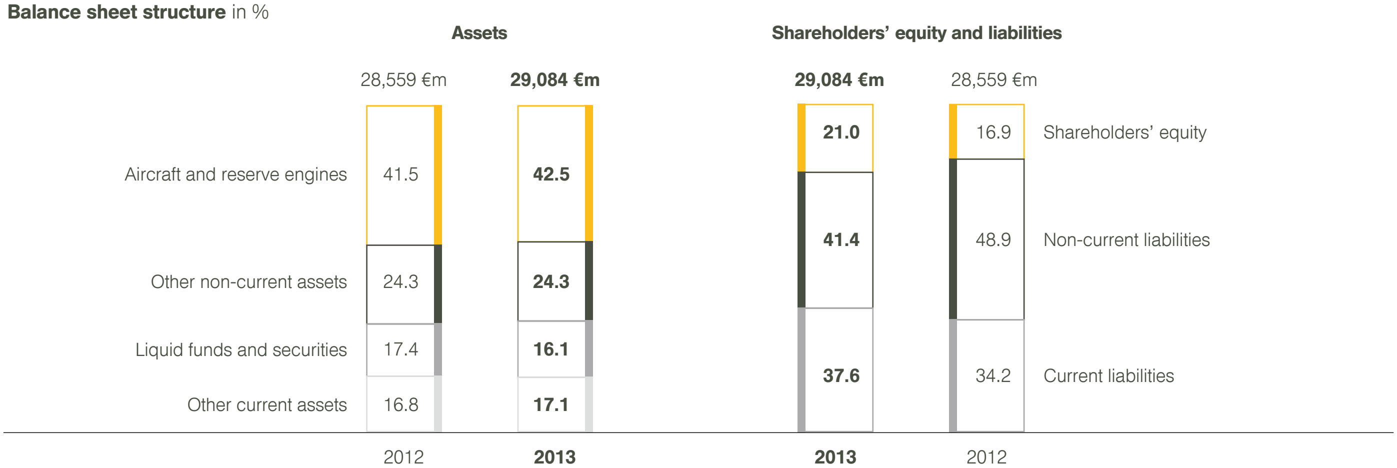
Return on equity in %



The increase in negative market values of derivative financial instruments (EUR +276m) was due to changes in the market value of currency and interest rate hedges and to the change in fair value of EUR 49m attributable to the conversion option included in the convertible bond issued in the previous year, which entitles the holder to acquire the Lufthansa Group's shares in JetBlue. Within current liabilities and provisions, financial liabilities increased by EUR 551m. This rise was due to their maturities and was offset by scheduled capital repayments, including the repayment of a EUR bond for EUR 500m. Liabilities from unused flight documents were the same as in the previous year at EUR 2.6bn. By contrast, trade payables and other financial liabilities increased by EUR 315m to EUR 4.5bn. The negative market values of current financial derivatives went up by EUR 181m, mainly due to exchange rate hedges.

Non-current funding accounts for 62.4 per cent of the balance sheet total (previous year: 65.9 per cent). Non-current financing now covers 93.4 per cent of non-current assets (previous year: 100.2 per cent).

Balance sheet structure in %



Calculation of net indebtedness

	2013 in €m	2012 in €m	Change in %
Liabilities to banks	1,254	1,507	–16.8
Bonds	1,812	2,312	–21.6
Other non-current borrowing	3,271	3,091	5.8
	6,337	**6,910**	**–8.3**
Other bank borrowing	56	9	
Group indebtedness	**6,393**	**6,919**	**–7.6**
Cash and cash equivalents	1,550	1,436	7.9
Securities	3,146	3,530	–10.9
Net indebtedness	**1,697**	**1,953**	**–13.1**
Pension provisions	4,718	5,844	–19.3
Net indebtedness and pensions	**6,415**	**7,797**	**–17.7**

Net indebtedness fell to EUR 1.7bn (previous year: EUR 2.0bn). This is the balance of gross financial debt and available financial assets plus non-current securities that can be liquidated at short notice.

Debt repayment ratio

in €m	2013	2012
Cash flow from operating activities	3,290	2,924
Change in working capital	–809	–179
Interest income	228	296
Interest paid	–424	–449
Dividends received	90	92
Adjusted cash flow from operating activities	**2,375**	**2,684**
Net indebtedness and pensions	**6,415**	**7,797**
Debt repayment ratio in %	**37.0**	**34.4**

The debt repayment ratio went up to 37.0 per cent (previous year: 34.4 per cent). It is therefore above the minimum figure of 35 per cent set by the Lufthansa Group. The intended target of 45 per cent has not yet been reached, however. An overview of the main performance indicators can be found in the "Ten-year overview" from p. 222.

Group fleet – Number of commercial aircraft and fleet orders

Lufthansa Passenger Airlines inclusive Germanwings and regional airlines (LH), SWISS (LX), Austrian Airlines (OS) and Lufthansa Cargo (LCAG) as of 31.12.2013

Manufacturer/type	LH	LX	OS	LCAG	Group fleet	of which finance lease	of which operating lease	Change compared with 31.12.12	Additions 2014 to 2025	Additional options
Airbus A310					0			–2		
Airbus A319	71	5	7		83	10	6	+2	2	
Airbus A320	62	28	16		106	18	2	+17	102	75
Airbus A321	62	8	6		76	4		+1	43	
Airbus A330	18	18			36		3	–	2	
Airbus A340	46	15			61	3	3	–2		
Airbus A350					0			–	25	30
Airbus A380	10				10			–	4	
Boeing 737	29				29			–16		
Boeing 747	29				29			–	10	
Boeing 767			6		6	2		–		
Boeing 777			4	2	6			+2	43	29
Boeing MD-11F				18	18			–		
Bombardier CRJ	53[1]				53			–3		
Bombardier C-Series					0			–	30	30
Bombardier Q-Series			14		14			–		
ATR	8[1]				8		3	–3		
Avro RJ		20			20		6	–2		
Embraer	43[1]				43			+1		
Fokker F70			9		9			–		
Fokker F100			15		15			–		
Total aircraft	**431**	**94**	**77**	**20**	**622**	**37**	**23**	**–5**	**261**	**164**

[1] Partly let to Lufthansa regional airlines.

Fleet

The ongoing renewal of the fleet improves its economic and ecological efficiency
The Lufthansa Group's fleet is by far the largest asset in the Company's balance sheet. Operating a modern and efficient fleet is key to the financial success of the Lufthansa Group.

With the aircraft orders placed in 2013, the Lufthansa Group has set the course for the development of the fleet into the next decade.

Aircraft from the world's two largest manufacturers, Airbus and Boeing, make up the majority of the fleet. Aircraft from Bombardier, Embraer, Fokker and BAE Systems are also deployed on short and medium-haul routes.

As of the reporting date, the fleet consisted of 622 aircraft with an average age of 11.2 years (previous year: 11.2 years). This is five aircraft fewer than the year before. Available seat capacity was increased by replacing smaller aircraft with larger ones, as well as by reconfiguring parts of the fleet and making seasonal adjustments to flight classes.

The Lufthansa Group's fleet policy is aimed at continuity and at reducing complexity. In recent years, the number of aircraft types in operation has been reduced considerably and is to be cut back further in the future with the help of the orders that have been placed for new aircraft.

The majority of the fleet is still owned by the Lufthansa Group and is unencumbered. It is supplemented by a small proportion of aircraft leased externally. This enables the Company to respond flexibly to fluctuations in demand and to increase or reduce its capacity at short notice.

In the financial year 2013, five Boeing 747-8s were delivered and entered service at Lufthansa Passenger Airlines, bringing the number of this aircraft type within the fleet to nine. Lufthansa Cargo received its first two B777F freighters. SWISS took delivery of another Airbus A330 for its long-haul fleet.

In their short and medium-haul fleets, the airlines within the Lufthansa Group received a total of 19 new aircraft of the A320 family in 2013. Austrian Airlines received three more used A320s, which are operated under a finance lease. Four Embraer 195s were also delivered in the financial year.

Fleet orders Lufthansa Group

		Deliveries
Long-haul fleet		
4	Airbus A380	2014 to 2015
10	Boeing 747-8	2014 to 2015
34	Boeing 777X	2020 to 2025
6	Boeing 777	2016 (SWISS)
3	Boeing 777F	2014 to 2015 (LH Cargo)
25	Airbus A350	2016 to 2023
1	Airbus A330	2014
1	Airbus A330	2016 (SWISS)
Short-haul fleet		
144	Airbus A320-family	2014 to 2025
2	Airbus A320-family	2014 (Germanwings)
1	Airbus A320-family	2016 (SWISS)
30	Bombardier C-Series	2015 to 2017 (SWISS)

For 2014, the Lufthansa Group is expecting deliveries of two A380s, six B747-8s, two B777Fs, one A330 and twelve aircraft from the A320 family.

A total of 168 new aircraft were ordered in 2013. They include 100 aircraft from the A320 family for the short and medium-haul fleet, two A380s, six B777s, 34 B777-9Xs and 25 A350-900s for the long-haul fleet. The Supervisory Board also approved Austrian Airlines' operating lease for a B777.

Overall, the Lufthansa Group's order list contains 261 aircraft for delivery by 2025. The 147 aircraft from the A320 family account for the bulk of the order, alongside the 34 B777-9Xs and 25 A350-900s mentioned above.

Financing

Group finances are managed and optimised centrally
The Lufthansa Group has an integrated financial management function, where all of the Group companies' cash flows are collected, centrally managed and optimised. The integrated financial and liquidity planning for the whole Group ensures that the Company and its business segments always have sufficient liquidity. At the end of every month, the cash flow planning for all Group companies is updated for the next 24 months. The financial reporting system provides all the companies with information on their actual financial status and forecast cash flows. The Group-wide cash management system and the inter-Group financial equalisation mechanism reduce the borrowing requirement and optimise the investment of the Group's liquid funds.

Usually, Deutsche Lufthansa AG raises the necessary external funds for the Group, passing these on to the other Group companies where necessary by means of internal Group loans. Only in exceptional cases do Group companies raise external funds directly, in coordination with Group financial management.

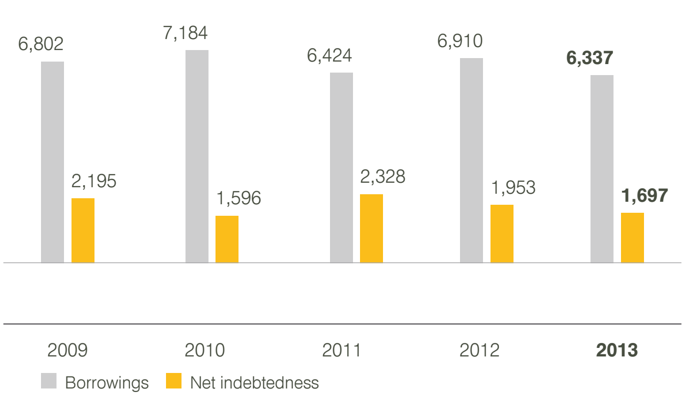
Broad spectrum of financing sources available

The financing instruments are chosen in each case on the basis of the financial strategy, see "Financial strategy" section on p. 29. The financing mix is aimed at optimising the terms of funding and maintaining a balanced term structure and a diversified portfolio of investors and lenders.

Thanks, in particular, to its good credit rating, the Lufthansa Group can draw on a wide range of different financing instruments. Aircraft financing plays an important role because in combination with the good rating it is available on particularly favourable terms. Funds are also raised regularly on the capital markets, especially by means of unsecured bonds and borrower's note loans. Its creditor relations activities enable the Lufthansa Group to stay in permanent contact with lenders worldwide, and thereby strengthen its investor base.

Borrowing mainly takes place in euros, the reporting currency. The risk management strategy provides for holding 85 per cent of financial liabilities at floating rates of interest. More information can be found in the Notes to the consolidated financial statements, "Note 42" from p. 186 under "Interest rate risk". The current financing structure is described in the Notes to the consolidated financial statements, "Note 35" on p. 180. The Lufthansa Group's main financial liabilities do not include covenants.

Development of borrowings and net indebtedness in €m



Furthermore, the Lufthansa Group has bilateral credit lines with a large number of banks. The lines of credit are unused and amounted to EUR 0.8bn in total at the end of 2013. They each run for two years and are extended for another two years after one year has elapsed, making them an additional financing reserve for the Lufthansa Group.

Financing aircraft was the priority in 2013

In 2013, the Lufthansa Group concluded Japanese operating lease (JOL) transactions on the basis of eleven aircraft of the type Airbus A380, A321 and A319. This enabled funds totalling EUR 384m to be raised on very advantageous terms, even compared with the attractive financing alternatives currently available on the capital markets. These JOL deals are repaid continuously over the term of the respective contract (between eleven and thirteen years).

Aircraft leases accounted for as finance leases were extended or started by the Group companies Tyrolean Airways Tiroler Luftfahrt GmbH and Germanwings GmbH.

There was no significant off-balance-sheet financing in the reporting year. However, various Lufthansa Group companies did enter into rental or operating lease contracts. These mainly relate to leases for aircraft and property, see the Notes to the consolidated financial statements, "Note 21" from p. 165.

In September 2013, the Lufthansa Group relaunched its Euro Medium Term Note (EMTN) programme, a form of debt issuance programme. The programme enables the Group to issue bonds on the capital market at very short notice. It is listed on the Luxembourg stock exchange.

Ongoing funding of pension obligations continues

The funding of pension obligations was continued in 2013. Contributions of EUR 712m were made across the Group. The funding of German pension obligations accounted for EUR 602m. In total, cash contributions valued at EUR 537m went to the Lufthansa Pension Trust.

Development of ratings

Rating / outlook	**2013**	2012	2011	2010	2009
Standard & Poor's	BBB– / stable	BBB– / stable	BBB– / stable	BBB– / stable	BBB– / negative
Moody's	Ba1 / stable	Ba1 / stable	Ba1 / stable	Ba1 / stable	Ba1 / stable

Rating grades unchanged with stable outlook

The two rating agencies Standard & Poor's and Moody's again confirmed their ratings for Lufthansa in 2013. This means that Lufthansa is the only airline in Europe, and one of only three worldwide, to have an investment grade rating from a rating agency.

Lufthansa's credit ratings

Standard & Poor's (June 2013)*	**Moody's Investors Service** (May 2013)*
Long-term: BBB- Short-term: A-3 Outlook: Stable	Long-term: Ba1 Short-term: Not Prime Outlook: Stable
Strengths	**Strengths**
+ One of the world's leading airlines with one of the largest route networks worldwide and strong positions at hubs in Frankfurt, Munich and Zurich	+ One of the largest airlines in the world with a strongly diversified route network in terms of geography
+ Well diversified business profile with leading positions in maintenance, repair and overhaul services as well as airline catering	+ Robust business profile with diversified business segments reduces its exposure to volatility in passenger and cargo business
+ Strong position in profitable long-haul business and premium traffic as well as in the German domestic market	+ Maintenance, repair and overhaul (MRO) and catering business segments deliver stable profit contribution
+ Strong liquidity position	+ Strong liquidity position
+ Experienced management with proven track record of steering the company through difficult economic environments, SCORE restructuring programme to reduce future costs	+ Company-wide programme SCORE launched in 2012 to meet the ongoing challenges in the airline industry and to generate synergies and cost reductions
Weaknesses	**Weaknesses**
– Cyclical industry, high capital intensity, sluggish economic conditions in European markets	– Marginal deterioration of credit metrics in 2012, mainly due to increased fuel expenses
– Profitability depends on volatile fuel prices	– Profitability depending on external factors including uncertain fuel prices, economic development in Europe and competition from low-cost carriers
– Significant pension obligations	– Limited flexibility to increase the share of secured financing

* Latest report.

Overall statement by the Executive Board

In the opinion of the Executive Board, the Lufthansa Group performed well in 2013. Considering the operating result excluding the non-recurring effects of restructuring costs and one-off project expenses, the improvement has been remarkable. In view of this, the Executive Board and the Supervisory Board propose to the Annual General Meeting to distribute a dividend again in line with the long-term dividend policy.

In 2013, all the business segments again contributed to the overall success with positive earnings. Aside from the weaker performance in the Logistics segment due to market conditions, all business segments increased their earnings after taking the factors mentioned into account. The performance of the Passenger Airline Group and MRO segments was particularly pleasing. Results at Lufthansa Passenger Airlines are still depressed by earnings-relevant product investments, but the underlying earnings improvement is already gaining traction. Here, in particular, the foundations have been laid for a further positive development in the year ahead.

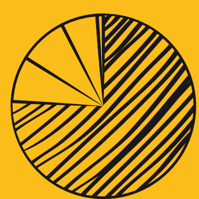
The reduction in net indebtedness, the retention of the investment grade rating and the good cash flow development illustrate our financial stability, which we can almost consider to be a unique selling proposition in comparison with our European and global competitors. In the year ahead, the SCORE programme will continue to strengthen the profitability and financial stability of the Lufthansa Group.

In 2013, the Group again earned its cost of capital and also created EUR 3.1bn in value in the form of a positive CVA. Excluding one-off effects from the adjustment to the useful lives of aircraft and reserve engines as part of the amendment to the depreciation policy, positive CVA was also generated. The Executive Board will continue to concentrate on sustainable value creation in the future. The CVA concept, used as the relevant metric until now, will be subjected to a critical review, however, following the changes in depreciation policy. The explicit aim nonetheless remains creating value for shareholders over the economic cycle.

Business segment
Passenger Airline Group

Revenue 23.5 €bn | **Operating result 495 €m**

Share of Group revenue
76.1%



→ Leading group of European quality carriers

↗ Leading position as industry leader and group of independent European quality carriers confirmed. ↗ Airline group is of vital importance for value creation within the Lufthansa Group. ↗ All airlines in the group are profitable. ↗ After five years, Lufthansa Passenger Airlines again generated a positive result in European traffic. ↗ Traffic revenue is stable. ↗ Operating profit before one-off expenses inreases.

Key figures Passenger Airline Group					of which Lufthansa Passenger Airlines[4]		
		2013	2012	Change in %	**2013**	2012	Change in %
Revenue	€m	23,513	23,559	−0.2	17,302	17,261	0.2
of which with companies of the Lufthansa Group	€m	675	704	−4.1			
Operating result	€m	495	556	−11.0	265	25	
Adjusted operating margin	%	2.6	2.9	−0.3 pts	2.2	0.7	1.5 pts
Segment result	€m	623	556	12.1			
EBITDA[1]	€m	2,105	2,145	−1.9	1,409	1,183	19.1
CVA[2]	€m	175	−340				
Segment capital expenditure	€m	1,837	1,868	−1.7			
Employees as of 31.12.	number	54,702	55,236	−1.0	39,847	40,622	−1.9
Average number of employees	number	54,789	55,649	−1.5	39,981	40,876	−2.2
Passengers carried[3]	thousands	104,587	103,590	1.0	76,261	75,174	1.4
Available seat-kilometres[3]	millions	262,682	260,169	1.0	193,807	191,902	1.0
Revenue seat-kilometres[3]	millions	209,649	205,015	2.3	153,334	149,879	2.3
Passenger load factor[3]	%	79.8	78.8	1.0 pts	79.1	78.1	1.0 pts

[1] Before profit/loss transfer from other companies.
[2] Previous year only partially comparable; see “Management system and supervision” chapter from p. 30.
[3] Previous year’s figures have been adjusted.
[4] Including Germanwings and regional partners.

Business and strategy

Leading group of European quality carriers
Passenger transportation is the Lufthansa Group's core business segment. The carriers Lufthansa Passenger Airlines (including Germanwings), SWISS and Austrian Airlines operate here in an airline group and realise important synergies by cooperating with each other. By developing its product portfolio in a structured manner and continuing to harmonise its processes, the airline group offers its customers a global route network of 274 destinations in more than 106 countries. The group's multi-hub strategy, which comprises the hubs Frankfurt, Munich, Zurich, Vienna and Brussels, offers passengers dependable choices for planning their individual journey and making their travel wishes come true. In addition to the airlines mentioned above, the Lufthansa Group also holds equity interests in the carriers Brussels Airlines, JetBlue and SunExpress, which are all presented as financial investments.

By virtue of its vital importance for value creation in the Group, the airline group also plays an important role for the service companies. The Executive Board is responsible for managing and safeguarding the strategic cooperation within the group of airlines. In the year under review, this was underlined in organisational terms by the appointment of a separate board member responsible for Group Airlines and Logistics.

The stated goal of the Passenger Airline Group is to build profitably on its position as an industry leader and a group of independent European quality carriers.

High quality, safety, punctuality, reliability and professional customer service are at the heart of the market strategy. An awareness of ecological responsibilities also features strongly in the airline group's business activities. The ongoing modernisation of the fleet is making an important contribution to this. In addition to the current expansion of the Boeing 747-8 fleet, which is 15 per cent more fuel-efficient than its predecessor and has 30 per cent lower noise emissions, Lufthansa Passenger Airlines passed two historic milestones in 2013 on its way to having a state-of-the-art, cost-effective and efficient fleet. In June 2013, the Lufthansa Group ordered 100 Airbus medium-haul aircraft, two modern A380s and six B777 long-haul aircraft for delivery by 2025. 70 of these aircraft will be equipped with highly efficient, latest-generation engines. In the third quarter, further orders were placed for 59 of the latest long-haul aircraft. 34 B777-9Xs and 25 A350-900s are to be delivered from 2016 and are intended to replace older B747-400s and A340-300s by 2025. With a volume of EUR 14bn at list prices, this is the largest single investment in the history of the Lufthansa Group. From 2014, SWISS will take delivery of the C-Series from Bombardier – new aircraft for European routes that also stand out for their efficient consumption of fuel. As well as the positive ecological effects, this modernisation will provide the airline group with an efficient fleet with low unit costs, which will satisfy the high customer expectations in terms of quality and reliability well into the future.

All the airlines in the Passenger Airline Group work continuously to improve their profitability. Ever tougher competition means that innovation is a decisive component of product differentiation.

On 1 July last year, Lufthansa Passenger Airlines therefore transferred all decentralised traffic in Germany, which are flights not operated from the hubs in Frankfurt or Munich, to the restructured Germanwings.

SWISS started an independent operating base in Geneva in 2013 alongside its hub in Zurich and introduced a flexible one-way fare structure there, in order to tackle tough competition at this site.

Austrian Airlines successfully continued the restructuring programme begun in 2012. As well as the cabin refit in the long-haul fleet, more flights to Eastern Europe were added to its winter flight timetable.

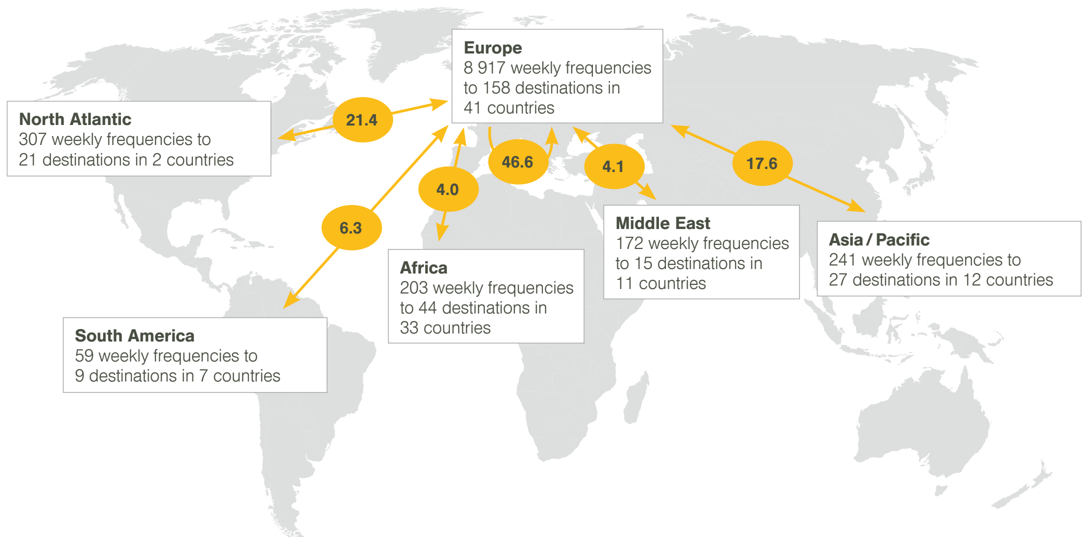
Having made remarkable progress, Brussels Airlines redoubled its restructuring efforts in 2013.

Markets and competition

The performance of the global airline industry varied widely across the individual regions. Consolidation and capacity discipline in North America, combined with the successful restructuring of formerly loss-making network airlines, brought the sector back to above-average profitability. The five largest carriers have an aggregate market share of around 90 per cent. The cost structures and product range of what used to be known as low-cost airlines have converged with those of the traditional network carriers.

On long-haul routes between Europe and North America, around 90 per cent of the market is served by just three large joint ventures between European and North American network airlines, which have all been approved by the competition authorities. Here, too, consolidation and strict capacity discipline have enabled the market participants to earn reasonable profits.

Destinations of Passenger Airline Group* and share of traffic revenue in %



* Frequencies per week Lufthansa Passenger Airlines, SWISS, Austrian Airlines und Brussels Airlines.

Share of revenue of the Passenger Airline Group exclusive Brussels Airlines.

In Europe, the three biggest network airlines Lufthansa Group, Air France/KLM and IAG together with the two major low-cost airlines Ryanair and easyJet hold around 40 per cent of the market. Their product range and cost structures are still very different in some cases. The profitability of the individual market players depends particularly on their own market and cost positions and varies widely across all segments.

In contrast, long-haul traffic between Europe and Asia is characterised by an even larger number of market participants, with different products and cost structures. In contrast to the markets mentioned above, growth, and so the competitive situation, in many sub-regions is very dynamic, but also particularly dependent on the volatile economic performance of the BRIC countries and emerging markets.

On Asian routes, the Lufthansa Group is therefore adversely affected by several factors. They include considerable lost revenue due to negative currency movements by the Japanese yen and Indian rupee, volatile economic developments and unbroken, rapid capacity growth by local Asian airlines and carriers from the Middle East. This region remains particularly challenging for the Lufthansa Group, partly due to the volatility, but above all as a result of ever increasing competition.

In its long-haul business between Europe and North America, by contrast, the Lufthansa Group can benefit disproportionately from the strong economic performance and ongoing capacity discipline. With its joint venture partners United Airlines and Air Canada, the Lufthansa Group is the market leader here.

Germanwings has established itself as a quality low-cost airline in the German market.

In Europe, a large number of measures are paying off for the Lufthansa Group that in some cases were initiated several years ago and are now bearing fruit. They include the reduction of fleet complexity at Lufthansa Passenger Airlines and the transfer of European traffic outside Frankfurt and Munich to the new Germanwings. Others are the above-mentioned repositioning of SWISS in Geneva and the capacity reductions at Austrian Airlines. In 2013, Lufthansa Passenger Airlines generated a positive result in European traffic for the first time in five years. The performance in European traffic is expected to remain stable.

Miles & More is Europe's leading frequent flyer programme in its jubilee year

As it celebrates its 20th anniversary, Miles & More remains the leading customer loyalty programme of the airline industry in Europe. It has over 23 million members, more than 35 airline partners and 350 commercial partners. In recent years, Miles & More has taken important steps to consolidate its market position, including establishing further regional concepts, a new IT infrastructure and launching the Miles & More app. The next step for the frequent flyer programme will be to introduce a series of enhancements in 2014. The miles awarded in Economy Class will more closely reflect the value of the ticket purchased.

The Executive Board and the Supervisory Board of Deutsche Lufthansa AG intend to propose to the Annual General Meeting to hive off the customer loyalty programme into a separate legal entity. The aim of the legal separation is to increase the growth and profitability of the new company. An independent company will also be able to act much more quickly, partly because its decision-making processes are shorter. The plan is to gain more new partners outside the airline business, which has been the main focus of Miles & More to date. This has further advantages, especially for customers who are not frequent flyers. In this way, the Lufthansa Group intends to make its customer loyalty programme even more attractive to its passengers in future. If approval is granted at the Annual General Meeting, the organisational steps are to be taken in summer 2014.

Course of business and operating performance

SCORE programme delivers substantial earnings improvement

By consistently implementing the measures initiated as part of the SCORE programme, the Lufthansa Group is sticking to its target of sustainably boosting its profitability. In addition to continuous optimisation within the individual airlines, the cooperation between them in the group is also being intensified. Joint purchasing initiatives for fuel, aircraft and handling services, the merging of freight activities and the optimisation of local traffic and joint airline group sales generate sustainable cost and income synergies by exploiting economies of scale. As a result of these activities, the earnings generated in the passenger business increased sharply year on year, after adjustment for the one-off earnings effects in 2012. For the first time in five years, Lufthansa Passenger Airlines' European traffic is profitable again – driven largely by the success of transferring decentralised traffic to Germanwings. Austrian Airlines has also returned to profitability.

Traffic revenue developed in line with the market segmentation last year. In the Americas traffic region, traffic revenue rose sharply year on year (+6.1 per cent) thanks to significant capacity growth (+5.4 per cent) and higher average yields (+0.2 per cent). As sales rose even more (+5.9 per cent), the load factor of the aircraft increased to 85.7 per cent (+0.4 percentage points).

Traffic revenue of EUR 10.1bn (+0.5 per cent year on year) was generated in the Europe traffic region. Average yields fell by 1.1 per cent due to exchange rate movements, and capacity was reduced by 0.8 per cent. Combined with sales growth of 1.7 per cent, this boosted the passenger load factor to 74.7 per cent (+1.9 percentage points).

Capacities in the Asia/Pacific traffic region were increased (+0.9 per cent) by one new flight from SWISS as well as structural measures at Lufthansa Passenger Airlines. Sales were 1.2 per cent higher, taking the passenger load factor up slightly by 0.2 percentage points to 81.7 per cent. Average yields fell by 8.1 per cent, mainly due to exchange rates but also to competition.

Capacity was reduced (–5.9 per cent) in the Middle East/Africa traffic region. Sales contracted by less, however (–5.5 per cent), so that the load factor went up to 74.2 per cent (+0.3 percentage points). Average yields fell slightly by 1.7 per cent.

Trends in traffic regions
Passenger Airline Group

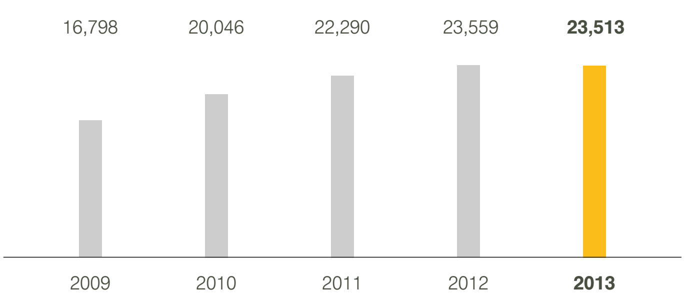
	Net traffic revenue in €m external revenue		Number of passengers in thousands		Available seat-kilometres in millions		Revenue seat-kilometres in millions		Passenger load factor in %	
	2013	Change in %	**2013**	Change in %	**2013**	Change in %	**2013**	Change in %	**2013**	Change in pts
Europe	10,136	0.5	83,897	0.8	91,829	–0.8	68,568	1.7	74.7	1.9
America	6,033	6.1	9,705	5.7	84,475	5.4	72,389	5.9	85.7	0.4
Asia/Pacific	3,828	–7.0	6,310	0.5	60,844	0.9	49,738	1.2	81.7	0.2
Middle East/Africa	1,747	–7.1	4,675	–5.2	25,533	–5.9	18,954	–5.5	74.2	0.3
Total	**21,743**	**–0.1**	**104,587**	**1.0**	**262,682**	**1.0**	**209,649**	**2.3**	**79.8**	**1.0**

Revenue and earnings development

Revenue stable year on year

Although traffic was up on the year, traffic revenue for the segment did not increase, but fell slightly by 0.1 per cent against the previous year to EUR 21.7bn. While sales volumes were up by 2.3 per cent, slightly lower prices (–0.1 per cent) and negative exchange rates effects (–2.3 per cent) resulted in lost revenue.

Revenue Passenger Airline Group in €m



Revenue declined by 0.2 per cent overall to EUR 23.5bn. Other operating income improved by 9.7 per cent to EUR 1.0bn, however. The increase stemmed largely from charging the restructuring costs of SCORE to Group functions (EUR 128m). As a result, total operating income only improved slightly by 0.2 per cent to EUR 24.5bn.

The adverse effect of exchange rates on traffic revenue was the main reason why it was not possible to achieve the revenue growth forecasted the previous year.

Expenses Passenger Airline Group

	2013 in €m	2012 in €m	Change in %
Cost of materials and services	15,296	15,749	–2.9
of which fuel	6,576	6,870	–4.3
of which fees	4,908	4,913	–0.1
of which operating lease	75	113	–33.6
of which MRO services	1,746	1,782	–2.0
Staff costs	4,203	3,647	15.2
Depreciation and amortisation	1,431	1,415	1.1
Other operating expenses	3,105	3,119	–0.4
of which agency commissions	344	357	–3.6
of which external staff	601	609	–1.3
Total operating expenses	**24,035**	**23,930**	**0.4**

Expenses up slightly by 0.4 per cent

Operating expenses increased by just 0.4 per cent to EUR 24.0bn. A decline in the cost of materials and services to EUR 15.3bn (–2.9 per cent) was offset by a rise of 15.2 per cent in staff costs to EUR 4.2bn. Lower fuel expenses were responsible for the lower cost of materials and services. Expenses were reduced by lower volumes (–1.7 per cent) and a weaker US dollar (–3.0 per cent), partly offset by a slight price increase (after hedging) of 0.4 per cent. Fees and charges were stable year on year at EUR 4.9bn. Other purchased services dropped by 2.9 per cent overall to EUR 3.5bn. This was largely due to declines in charter expenses (–25.4 per cent), expenses for operating leases (–33.6 per cent) and for MRO services (–2.0 per cent).

The average number of employees for the year fell by 1.5 per cent to 54,789, while staff costs were 15.2 per cent higher at EUR 4.2bn. The transfer of Austrian Airlines' flight operations to Tyrolean Airways and the settlement of bmi's pension obligations reduced expenses by a total of EUR 325m in the previous year. Adjusted for these effects, expenses rose by 5.8 per cent – largely due to higher interest-rate-related contributions to pension provisions as well as to restructuring costs as part of SCORE.

Depreciation and amortisation rose by 1.1 per cent to a total of EUR 1.4bn mainly due to new aircraft deliveries this year and last.

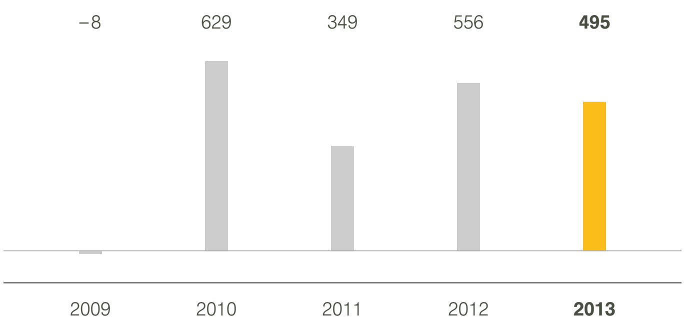
Other operating expenses fell moderately by 0.4 per cent to EUR 3.1bn. Lower exchange rate losses (EUR –85m) were offset by higher write-downs on current assets (EUR +33m) and higher advertising and sales promotion expenses (EUR +18m), among other things.

Operating profit down to EUR 495m due to positive effects in the previous year

Despite higher traffic, the operating result for the Passenger Airline Group was down on the previous year. The segment generated an operating profit of EUR 495m, compared with a profit of EUR 556m the previous year. The decline is primarily due to the positive effects in the previous year totalling EUR 325m from transferring Austrian Airlines' flight operations to Tyrolean Airways, and the settlement of bmi's pension obligations.

Adjusted solely for the previous year's income from these transactions of EUR 211m resulting from the changes to pension obligations in accordance with IAS 19R, the operating result of the Passenger Airline Group would have risen – as forecast in the 2012 annual report – from EUR 345m to EUR 495m. Although Lufthansa Passenger Airlines and SWISS were able to increase their result, Austrian Airlines reported a sharp fall in earnings, largely due to the non-recurring effects mentioned above. After adjustment, Austrian Airlines would also have seen an improvement in earnings. Comments on the earnings of the individual airlines can be found in the following sections from p. 63.

Operating result Passenger Airline Group in €m



Other segment income of EUR 155m (EUR –2m) was attributable above all to book gains on the disposal of non-current assets (EUR 25m) and income from write-backs of provisions (EUR 120m). Other segment expenses came to EUR 63m (EUR –79m). Of total impairment losses (EUR 125m) EUR 124m related to the 44 aircraft listed in the "Earnings position" chapter on p. 46, which were retired or are held for disposal. Other impairment losses of EUR 8m were incurred on two Boeing 747-400s, one Airbus A340-300, three ATRs as well as repairable spare parts for aircraft, which are shown in the balance sheet as assets held for sale. Depreciation and amortisation were reduced by EUR 78m in 2013, and impairment losses by EUR 76m, due to the change in the depreciation method. As this change was of an extraordinary nature, the reduction in depreciation and amortisation was not attributed to operating expenses.

The result of the equity valuation of EUR 36m (previous year: EUR –15m) mainly concerned Terminal 2 GmbH & Co. OHG (EUR 35m), SunExpress (EUR 14m) and SN Airholding (EUR –13m). The segment result improved overall by EUR 67m to EUR 623m.

Segment capital expenditure declines

Segment capital expenditure declined slightly by EUR 31m to EUR 1.8bn. It comprised the 43 aircraft listed in the "Assets and financial position" chapter on p. 50, as well as aircraft overhauls and down payments.

Long-term overview shows considerable volatility

The long-term overview highlights the earning power and thus the importance of the Passenger Airline Group for the Lufthansa Group, as well as the effect on earnings of the economic cycle. Despite the financial crisis, the Passenger Airline Group generated a strong operating result in 2008, whereas in 2009 the global recession then had a very adverse impact, however. In the first year after the crisis, the segment recovered quickly, generating a substantial operating profit. In 2011 and in the reporting year 2012, by contrast, the gloomier economic environment and the high oil price had a marked impact on the earnings of the Passenger Airline Group. Significant non-recurring effects also had a positive impact on the earnings situation in 2012. Under these circumstances, the result achieved in 2013 should be seen as positive.

Lufthansa Passenger Airlines

Business and strategy

Lufthansa Passenger Airlines reorganises core business successfully and invests in its fleet

Lufthansa Passenger Airlines (including Germanwings) is the largest airline in Germany with a fleet of 396 aircraft. In 2013, it generated revenue of EUR 17.3bn and employed an average of 39,981 staff. Its business is focused on passenger transportation as a quality carrier with full network capacities. Lufthansa Passenger Airlines has two modern hubs at the heart of Europe: Frankfurt as the base for global flights, and Munich, which concentrates on Germany, Europe, North America and Asia. Every week, Lufthansa Passenger Airlines offers 12,162 flights to 218 destinations in 82 countries. The Lufthansa Passenger Airlines network strategy is primarily oriented towards the needs of business travel, although it is increasingly expanding into leisure travel segments.

Decentralised European traffic outside the two hubs in Frankfurt and Munich was transferred to Germanwings on 1 July 2013. Germanwings serves Berlin, Bremen, Dusseldorf, Hamburg, Hanover, Cologne, Nuremberg, Stuttgart, Leipzig and Dresden with a fleet of up to 90 aircraft as a quality carrier in the low-cost segment.

Germanwings is a consolidated company of Lufthansa Passenger Airlines, and will now be the third largest airline in Germany, with around 16 million passengers a year. This line-up makes it possible to align European capacities with the structure of demand in the home markets and with the need for feeder services for intercontinental traffic as well as within the Passenger Airline Group.

In addition to transferring the decentralised routes to Germanwings, another important topic in the 2013 financial year was the ongoing reduction of fleet diversity and management complexity. In the short-haul fleet, smaller aircraft with up to 70 seats as well as Boeing 737 fleets, which both have high unit costs, are to be retired from service by early 2016. They will be replaced with new aircraft from the Airbus A320 family. This will reduce unit costs and the average age of the fleet. From 2016, the short-haul fleet will then consist solely of the three A320 family, Embraer family and Bombardier CRJ-900 sub-fleets.

The efficiency of internal ground and administrative processes was reviewed as part of the SCORE programme. Over the course of the year, 220 measures were developed along the core process chain, which are intended to improve the result sustainably by EUR 180m. At the end of the year, these steps were under discussion with the co-determination bodies. Other measures to improve earnings in intercontinental traffic are also being drawn up. Tangible earnings improvements are also expected from varying the flight timetable for selected routes according to the season. Other activities aim at optimising fuel consumption, increasing seating capacities per aircraft and optimising fleet productivity while simultaneously cutting ground times.

Lufthansa Passenger Airlines continues to invest in the modernisation of its fleet. Along with the ongoing addition of the modern and efficient Airbus A380 and Boeing 747-8 aircraft, the Lufthansa Passenger Airlines fleet was also strengthened by the arrival of A320 aircraft with innovative sharklets. The 22 brand-new Airbus A320s, due for delivery by early 2015 to replace older aircraft, will all be fitted with sharklets. These new aircraft all have much lower unit costs, lower fuel consumption per passenger and reduced noise emissions.

A total of 157 aircraft from the Airbus A320 family were retrofitted with vortex generators to improve noise protection. These are based on the findings of research carried out by Lufthansa Passenger Airlines and the German Aerospace Center. Vortex generators eliminate unpleasant tones and therefore reduce the total noise generated by approaching aircraft by up to two decibels.

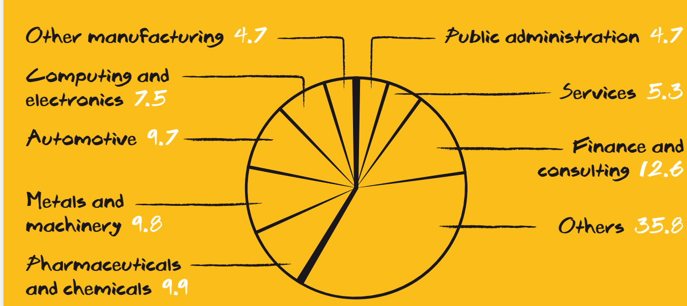
The modification of the existing fleet is to start in early 2014. All the new A319, A320 and A321 aircraft due for delivery will be fitted with vortex generators as standard.

Markets and competition

Lufthansa Passenger Airlines is increasingly in competition with the expanding state-owned airlines from the Gulf region. Partnerships and joint ventures, as well as the reduction of unit costs and capital expenditure on the product, all strengthen Lufthansa Passenger Airlines' competitive position.

Low-cost carriers are also a defining feature of competition in Germany and Europe, and they are continuing to expand. By transferring decentralised European traffic to Germanwings last year, Lufthansa Passenger Airlines took an important step towards sustainably improving its profitability. Last year, Lufthansa Passenger Airlines also continued to harmonise its fleet and to restructure its regional traffic. These activities make a key contribution to boosting profitability.

Sector origin of Lufthansa Passenger Airlines' corporate customers
in %



Course of business and operating performance

SCORE enables a sustainable increase in profitability in a tough market environment

In a difficult environment in 2013, Lufthansa Passenger Airlines was able to take an important step towards sustainably improving its profitability. As the operating result was increased year on year by EUR 240m to EUR 265m, it plays an important role in improving the profitability of the Passenger Airline Group. The main reasons for the improved profitability were the successful transfer of loss-making European traffic to the new Germanwings, and, in particular, the ongoing optimisation of the relationship between unit costs and unit revenue. Although the number of flights declined by 3.7 per cent, Lufthansa Passenger Airlines was able to keep its capacity stable by altering the configuration of passenger classes on board. Sales even increased, which boosted the load factor of the flights. Average yields came under pressure, especially in Asia, due to the strong euro, but these were more than offset by cost savings. Lower fuel prices also contributed to Lufthansa Passenger Airlines' better result.

New satellite terminal in Munich provides room for growth

Continuous, targeted infrastructure development helps to strengthen Lufthansa Passenger Airlines in its European home market. Following the opening of the new runway and the inauguration of the new A-Plus pier at Terminal 1 in Frankfurt in the previous year, another milestone was reached in 2013: together with its system partners, the Lufthansa Group celebrated the topping-out ceremony for the new satellite terminal at Munich Airport, which will contribute to enhancing the quality of Terminal 2 at the site. The new satellite building is scheduled for completion in 2015, and will have room for an additional 11 million passengers a year. This lays the foundations for sustainable growth by Lufthansa Passenger Airlines in Munich.

Investment in the fleet is for the benefit of passengers

Lufthansa Passenger Airlines is to install the new Business Class in all existing long-haul aircraft by summer 2015. The new product is currently fitted in all new deliveries of the Boeing 747-8 and in some of the Airbus A330 aircraft. The FlyNet broadband internet connection is already available on more than 90 of Lufthansa Passenger Airlines' wide-bodied aircraft. In this area, Lufthansa Passenger Airlines is a global technology leader. Expenses of around EUR 200m were incurred in 2013 for the refit of the cabin. This is roughly EUR 100m more than those incurred in a normal year.

Lufthansa Passenger Airlines will add an additional travel class, Premium Economy, to its product portfolio on the intercontinental fleet, in order to meet increased market demand for a travel class above Economy Class. The product features will essentially be oriented towards those in the existing Economy Class, with the addition of specific improvements in terms of leg-room and seat comfort, for example.

Lufthansa Passenger Airlines has started another sales offensive with a whole host of improvements to its Premium class in-flight services. They are intended to underpin its aspiration to become the first five-star airline in Europe. The airline will be offering long-haul and short-haul passengers in First and Business Class a wider and even higher quality range of meals and a revised selection of drinks.

With these qualitative and quantitative enhancements to its in-flight services, Lufthansa Passenger Airlines wants to cater even more precisely to its passengers' wishes. Medium-haul flights on 20 aircraft in the A321 fleet will be equipped with the BoardConnect in-flight entertainment system from Lufthansa Systems from summer 2014 onwards. This means that Lufthansa will be the first airline to offer its passengers a wide range of films, music, e-magazines and other digital products on selected European flights.

Prestigious awards reflect high quality and customer satisfaction

The investment in products and services is making a good impression, as demonstrated by the numerous awards received by Lufthansa Passenger Airlines in 2013. At the World Airline Awards, the airline collected prizes for the Lufthansa First Class Terminal at Frankfurt Airport and the First Class Lounges at the hubs in Frankfurt and Munich. Lufthansa Passenger Airlines was also voted the best airline in Western Europe and the best on transatlantic routes. For the third time in a row, the airline also earned the title of "Europe's Leading Airline" at the World Travel Awards. Other accolades included the "Best European Airline in the Middle East" from the Business Traveller Middle East magazine (Dubai) and "Best Western European Airline" and "Best Transatlantic Airline" at the World Airline Awards organised by Skytrax in Paris.

Revenue and earnings development

Operating profit up and income stable

Lufthansa Passenger Airlines reported growth of 1.4 per cent in passenger numbers in 2013. The number of flights fell by 3.7 per cent to 715,035, but available seat-kilometres increased by 1.0 per cent, largely thanks to the use of larger and more efficient aircraft. As revenue seat-kilometres rose faster than capacity (+2.3 per cent), the passenger load factor increased by 1.0 percentage point.

Revenue came to EUR 17.3bn, 0.2 per cent above last year's figure. Traffic revenue also rose slightly by 0.3 per cent, while average yields per revenue passenger-kilometre contracted by 1.9 per cent. Lufthansa Passenger Airlines reported an operating result of EUR 265m in 2013 (previous year: EUR 25m). The adjusted operating margin was 2.2 per cent (previous year: 0.7 per cent).

SWISS

SWISS*

		2013	2012	Change in %
Revenue	€m	4,223	4,220	0.1
Operating result	€m	226	204	10.8
EBITDA	€m	525	516	1.7
Employees as of 31.12.	number	8,647	8,378	3.2
Average number of employees	number	8,573	8,269	3.7
Passengers carried	thousands	17,039	16,949	0.5
Available seat-kilometres	millions	46,348	45,114	2.7
Revenue seat-kilometres	millions	38,609	37,185	3.8
Passenger load factor	%	83.3	82.4	0.9 pts

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

Business and strategy

The Swiss national carrier is committed to high quality standards

Swiss International Air Lines (SWISS) is the biggest airline in Switzerland, and together with Edelweiss offers a global route network with a fleet of 97 aircraft. The company's hub is in Zurich, and in 2013 it had an average of 8,573 employees worldwide.

SWISS stands for traditional Swiss values such as quality, punctuality and hospitality. SWISS is committed to the highest product and service quality, and stands out for its particular closeness to customers. The SWISS target group are business travellers, but the company also has a strong presence in the leisure travel market. Edelweiss, the leading holiday airline in Switzerland, complements the product range in the leisure travel segment. On all intercontinental routes, SWISS offers a three-class product with First, Business and Economy Class. At the World Travel Awards 2013, it was voted "Europe's Leading Airline Business Class" for the third year in succession.

Markets and competition

Geneva site successfully expanded

SWISS moved forward with the development of an independent operating base in 2013, with a new business model for its site in Geneva. Since 1 September 2013, SWISS has offered flexible, new one-way fare models here. The flight timetable was also made more seasonal and many new destinations were added. At the end of July 2013, SWISS included a flight connection from Geneva to Saint Petersburg, and integrated Olbia, Catania and Ajaccio as destinations in the summer flight timetable. In autumn 2013, another six destinations were introduced from Geneva, including Stockholm, Oslo and London Gatwick. In November 2013, the first local cabin crews started working at the site. The aim is to develop a base with 150 flight attendants and 80 pilots in Geneva.

New direct connection established

Zurich to Singapore, the latest long-haul connection added to the route network in May 2013, is already performing well. A flight from Zurich to the Ukrainian capital Kiev has also been scheduled since late October 2013. In the 2013/2014 winter flight timetable, SWISS served a total of 24 intercontinental destinations and 52 European cities from Zurich, Geneva and Basel. Edelweiss offers flights to 45 destinations in total from Zurich and Geneva.

Commitment to coherent political and economic conditions is continued

In terms of fees and charges, the airport in Zurich is one of the most expensive in Europe. In Switzerland's political debate, SWISS is campaigning for coherent conditions, which shall allow for sustainable, profitable growth. Despite intensive negotiations between Flughafen Zürich AG and the airlines concerned on a new system of fees and charges at the site, no agreement was reached last year within the prescribed legal time limit. Consequently, the Swiss Federal Office of Civil Aviation issued an administrative order. This provides for successive increases in airport fees from 2014. Together with the Lufthansa Group airlines and the Board of Airline Representatives Switzerland, SWISS has appealed against this order to the Swiss Federal Administrative Court. This has the effect of delaying the execution of the order. At the same time, constructive talks between all parties on a mutually acceptable solution are continuing.

The German government also still has to ratify the state treaty governing approach flights over German territory. This treaty is vital for establishing a legal foundation and planning certainty for the approach routes and therefore for the capacity of the airport.

Course of business and operating performance

Extensive investment in the SWISS fleet

On 16 September 2013, the new C-Series 100 aircraft from Bombardier successfully completed its maiden flight. According to the manufacturer, the aircraft's noise emissions are 50 per cent lower than the current Avro fleet in service at SWISS, which is to be replaced successively by C-Series aircraft from 2015. Fuel consumption is also around 25 per cent lower than for the predecessor models. SWISS is the first customer for this aircraft type.

SWISS has also ordered six Boeing 777-300ERs to replace part of its Airbus A340-300 fleet, with deliveries from 2016. A total of 30 Bombardier C-Series aircraft are to be purchased, plus one A330-300 and one A321. The current SWISS fleet, including Edelweiss, consists of 92 proprietary aircraft as of year-end 2013, with another five aircraft on wet leases.

SCORE programme is taking effect

Around 200 initiatives involving all areas of the company are currently being implemented as part of the SCORE programme. To date, it has generated savings in the double-digit million range, including in fuel management. This was achieved thanks to better analyses of the back-up fuel volumes required, lighter cargo containers, further improvements to flight speeds and changes to flight paths. These structural measures helped to offset the high exogenous cost of fuel and the difficulties caused by the undiminished strength of the Swiss franc. Another area of focus was the outsourcing of administrative activities to the Lufthansa Group's shared services centres. In January 2013, 19 jobs were cut in the finance department as part of the development of LGBS, a service company for the entire Group. Further outsourcing potential is under review.

Revenue and earnings development

Further rise in traffic figures

The North Atlantic traffic region performed particularly well, while the result for the Asian region was weaker due to exchange rates and tough competition. European traffic remains under pressure. The passenger load factor came to 83.3 per cent (+0.9 percentage points). Passenger numbers increased to 17,0 million (+0.5 per cent). Across the entire route network, SWISS added 2.7 per cent to its available seat-kilometres and increased the number of revenue seat-kilometres by 3.8 per cent at the same time. This sales increase kept traffic revenue stable (–0.1 per cent), despite a decline of 3.8 per cent in average yields.

SWISS again performed well in a difficult market environment.

Further increase in revenue and earnings

Last year, SWISS was able to increase both revenue and the operating result compared with the previous year. Revenue improved slightly by 0.1 per cent to EUR 4.2bn. The operating result was up by 10.8 per cent to EUR 226m. Measured in Swiss francs, the rise in the operating result was even steeper. The steps taken in the course of the SCORE programme made a major contribution to this positive earnings performance, especially those which focused on expenses.

Austrian Airlines

Austrian Airlines*

		2013	2012	Change in %
Revenue	€m	2,069	2,158	–4.1
Operating result	€m	25	203	–87.7
EBITDA	€m	201	366	–45.1
Employees as of 31.12.	number	6,208	6,236	–0.4
Average number of employees	number	6,235	6,504	–4.1
Passengers carried	thousands	11,288	11,467	–1.6
Available seat-kilometres	millions	22,528	23,154	–2.7
Revenue seat-kilometres	millions	17,705	17,952	–1.4
Passenger load factor	%	78.6	77.5	1.1 pts

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

Business and strategy

Austrian Airlines is the specialist for Central and Eastern Europe

Austrian Airlines is Austria's largest airline, operating a global route network to some 130 destinations. Its route network in Central and Eastern Europe is very tightly woven, with 41 destinations. The favorable geographic position of its home base in Vienna, situated in the heart of Europe, makes it the ideal hub between East and West. The company employed an average of 6,235 staff around the world in 2013. Since 1 July 2012, most of the Austrian Airlines Group's flight operations have been pooled at its wholly owned subsidiary Tyrolean Airways.

Markets and competition

Product improvements show results

Low-cost carriers have a comparatively high level of market penetration in Vienna. This is compounded by the growing presence of airlines from the Middle East. Austrian Airlines is addressing this competition by means of its restructuring, which continues to go well, and by strict capacity and cost discipline. Successful capacity management enabled unit costs to be cut in all traffic regions in 2013.

Since August, passengers have enjoyed the benefits of the new cabin design on all long-haul flights. In addition to more comfortable seating in Economy Class, they also include a modern in-flight entertainment system and innovative, fully flat Business Class seats. Since its introduction, the cabin refit has substantially increased customer satisfaction on long-haul routes, and average yields have also risen. The redesign of all Fokker and Bombardier Dash 8-400 aircraft was also completed in November 2013. This means that all the aircraft in the short-haul fleet now have a new, uniform interior design.

Austrian Airlines reached break-even without non-recurring effects for the first time since joining the Lufthansa Group.

Course of business and operating performance

Long-haul network to be extended

The Supervisory Board of Deutsche Lufthansa AG has granted its approval to the Austrian Airlines Group to lease an additional Boeing 777-200 long-haul aircraft. This decision was based on the success of the restructuring activities and on the growth forecasts for the long-haul market from Vienna – especially to North America and Asia. It will safeguard the airline's competitiveness at its base in Vienna in the long term. From summer 2014, the extra aircraft will enable Austrian to expand its route network in North America. A B777 will fly to Washington in future, Chicago will be upgraded to daily flights and Newark will be included as a new destination.

Transferring flight staff to Tyrolean Airways in June 2012 was a key element of the restructuring concept, after negotiations with the works council for flight staff had failed. The Labour and Social Court in Vienna has determined, in a ruling which is not yet definitive, that the employment contracts of the staff affected did not effectively pass to Tyrolean Airways. The ruling does confirm that the provisions of the Austrian Employment Contract Amendment Act (AVRAG) were formally adhered to, but maintains that the transfer of employees was nonetheless an abuse of the law and therefore invalid. Austrian Airlines has appealed against the ruling, which is not final, but the appeals court suspended the case. The Vienna Higher Regional Court first wants to wait for a decision by the European Court of Justice (ECJ) on the continued validity of the collective bargaining agreement before it continues to hear the appeal.

The Austrian Supreme Court referred the case to the ECJ to clarify specific legal matters in connection with the ongoing proceedings concerning the continued validity of the collective bargaining agreement mentioned above. On the basis of the legal opinions it has received, Austrian Airlines assumes that it will emerge from the litigation victorious. A final legal ruling is not expected before 2015, however. The aim is rather to reach a mutually acceptable, sustainable and satisfactory solution together with the labour union partners. With this in mind, talks are already under way with the works council for the flight staff of Tyrolean Airways on a new wage settlement.

Revenue and earnings development

Positive operating result achieved

In its operating business, Austrian Airlines carried fewer passengers than in 2012: numbers were down by 1.6 per cent to just under 11.3 million. Capacity was reduced by 2.7 per cent. As sales fell by less (–1.4 per cent), the load factor of 78.6 per cent was higher than the previous year (+1.1 percentage points). Average yields fell slightly by 2.4 per cent. In conjunction with lower sales, this brought traffic revenue down by 3.8 per cent.

Revenue fell year on year by EUR 89m to EUR 2.1bn as a result of the lower capacity. Operating income also includes contributions from charging restructuring costs incurred in the previous year from the SCORE programme to the Group. Austrian Airlines' operating result for 2013 was positive at EUR 25m. This represents a year-on-year improvement of EUR 32m in total, after adjustment for the one-off effects of transferring flight operations.

Business segment
Logistics

Revenue 2.4 €bn | **Operating result 77 €m**

↗ Lufthansa Cargo offers a comprehensive range of products for the airfreight business worldwide. ↗ It serves some 300 destinations in more than 100 countries. ↗ Demand remains moderate, average yields are under pressure. ↗ Strategic partnerships are still very important. ↗ Comprehensive earnings-improvement measures implemented. ↗ Market contraction nonetheless leads to lower revenue and operating result.

Key figures Logistics

		2013	2012	Change in %
Revenue	€m	2,442	2,688	–9.2
of which with companies of the Lufthansa Group	€m	24	26	–7.7
Operating result	€m	77	105	–26.7
Adjusted operating margin	%	3.6	4.3	–0.7 pts
Segment result	€m	88	128	–31.3
EBITDA[1]	€m	131	198	–33.8
CVA[2]	€m	–41	65	
Segment capital expenditure	€m	318	198	60.6
Employees as of 31.12.	number	4,589	4,606	–0.4
Average number of employees	number	4,554	4,609	–1.2
Freight and mail[3]	thousand tonnes	1,715	1,732	–1.0
Available cargo tonne-kilometres[3]	millions	12,490	12,531	–0.3
Revenue cargo tonne-kilometres[3]	millions	8,731	8,728	0.0
Cargo load factor[3]	%	69.9	69.7	0.2 pts

[1] Before profit/loss transfer from other companies.
[2] Previous year only partially comparable; see "Management system and supervision" chapter from p. 30.
[3] Previous year's figures have been adjusted.

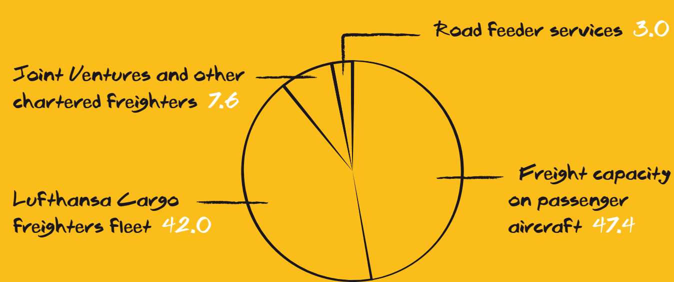
Business and strategy

A global market leader in the airfreight business

Lufthansa Cargo is the logistics specialist within the Lufthansa Group. As of 31 December 2013, the company's own fleet consisted of 18 MD-11F cargo aircraft as well as two of the five Boeing 777Fs on order. In addition to Lufthansa Cargo AG, the Logistics segment includes the airfreight container management specialist Jettainer GmbH and the equity investment in the cargo airline AeroLogic GmbH. Since September 2013, the Chinese airline Jade Cargo International, which is now in insolvency proceedings, has no longer been accounted for using the equity method in the consolidated financial statements. Lufthansa Cargo also holds equity investments in various handling companies. Lufthansa Cargo markets capacities on its own freighters and chartered cargo aircraft, along with belly capacities on passenger aircraft operated by Lufthansa Passenger Airlines and Austrian Airlines. Altogether, this makes the company one of the world's leading cargo airlines.

Lufthansa Cargo reorganised its charter business in the first quarter of 2013. All the charter activities were reintegrated into Lufthansa Cargo AG as of 1 April. A new partnership with the leading global charter broker Chapman Freeborn Airmarketing GmbH shall ensure better marketing of internal aircraft capacities that become available at short notice.

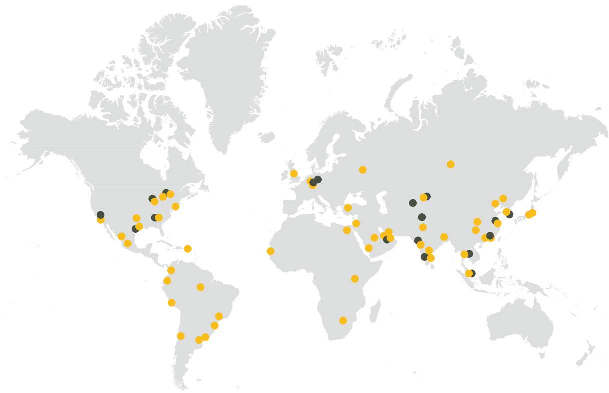
Composition of Logistics capacity
in %



Broad product range and global network

The focus of Lufthansa Cargo's operations lies in the airport-to-airport business. Its product portfolio in this segment covers both standard and express freight. The transport of special cargo forms an important pillar of the product range. The carriage of live animals, valuable cargo, mail, dangerous goods and above all temperature-sensitive goods, plays an ever growing role. Frankfurt Airport acts as the hub for the freighter fleet. Other important hubs are Munich and Vienna with their extensive long-haul networks.

Locations Lufthansa Cargo Freighters fleet



● Lufthansa Cargo destinations ● AeroLogic destinations

Lufthansa Cargo transports nearly half its freight on board cargo aircraft and roughly the same amount on board passenger aircraft. Freight consignments by truck account for the remaining cargo tonnage. These are principally used for transport to and from airports.

All the product segments benefit from a tightly meshed global network of around 300 destinations in more than 100 countries, which is made possible by combining capacities from different production platforms.

Markets and competition

Asia/Pacific and America are the most important traffic regions for Lufthansa Cargo

Global airfreight markets again experienced subdued demand in 2013. Only towards the end of the year did demand improve. The most important traffic regions for Lufthansa Cargo are still Asia/Pacific and North and South America. In terms of total revenue, Germany and the rest of Europe still represent the most important sales markets, with a share of around 50 per cent.

Competitors are mainly other airlines with significant freight capacities in their long-haul fleets, as well as airlines with a mix of cargo and passenger aircraft and pure freighter operators. It is increasingly apparent that competitors are deploying fewer cargo aircraft, while freight capacities on passenger aircraft are increasing steadily.

Strategic partnerships intensified
Lufthansa Cargo again concentrated its efforts on developing the long-term relationships with its strategic partners in 2013. The Global Partner programme plays a vital role in this respect. Eleven Global Partners account for nearly 50 per cent of Lufthansa Cargo's revenue. The programme aims to retain customers over the long term and for all partners to participate in the global growth of the airfreight market by integrating their operations in the best possible way. At the twelfth Global Partner Council, the annual meeting between Lufthansa Cargo and its Global Partners, DHL was awarded the Planet Award of Partner Excellence. In addition to their successful customer-supplier relationship, Lufthansa Cargo and DHL are also linked by their joint cargo airline Aerologic. The Leipzig-based airline now flies eight B777 freighters to more than 20 destinations on behalf of both partners.

As well as the Global Partners, small and medium-sized shipping companies are also very important for Lufthansa Cargo. They are served by specialised key account management and their own Business Partnership programme.

Course of business and operating performance

Investment in the future secures position as market leader
The contraction of the airfreight business that began in 2012 continued in 2013. Average yields fell sharply, although freight volumes remained stable. Thanks to its flexible and demand-oriented capacity management, Lufthansa Cargo is still earning an operating profit but could not match last year's result.

Last year, Lufthansa Cargo was one of the few cargo airlines worldwide to invest in new aircraft, modern technologies and its route network, despite the difficult economic conditions. The first two brand-new Boeing 777 freighters have been in service on scheduled operations since late 2013. This puts Lufthansa Cargo in an even stronger position for the future. The “Triple Seven” is quieter, more economical and more reliable than all other cargo aircraft in its class. The modernisation of the fleet is just one of many projects in the “Lufthansa Cargo 2020” programme, with which Lufthansa Cargo aims to maintain and develop its position as a leading airfreight service provider. Altogether, the company expects to take delivery of five new B777 freighters by 2015, which will replace some of the current MD-11 cargo aircraft.

In 2013, Lufthansa Cargo concentrated on strengthening its position in North and South America. A new flight was scheduled to Lima in Peru, and the Mexican high-tech centre Guadalajara was included in the flight timetable for the first time.

Sustainability and social responsibility play an important role
During the reporting period, Lufthansa Cargo continued to move forward with its programme to digitalise processes. In May 2013, the cargo airline acceded to an agreement established by IATA to greatly simplify the use of electronic air waybills (eAWBs) in the future. Freight forwarders that want to use eAWBs only need to sign an agreement with IATA to recognise electronically transmitted air waybill data. This agreement is then automatically valid for all participating airlines. Since November 2013, the airline's customers have also been able to transmit security information relating to specific consignments electronically. The electronic Consignment Security Declaration (eCSD) was officially approved for transport from Germany by the German Federal Aviation Authority. Simplifying the eAWB and introducing the eCSD are two more milestones which have been reached on the way to paperless airfreight. Lufthansa Cargo AG is an eAWB lead carrier for Germany, India and other countries, and already ships around 8 per cent of all potentially eligible consignments without a paper air waybill. By 2015, the paperless airfreight system should be standard on all of Lufthansa Cargo's qualifying connections. Last year, Lufthansa Cargo also reinforced its own electronic booking channels. More than 56 per cent of global bookings were made via the eServices platform in 2013.

In spring 2013, Lufthansa Cargo held its third “Cargo Climate Care” environmental conference, which attracted 200 representatives from the worlds of logistics, politics and academia to discuss environmental topics relating specifically to airfreight. Last year, Lufthansa Cargo again presented its “Cargo Climate Care Award”. This environmental prize, with the slogan “More Ideas for Fewer Emissions”, is awarded to customers and employees of the cargo airline who have made a particular contribution to protecting the environment.

In late 2013, Lufthansa Cargo put on two free aid flights for the population of the Philippines, who were severely affected by Typhoon Haiyan. Working with the “Aktion Deutschland Hilft” emergency aid alliance, Lufthansa Cargo quickly and pragmatically transported nearly 100 tonnes of relief supplies to Manila. Lufthansa Cargo's mission followed a long tradition of putting on prompt and professional aid flights to crisis regions in the event of humanitarian catastrophes.

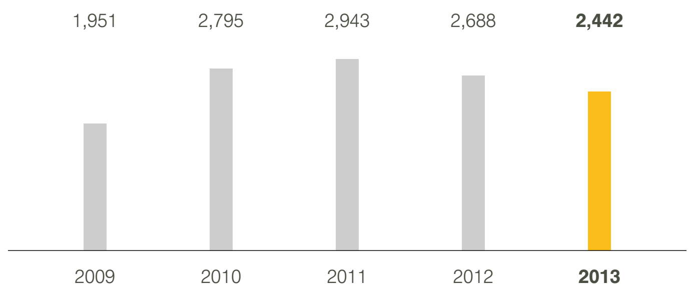
Individual SCORE activities deliver more than EUR 70m in earnings improvements in 2013

Last year, Lufthansa Cargo initiated and implemented a large number of measures as part of the Group-wide SCORE programme. Lufthansa Cargo has made a commitment to contributing at least EUR 70m in earnings improvements to the Group's target by 2015. In 2013 alone, Lufthansa Cargo contributed individual earnings improvements of EUR 73m to the programme. Nearly two years into the project, this means that Lufthansa Cargo has made total SCORE contributions of more than EUR 100m. They are not directly visible in the net result, however, because of persistently negative market trends. The measures taken have effects on both, cutting costs and increasing income. Important individual activities included the introduction of a new IT tool for booking management, which contributed more than EUR 3m, and the joint "Product Push" initiative by sales and product management, which delivered EUR 15m and is intended to significantly boost revenue from profitable specialist products. The MD-11 freighters were also fitted with a new technology known as SATCOM/FANS, which enables information to be exchanged globally by satellite between ground support and aircraft. This makes it possible to take more direct flight routes and through this generates economic, operational, ecological and security-related benefits.

Awards in recognition of Lufthansa Cargo's high quality

As in previous years, Lufthansa Cargo again picked up a large number of awards in 2013 for the high quality of its products and services. As in the past, the company was voted the best European freight airline at the Cargo Airline of the Year Awards. Lufthansa Cargo also won a prize in the North American market. The US Airforwarders Association voted Lufthansa Cargo the best international cargo airline at its annual membership convention in Las Vegas, USA.

Revenue Logistics in €m



Operating performance impacted by decline in the global airfreight market

The year 2013 was again dominated by the challenging market environment. Freight volumes fell year on year by 1.0 per cent. Capacity was cut by 0.3 per cent. As cargo tonne-kilometres were unchanged on the previous year, the company was able to keep its cargo load factor very high at 69.9 per cent (+0.2 percentage points year on year). Average yields fell overall by 7.8 per cent.

Tonnage in the Asia/Pacific region rose slightly compared with 2012 (+0.1 per cent). Demand to and from China continued to stabilise. Sales in the Japanese market were flat. Capacity in the Asia/Pacific traffic region was reduced year on year by 3.0 per cent, while sales increased by 1.1 per cent. The cargo load factor climbed considerably by 3.2 percentage points.

The drop in tonnage was sharpest in the Americas region, at 1.9 per cent. Business ex North America was the main driver of this development. The share of South American business increased, so that sales only shifted slightly by –0.3 per cent compared with 2012. Capacity was extended by 2.6 per cent, and the cargo load factor fell by 1.9 percentage points.

Trends in traffic regions
Lufthansa Cargo

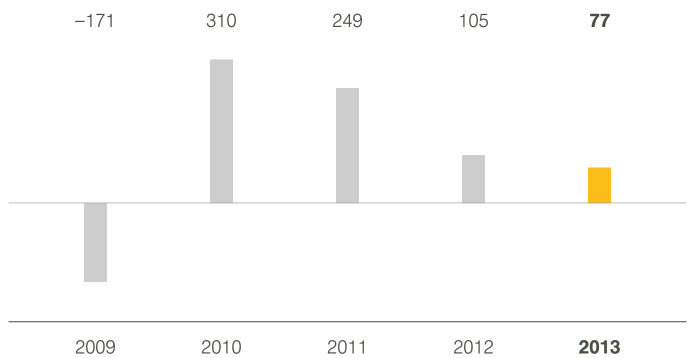
	Net traffic revenue in €m external revenue*		Freight/mail in thousand tonnes		Available cargo tonne-kilometres in millions		Revenue cargo tonne-kilometres in millions		Cargo load factor in %	
	2013	Change in %	**2013**	Change in %	**2013**	Change in %	**2013**	Change in %	**2013**	Change in pts
Europe	217	–12.5	595	–1.2	672	–3.0	358	1.2	53.4	2.2
America	956	–9.0	512	–1.9	5,626	2.6	3,765	–0.3	66.9	–1.9
Asia/Pacific	987	–7.2	468	0.1	4,984	–3.0	3,923	1.1	78.7	3.2
Middle East/Africa	215	0.0	140	–0.7	1,209	–0.5	685	–4.9	56.6	–2.6
Total	**2,375**	**–7.8**	**1,715**	**–1.0**	**12,490**	**–0.3**	**8,731**	**0.0**	**69.9**	**0.2**

* Not including Extracharter.

Operating expenses Logistics

	2013 in €m	2012 in €m	Change in %
Cost of materials and services	1,807	1,953	–7.5
of which fuel	477	516	–7.6
of which fees	273	284	–3.9
of which charter expenses	829	927	–10.6
of which MRO services	121	125	–3.2
Staff costs	382	357	7.0
Depreciation and amortisation	27	58	–53.4
Other operating expenses	245	282	–13.1
Total operating expenses	**2,461**	**2,650**	**–7.1**

Operating result Logistics in €m



Freight volumes in the Middle East/Africa decreased by 0.7 per cent. Capacity was cut by 0.5 per cent. As cargo tonne-kilometres declined by 4.9 per cent, the cargo load factor contracted by 2.6 percentage points.

In Europe, a sharp cut in capacity of 3.0 per cent improved the cargo load factor by 2.2 percentage points. Freight tonnage fell by 1.2 per cent. These volumes primarily consist of shuttle services to and from the Americas and Asia/Pacific traffic regions.

Revenue and earnings development

Declining traffic revenue (–7.8 per cent) meant that Lufthansa Cargo's revenue for 2013 dropped by 9.2 per cent compared with the previous year to EUR 2.4bn. Other revenue sank to EUR 53m (–44.2 per cent) due to lower income from aircraft charters. Other operating income of EUR 96m was 43.3 per cent higher than last year's figure, primarily as a result of an increase in the foreign exchange result and reimbursements from the Group for restructuring measures in connection with the SCORE programme. Total operating income fell to EUR 2.5bn (–7.9 per cent).

Operating expenses fell by 7.1 per cent year on year to EUR 2.5bn. This was largely due to the lower volume-related cost of materials and services, which stood at EUR 1.8bn (–7.5 per cent). Within this item, there were capacity-related declines in charter expenses to EUR 829m (–10.6 per cent), fuel costs to EUR 477m (–7.6 per cent), fees and charges to EUR 273m (–3.9 per cent) and MRO expenses to EUR 121m (–3.2 per cent).

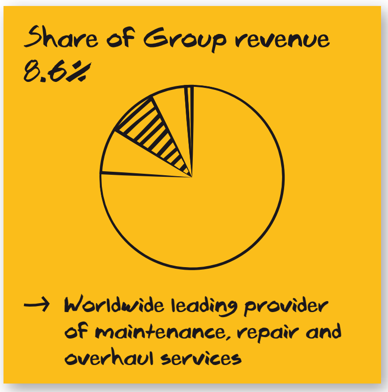
Staff costs climbed by 7.0 per cent to EUR 382m. This was largely due to higher retirement benefit expenses and restructuring costs in connection with the SCORE programme. The companies in the Logistics segment had an average of 4,554 employees in the reporting period (–1.2 per cent). Depreciation and amortisation dropped by 53.4 per cent to EUR 27m. Other operating expenses contracted by 13.1 per cent to EUR 245m, owing primarily to lower agency commissions. In the reporting period, the Logistics segment generated an operating result of EUR 77m, which is lower than the previous year's figure of EUR 105m.

There was no change year on year in other segment income of EUR 10m. Other segment expenses rose by EUR 13m to EUR 16m as a result of changing the duration of depreciation and the assumptions on the residual value of aircraft. The segment result came to EUR 88m (previous year: EUR 128m). This includes a result from equity investments of EUR 17m (previous year: EUR 16m) from those investments accounted for using the equity method. Segment capital expenditure went up to EUR 318m in the reporting period (previous year: EUR 198m). The rise was due largely to the down payments and final payments for five Boeing 777F aircraft.

Long-term overview reflects volatility of logistics business
Since the crisis year 2009, which ended with an operating result of EUR –171m, the Logistics segment has earned regular profits. The years 2010 (EUR 310m) and 2011 (EUR 249m) saw particularly strong profits, driven mainly by efficiency gains at Lufthansa Cargo and positive economic developments. In 2012 and 2013, the airfreight business was dominated by declining demand and overcapacities. Despite this, the segment reported operating profits of EUR 105m and EUR 77m respectively.

Business segment
MRO

Revenue 4.2 €bn | **Operating result 404 €m**



↗ Lufthansa Technik is a leading global provider of maintenance, repair and overhaul services. ↗ Product innovations and partnerships enable expansion to new customers and markets. ↗ Growing capacity increases price pressure on the MRO market. ↗ Global capacities and flexibility are key competitive factors. ↗ Revenue and operating result up significantly despite difficult market environment.

Key figures MRO

		2013	2012	Change in %
Revenue	€m	4,180	4,013	4.2
of which with companies of the Lufthansa Group	€m	1,582	1,584	–0.1
Operating result	€m	404	328	23.2
Adjusted operating margin	%	10.9	8.9	2.0 pts
Segment result	€m	457	377	21.2
EBITDA [1]	€m	594	502	18.3
CVA [2]	€m	377	241	56.4
Segment capital expenditure	€m	136	129	5.4
Employees as of 31.12.	number	19,917	20,282	–1.8
Average number of employees	number	19,927	20,368	–2.2

[1] Before profit/loss transfer from other companies.
[2] Previous year only partially comparable; see "Management system and supervision" chapter from p. 30.

Business and strategy

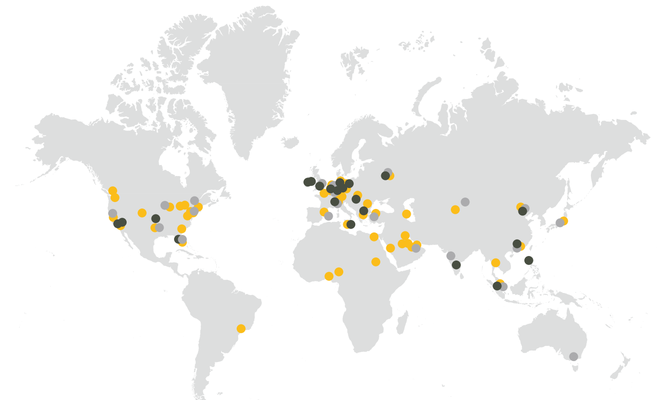
Lufthansa Technik is the world's leading MRO provider
Lufthansa Technik is the world's leading independent provider of maintenance, repair and overhaul services (MRO) for civil commercial aircraft. The Lufthansa Technik group includes 31 technical maintenance operations around the world with a total of nearly 20,000 employees. The company also holds direct and indirect stakes in 54 companies.

Lufthansa Technik offers its range of services via six product divisions: maintenance, aircraft overhaul, engines, components, aircraft systems and completion and servicing of VIP aircraft. The portfolio consists of a variety of different product structures and combinations, from the repair of individual components to consultancy services and the fully integrated supply of entire fleets. These Total Support service packages guarantee customers full-service treatment, including complete fleet management, making them the company's most popular products. By developing new products and services, Lufthansa Technik also enables airlines to safely put new aircraft types and technologies into scheduled operations and to save fuel.

Innovation and technology are core issues for the years ahead
Lufthansa Technik relies on developing innovative new products to gain access to new markets and customers. The focus therefore remains on preparing for new aircraft types and technologies, which is assisted by research work, particularly on new repair methods. This has already resulted in revenue and earnings contributions in 2013. Bombardier Aerospace appointed Lufthansa Technik to supply the cabin management and in-flight entertainment system (CMS/IFE) for the new Challenger 350 programme. In 2014, Lufthansa Technik will also install the BoardConnect in-flight entertainment solution, developed by Lufthansa Systems, in a total of 20 Airbus A321s operated by Lufthansa Passenger Airlines. The wireless access points required were developed by Lufthansa Technik. The HelioJet LED cabin lighting system, a joint development by Lufthansa Technik and SCHOTT, can be experienced on scheduled services recently. Many other research projects are currently being prepared and implemented. The organisational focus on innovation and technology development will help to ensure that Lufthansa Technik maintains its competitive position in the future.

Another cornerstone of the company's strategy is to increase its presence in growth markets by expanding the group in key regions of the world and establishing partnerships with airlines and aircraft manufacturers. The Lufthansa Group's strategic partnerships are also being developed in order to make better use of synergies.

Locations Lufthansa Technik



At the same time, this strengthens the company's position against competition from original equipment manufacturers (OEM). Even for an independent MRO service provider like Lufthansa Technik, partnerships make sense in order to gain access to knowledge and licenses and to win and retain business.

Generating sustainable revenue growth remains a vital objective for Lufthansa Technik and is pursued systematically. Programmes focus on adapting sales and customer services more closely to the individual region, concentrating on growth regions and growing customer segments (e.g. low-cost carriers in Asia) and adapting products specifically to meet different customer requirements. The entry into new aircraft models is also going well, with new contract wins for the Boeing 787 and Airbus A380. Product entry for the new C-Series, A350 and B777-9x aircraft types is currently in preparation.

Markets and competition

Price sensitivity and partnerships set parameters in MRO segment
In 2013, 19 airlines with a total of 194 aircraft ceased operations. Increasing MRO capacities in combination with the persistently difficult financial situation of the airlines are raising the pricing pressure in the MRO business.

Lufthansa Technik's main competitors are aircraft, engine and component manufacturers, the MRO divisions of other airlines as well as independent providers. The OEMs are still moving into the MRO market. High development costs and low margins on aircraft sales are pushing aircraft, component and engine manufacturers to expand their business activities.

As a result, they hinder MRO providers to gain access to intellectual property and are pursuing restrictive licensing policies. In 2013, Lufthansa Technik was nonetheless able to turn this trend to its advantage by cooperating with some OEMs.

Lufthansa Technik is the global market leader among independent MRO providers

Lufthansa Technik has over 770 customers around the world, mostly airlines and aircraft leasing companies, but also operators of VIP jets and public-sector clients. Europe and Russia remain the company's most important sales markets, with a share of 67 per cent. The Americas and Middle East/Africa (including VIP completion projects) regions and the Asia/Pacific growth region each account for 11 per cent of total revenue.

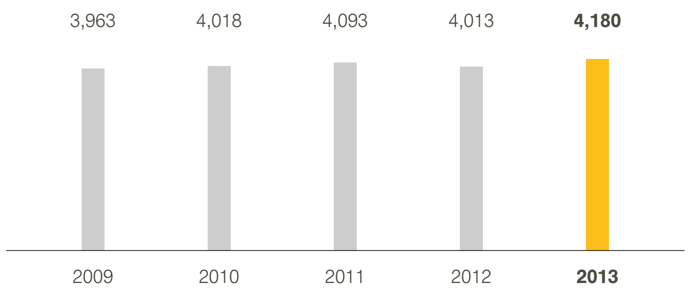
Altogether, Lufthansa Technik expanded its market position slightly in 2013. The company remains global market leader among independent MRO providers – its comprehensive and modern product portfolio covers around 80 per cent of the market by volume.

Course of business and operating performance

Important contracts renewed and signed

In the reporting year, Lufthansa Technik was able to win 47 new customers and sign 461 contracts with a volume of EUR 3.4bn for 2013 and the following years. The number of aircraft serviced under exclusive contracts went up significantly in the reporting year to 2,820 (+25 per cent). Major contract wins included the renewed agreement with Lufthansa Cargo, which is entrusting the supply for its entire fleet to Lufthansa Technik for another eight years, and the ongoing integration of Germanwings, whose fleet is growing rapidly. Copa Airlines, a leading Latin American carrier and a new customer, signed a five-year Total Component Maintenance contract for its entire Boeing 737NG fleet. An exclusive four-year contract was signed with the low-cost carrier Spirit Airlines – one of the fastest-growing carriers in the USA – for the maintenance of airframe-related components on 28 aircraft from the Airbus A320 family, with an option for additional aircraft. South African Airways (SAA) is continuing the cooperation in engine overhauls. The programme has been in place since 2001 for a total of 23 engines in the Boeing 737-800 fleet, and it has now been extended until the airline retires the aircraft from service.

Revenue MRO in €m



Component supplies for some 140 aircraft in the Scandinavian Airlines (SAS) fleet began successfully in March 2013. At the same time, an extensive programme of modifications was started for the long-haul fleet at Lufthansa Passenger Airlines. This involves installing the new Business Class and a new in-flight entertainment system on 79 aircraft over a period of three years. Upgrades to in-flight internet access (Flynet 2) and the new First Class are being carried out in parallel. The wings of various customers' A380 fleets are being modified on behalf of Airbus at different sites around the world.

Components for regional aircraft from the Embraer E-Jet family are to be supplied in future in collaboration with Air France Industries via the Spairliners joint venture based in Hamburg, where this partnership has been running successfully for many years for A380 components. Maintenance for the landing gear of this model on the American market will be offered in future by the Hawker Pacific Aerospace subsidiary. Hamburg is preparing to offer this service on the European market. Lufthansa Technik is continuing to make targeted, profitable investments, particularly at its existing sites in Hamburg, Shenzhen and Malta.

SCORE delivers significant earnings contributions

The industry is characterised by constant changes to markets and competition, and these have to be addressed by means of structural adjustments, innovative products and continuous efficiency gains. As part of the SCORE programme, Lufthansa Technik has implemented numerous initiatives to safeguard the company's future viability and boost its earnings sustainably. Activities started back in 2012 have already made significant earnings contributions. Another area of increasing focus concerns the company's technology and innovation leadership. One initiative entails examining various perspectives, from fundamental organisational structures through to marketing aspects. The SCORE project "NETwork", also launched in 2012, aims to reduce the number of functions that are not directly profitable by 650 full-time equivalents by 2015. It is progressing to plan and is making initial contributions to cutting costs.

The reorganised overhaul group in Europe contributes to reaching the SCORE targets by centralising functions and making common use of shared services.

Lufthansa Technik's investment portfolio was also recalibrated in 2013. A joint consultancy business, Lumics GmbH & Co. KG, was established with McKinsey & Company. Investments in Australia and Switzerland were terminated. Airliance Materials, USA, and the financial investment Belac, USA, were also sold. The closure of Lufthansa Technik Airmotive Ireland (LTAI) began at the end of the year, prompted by the sharp fall in revenue and diminishing market opportunities.

Revenue and earnings development

Particularly strong order volume results in significant earnings increase

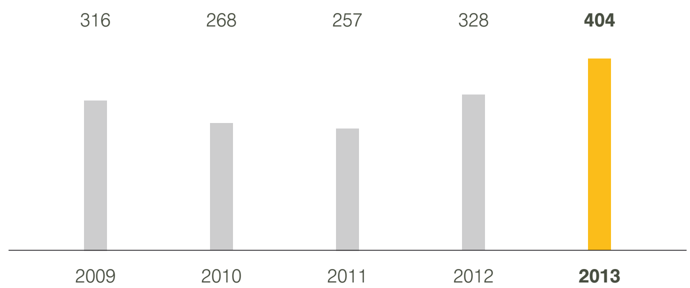
Revenue increased to EUR 4.2bn (EUR +167m) in 2013. Revenue with Group companies remained flat year on year at EUR 1.6bn, despite a high-revenue programme of modifications. At the same time, external revenue rose by 7 per cent to EUR 2.6bn. This pushed up external revenue as a share of total revenue to 62.2 per cent (+1.7 percentage points). Higher revenue, especially from component maintenance, engine maintenance and in the VIP segment at Lufthansa Technik AG, offset lower revenue resulting from the portfolio changes (including Lufthansa Technik Airmotive Ireland, Airliance Materials and Lufthansa Technik Switzerland). Other operating income was virtually unchanged on the previous year at EUR 229m. All in all, the MRO segment reported total operating income of EUR 4.4bn (+4.2 per cent).

Operating expenses MRO

	2013 in €m	2012 in €m	Change in %
Cost of materials and services	2,069	1,966	5.2
of which raw materials, consumables and supplies	1,394	1,251	11.4
of which external services	582	561	3.7
Staff costs	1,227	1,227	–
Depreciation and amortisation	99	101	−2.0
Other operating expenses	610	615	−0.8
Total operating expenses	**4,005**	**3,909**	**2.5**

Total operating expenses rose to EUR 4.0bn (+2.5 per cent). In line primarily with the higher volume of modifications and the increase in total output in the VIP and engines unit, the cost of materials and services went up by 5.2 per cent to EUR 2.1bn.

Operating result MRO in €m



Other depreciation and amortisation was roughly on a par with the previous year at EUR 99m. Other operating expenses sank slightly to EUR 610m (−0.8 per cent), largely due to exchange rate movements.

A restrictive approach to new recruitment – especially in administrative functions – as well as incentives to retire early and the closure and sale of various companies reduced the average workforce for the year to 19,927 (−2.2 per cent). The lower headcount made it possible to keep staff costs stable compared with the previous year at EUR 1.2bn, despite the wage increase in effect since August 2013 and higher expenses for pensions and severance pay.

Driven by growth and as a result of the successful implementation of various SCORE measures, Lufthansa Technik generated a very high operating profit of EUR 404m (+23.2 per cent).

Other segment income went up to EUR 54m (+45.9 per cent), largely due to the write-back of unused provisions. The contribution from equity investments accounted for using the equity method improved to EUR 19m (EUR +4m). Overall, this added up to a segment result of EUR 457m (+21.2 per cent). Segment capital expenditure rose slightly to EUR 136m (+5.4 per cent). Key investments were the purchase of reserve engines at LTAIL to expand the Group fleets as well as infrastructure investments at the site in Hamburg and elsewhere.

Long-term overview shows stable earnings performance

In the past five years, Lufthansa Technik has regularly reported operating profits of between EUR 257m to EUR 328m. This underlines the stabilising effect of the MRO segment on the Lufthansa Group, even when the economy is performing less well. In 2013, the operating result even increased to EUR 404m, thanks to successful cost savings and a particularly strong influx of new orders.

Business segment
Catering

Revenue 2.5 €bn | **Operating result 105 €m**

↗ LSG Sky Chefs is the clear market leader in global airline catering, with a market share of 29 per cent. ↗ Focus remains on expansion and strict cost management. ↗ LSG Sky Chefs' range of products and services is continuously expanded. ↗ New business models and innovations make a sustainable contribution to the company's success. ↗ Positive developments in demand generate higher revenue. ↗ Operating profit increases stronger than revenue.

Key figures Catering

		2013	2012	Change in %
Revenue	€m	2,514	2,503	0.4
of which with companies of the Lufthansa Group	€m	605	570	6.1
Operating result	€m	105	101	4.0
Adjusted operating margin	%	4.3	4.1	0.2 pts
Segment result	€m	123	131	−6.1
EBITDA*	€m	170	218	−22.0
CVA	€m	29	39	−25.6
Segment capital expenditure	€m	110	64	71.9
Employees as of 31.12.	number	32,307	30,088	7.4
Average number of employees	number	31,375	30,007	4.6

* Before profit/loss transfer from other companies.

Business and strategy

Market leader for airline catering continuously expands product portfolio

With 210 catering facilities in 54 countries, LSG Sky Chefs has the largest network of production plants in the industry. In its home markets of Germany and the USA, the company is present at almost all significant airports. In the Latin America, Asia/Pacific, Africa and Eastern Europe growth regions, its presence is being continuously expanded by means of management contracts and partnerships with local companies. As of year-end 2013, the group consisted of 156 companies and supplied customers at 213 airports. The parent company for the group, LSG Lufthansa Service Holding AG, is based in Neu-Isenburg. There were significant changes to the group of consolidated companies, which had an effect on the comparability of the earnings situation, and which followed the deconsolidation of the UK activities, which were merged in a joint venture with Alpha Flight Group Ltd. as of 1 October 2012, as well as the first-time consolidation of LSG Sky Chefs Finland Oy as of 1 August 2012.

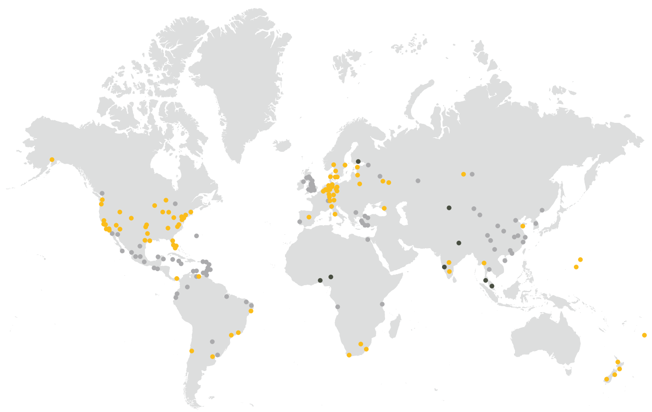
With a share of 29 per cent of the global airline catering market, LSG Sky Chefs remains the market leader. In addition to its airline catering activities, the company has expanded its range of products and services substantially in recent years, always based on its core expertise in culinary excellence and logistics. This strategic portfolio expansion also increases the benefits for its airline customers. Further potential customer groups, such as train operators, school and university canteens and retail chains, are also acquired as new customers outside its core business segment.

Focus on profitable growth and constant improvements in customer benefits

In order to ensure its sustainable commercial success, LSG Sky Chefs relies partly on strict cost management and partly on seizing expansion and growth opportunities.

Cost management covers all levels and areas of the company. It comprises the continuous review and standardisation of all processes, the reduction of materials costs by pooling volumes, modern supplier management, more flexible staff costs and the introduction of new business models to enhance benefits for the customer. All these activities also make the company's global data more transparent and so create a solid basis for well-founded, balanced commercial decisions.

Locations Catering



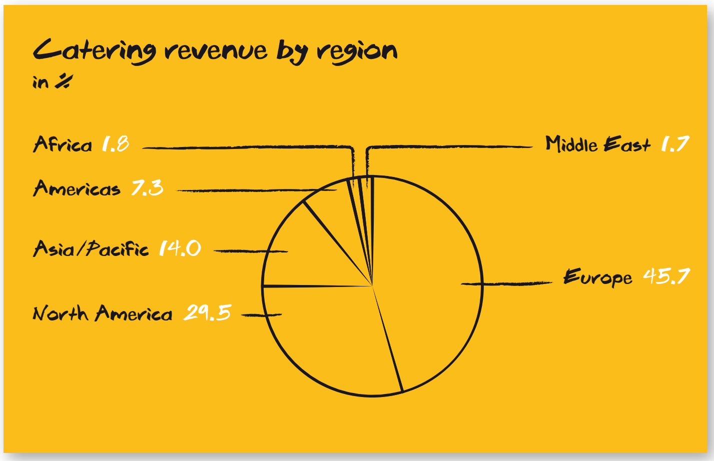
LSG Sky Chefs pursues expansion and growth both by entering emerging markets in its core airline catering business segment as well as by intensifying its business relationships with expanding airlines. In adjacent markets, the company is working to establish a respected market position, which will enable it to acquire more new customers.

Markets and competition

LSG Sky Chefs serves almost every airline with a global network

The company expects passenger volumes to continue rising overall, with strong regional variations. As in previous years, low-cost and charter airlines will account for a disproportionate share of this growth. LSG Sky Chefs predicts that the market volume for classic airline catering will increase, since service concepts are not being cut any further for reasons of competition and in growth regions continue to be seen as a differentiating factor. The importance of intelligent and complex in-flight retail and "buy on board" programmes continues to increase. These programmes create an entertainment and information value for passengers, and also enable airlines to generate additional revenue.

The global LSG Sky Chefs network comprises a large number of the company's own sites, as well as extensive partnerships with airlines, airport operators and local companies, primarily in Latin America, China, the UK, Russia and Switzerland. There is only one other competitor with similar global operations, as well as a limited number of local or regional suppliers. New market players from the logistics industry are increasingly providing services for the in-flight sales programmes of the low-cost carriers and the less complex in-flight service on short-haul routes and in Economy Class, where the freshness and culinary excellence of the food on offer are not a priority. By its own reckoning, LSG Sky Chefs has a market share of around 40 per cent in both America and Europe. The company has been active in Asia for more than 20 years and is still the leading independent provider there. In Eastern Europe and Africa, LSG Sky Chefs is developing its market presence at the rapidly growing hubs.



The company's customer base comprises nearly all international as well as numerous national and regional airlines. The scope and duration of its business relations with around 300 main customers vary widely. LSG Sky Chefs supplies its biggest customers at their respective hubs and at many other sites.

Course of business and operating performance

LSG Sky Chefs receives many new orders from various sectors
The positive trend in the demand for airline catering services continued in 2013. Adjusted for the changes in the group of consolidated companies mentioned above, all regions reported higher revenue than in the previous year.

LSG Sky Chefs maintained its market leadership by renewing existing customer contracts and expanding its business. Key customer contracts were renewed and extended despite intense competition and price pressure. They include the renewal of the wide-ranging global catering agreements with Lufthansa Passenger Airlines, United Airlines and LATAM. Collaboration with growing airlines from the Middle East was also renewed and intensified.

The SPIRIANT equipment subsidiary convinced its new customers Singapore Airlines, Gulf Air and EVA Air with its innovative designs and will continue to provide wide-ranging services for Virgin Atlantic. New orders were acquired in the railway catering sector for the Thalys and Eurostar high-speed trains in Brussels, and for Alleo, a joint venture in Germany between Deutsche Bahn and SNCF, the state-owned French railway operator. In the US retail market, the partnership with 7-Eleven was extended and supermarket chain Circle K was acquired as a new customer.

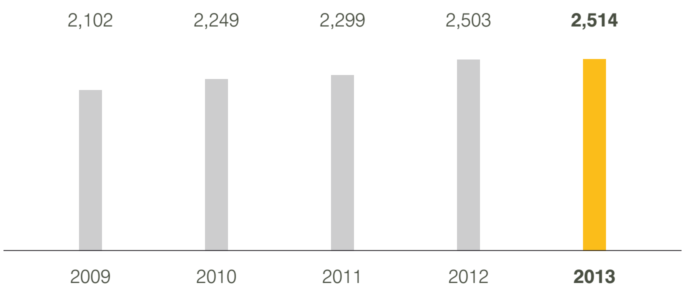
The company's network evolved further as a result of plant closures and entry into new markets. The German plants in Paderborn, Nuremberg and Münster-Osnabrück were closed as part of the restructuring, and customer service was outsourced to an external provider. Construction began on a cutting-edge production facility in Auckland, New Zealand. The company's leading position in the growing Russian market was underlined by new sites at Moscow-Domodedovo and in Chelyabinsk. The re-entry was established in the Spanish market with the opening of a plant in Madrid. In Brussels, LSG Sky Chefs acquired the catering activities of a competitor.

New business models and innovations contribute to success
As part of its efforts to introduce new business models and additional services for airline customers, the company established two strategic pillars: one, together with the associated Irish company Retail in Motion Limited, paves the way for offering complete solutions for the holistic management of the in-flight sales process. The other is the launch of a new independent brand, SPIRIANT, which supports the global marketing of in-flight service equipment such as tableware, galley equipment and amenity products.

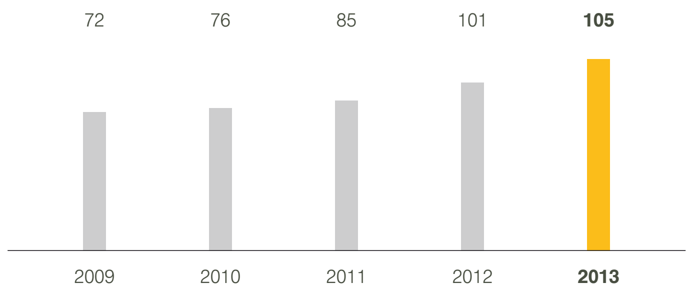
The equipment division in particular was again able to prove its capacity for innovation with the introduction of environmentally friendly products. These range from simple mugs to complete tray sets. An innovate meal box served in the Lufthansa Business Class won the "Dieline Package Design Award". In addition to the existing programmes, which have been in place for many years, the company's keen environmental awareness can also be seen in a new initiative in North America, where waste is no longer to be disposed in landfill sites, but gradually moved towards recycling.

The numerous individual projects launched as part of SCORE aim to adapt structures to changes in market conditions, to seize growth opportunities and to increase customer satisfaction even further. The company's productivity has increased in all regions, although the positive earnings contributions have been partly offset by one-off expenses for restructuring as well as by economic developments.

Revenue Catering in €m



Operating result Catering in €m



Revenue and earnings development

After adjustment for exchange rates, revenue in the Catering segment rose by 3.3 per cent in the financial year 2013 compared with the previous year. In nominal terms, it rose by 0.4 per cent to EUR 2.5bn. Changes in the group of consolidated companies meant that revenue fell by EUR 74m.

External revenue fell to EUR 1.9bn (–1.2 per cent). Internal revenue climbed 6.1 per cent to EUR 605m.

Other operating income was down on the previous year at EUR 86m (EUR –24m). The trend is principally due to the early termination of a lease in the USA in 2012, and to lower year-on-year reimbursements by the parent company as part of the SCORE programme. Overall, total operating income fell slightly by 0.5 per cent to EUR 2.6bn.

Total operating expenses fell year on year by a greater margin of 0.7 per cent to EUR 2.5bn. The cost of materials and services declined by 1.8 per cent to EUR 1.1bn. This was essentially due to the changes mentioned above in the group of consolidated companies.

Operating expenses Catering

	2013 in €m	2012 in €m	Change in %
Cost of materials and services	1,104	1,124	–1.8
Staff costs	927	914	1.4
Depreciation and amortisation	62	65	–4.6
Other operating expenses	402	409	–1.7
Total operating expenses	**2,495**	**2,512**	**–0.7**

In the financial year 2013, the LSG Sky Chefs group had an average of 31,375 employees, 4.6 per cent more than in 2012. Recruitment mainly took place in North America, where LSG Sky Chefs successfully acquired a number of new customers. This, plus the restructuring expenses in Germany, drove staff costs up by 1.4 per cent to EUR 927m. Depreciation and amortisation was down by EUR 3m on the previous year, at EUR 62m.

Other operating expenses fell by 1.7 per cent to EUR 402m.

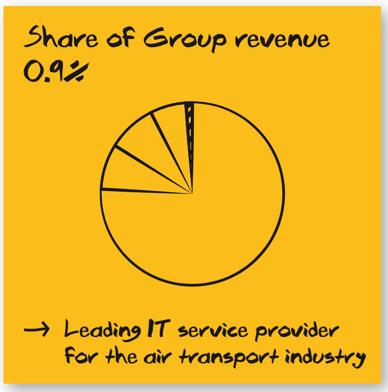
The operating profit of the LSG Sky Chefs group outpaced revenue growth in 2013, climbing 4.0 per cent to EUR 105m (previous year: EUR 101m). Despite the higher restructuring expenses, this represents another year-on-year improvement.

In the reporting year, the balance of other segment income and expenses was EUR –1m, a substantial decline of EUR 17m on the previous year's figure. The reason for the fall was primarily a non-recurring effect in 2012 in connection with contributing operations to a joint venture in the UK. The result of the equity valuation went up by EUR 5m compared with last year to EUR 19m. The segment result of LSG Sky Chefs was EUR 123m in total (previous year: EUR 131m). Segment capital expenditure was EUR 46m higher than last year, at EUR 110m.

Long-term overview shows positive earnings development
Over the past five years, LSG Sky Chefs has increased its operating result steadily, despite tougher competition and periods of economic weakness. The operating profit for 2009 came to EUR 72m – by financial year 2013 the figure had grown to EUR 105m.

Business segment
IT Services

Revenue 640 €m | **Operating result 36 €m**



↗ Lufthansa Systems is the leading global IT provider in the aviation industry. ↗ It secures its competitive position by innovating and by investing in the development and enhancement of products and solutions. ↗ Market grows again for the first time in two years. ↗ Increase in Lufthansa Systems' revenue and operating result.

Key figures IT Services

		2013	2012	Change in %
Revenue	€m	640	609	5.1
of which with companies of the Lufthansa Group	€m	375	353	6.2
Operating result	€m	36	20	80.0
Adjusted operating margin	%	5.6	3.4	2.2 pts
Segment result	€m	34	19	78.9
EBITDA*	€m	73	76	–3.9
CVA	€m	32	7	
Segment capital expenditure	€m	20	24	–16.7
Employees as of 31.12.	number	2,718	2,766	–1.7
Average number of employees	number	2,724	2,777	–1.9

* Before profit/loss transfer from other companies.

Business and strategy

Lufthansa Systems is the leading global IT provider in the aviation industry

The head office of Lufthansa Systems is located in Kelsterbach. The company has offices in Germany and in 16 other countries in Europe, Asia and the Americas. This ensures proximity to customers as well as fast response times across all time zones. It also enables production to be globalised to ensure competitiveness.

Lufthansa Systems offers its clients a comprehensive range of consultancy and IT services. The company has a leading position in the global aviation industry. Other important sectors are transport and logistics, industry, media and publishing, energy, healthcare and tourism. Its specific knowledge and innovative strength enable Lufthansa Systems to stand out as an important source of excellence in the aviation industry.

Innovation is the foundation for future competitiveness in the IT market

IT plays a key role in boosting the efficiency of complex business processes, reducing costs and increasing income in a competitive environment. This applies particularly to the airline industry, but also to the other sectors in which the company operates. At the same time, Lufthansa Systems combines comprehensive industry knowledge with profound IT expertise. Continuous investment in developing innovative new products and the ongoing enhancement of existing solutions safeguard the company's competitive position. It is a pioneer in the areas of virtualisation, cloud computing and mobile solutions, in the field of infotainment on board aircraft, buses and ships, for instance.

Lufthansa Systems' service and product portfolio covers the entire range of IT services – from consultancy to the development and implementation of customised applications to systems operations, which are currently hosted by a global alliance of network-owned data centres in Kelsterbach, London, Dallas and Singapore. Its data centre in Kelsterbach is one of the most modern and powerful in Europe.

In order to ensure the long-term competitiveness of its infrastructure segment on the global IT market and to retain specific knowledge and experience in this area, the infrastructure segment is to be outsourced to a strong partner. This represents a response by the company to the speed and ongoing technological development of the global IT infrastructure market, which offers increasing competitive advantages to large providers with worldwide operations. As a full-service provider, the company will therefore be delivering its infrastructure services with a partner in future.

Locations Lufthansa Systems

Markets and competition

Intense competition and technological developments call for new solutions

In 2013, the global IT services market had a volume of some EUR 1,530bn. Airline IT accounts for EUR 8.3bn of this. Competition in this market remains highly intense. Providers from emerging markets in particular enjoy cost advantages, and so exert great pressure on prices and margins for providers from high-wage countries like Germany. Technological developments intensify this trend. Virtualisation and cloud computing create opportunities for companies to consolidate their IT environment and at the same time gain the flexibility to adapt their IT capacities to current requirements.

Lufthansa Systems is therefore concentrating on developing specific airline applications to further optimise business processes, advise on specific issues and harmonise processes for airline IT. Here, the company plays a leading role, which it can sustain and expand over the long term by means of its continuous innovation and excellent sector knowledge.

With its comprehensive portfolio of innovative IT solutions, Lufthansa Systems is well positioned in the airline market. High competitive and pricing pressure mean that its clients continue to give the utmost priority to cutting costs in all areas, opening up new sources of income and improving their customer service. Here, too, mobile solutions are one area of above-average growth.

Stable customer relationships thanks to broad product portfolio

In contrast to its competitors, Lufthansa Systems has a product portfolio that covers all of an airline's core processes and that supports the most diverse business models. Individual products, like myIDtravel, an integrated solution for staff flights, have become the industry standard.

With a share of 30 per cent of outsourced airline IT services, Lufthansa Systems has a leading position in the EMEA region (Europe, Middle East, Africa). More than half of all flights in commercial European traffic are now carried out with cockpit solutions from Lufthansa Systems. In Asia and America the market share is 3 per cent respectively.

Successes are increasingly coming from outside the airline industry

In autumn 2013, Lufthansa Systems launched CloudLounge, a public cloud product aimed particularly at medium-sized enterprises. This completes the company's cloud offering and means it can now offer corporate clients high-quality private, hybrid and public cloud services depending on their requirements, as well as provide dedicated resources in one of its modern data centres.

The Industry Solutions segment of Lufthansa Systems has developed into an innovative provider of professional services and applications for selected industries and now has an established position in the German IT market. Products like the EasyMain service package or the Velimo guest portal underscore its technology expertise and ability to develop products and services which add significant value for the customer.

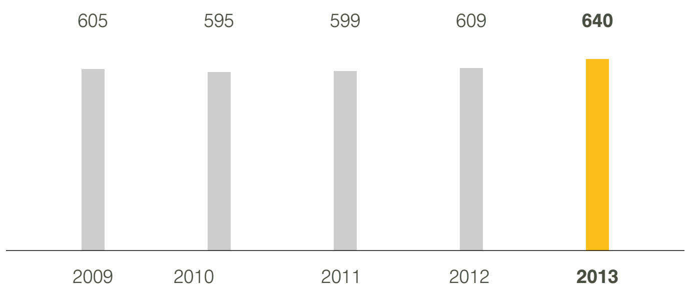
Lufthansa Systems has a broad customer base, which includes 300 airlines and around 150 companies from other sectors. The largest single customer is the Lufthansa Group and its companies. The customer relationships are remarkably stable, and Lufthansa Systems has been working with a large number of clients for many years.

Course of business and operating performance

Positive customer feedback and numerous new contracts

In line with the improvements to the airlines' earnings situation, the market for airline IT grew again sharply in 2013 for the first time following two years of declining revenue. In this environment, Lufthansa Systems was able to acquire numerous new customers, renew existing contracts and expand the scope of collaboration with long-term clients. Key sales successes were achieved in Europe and particularly in Asia.

Revenue IT Services in €m



More than 20 customers including SAS, Iberia, Czech Airlines and TUIfly bought navigation solutions from Lufthansa Systems. New customers for the market-leading flight route planning solution Lido/Flight include China Southern, Asia's biggest airline, which also renewed the contracts for network planning and for short and medium-term planning for another five years. Japanese airline ANA signed a seven-year contract to use SchedConnect with the central flight plan database for code-share management and flight plan distribution. Japan's largest carrier will also continue to use SkyConnect as a cost-saving solution for networking its sites around the world.

Sysmex Deutschland, Secura Services and Jebsen & Jessen chose Lufthansa Systems as a partner for consultancy and for the introduction and operation of SAP. The shipping company Hamburg Süd, the Hamburg Port Authority and Swiss Federal Railways all extended existing consultancy contracts. The business relationships with the utility companies E.ON and Vattenfall were also intensified.

Lufthansa Systems was also successful in equipping cruise ships with modern IT and communications solutions. Mitsubishi Heavy Industries placed an order for the installation of IT infrastructure on the first two cruise ships of the next AIDA generation. Lufthansa Systems is already on board with seven AIDA vessels, and on the two newbuilds will also be responsible for operating LAN, Wi-Fi and telephony. TUI Cruises also selected Lufthansa Systems as a partner to equip two new ships with innovative LAN and Wi-Fi solutions, which make travel more comfortable for passengers and enhance the efficiency of the service processes on board.

Greyhound and ADAC Postbus, two well-known customers, were acquired for the versatile Velimo infotainment solution. It will enable both companies to offer passengers on their scheduled bus services an extensive Wi-Fi-enabled range of entertainment and information, as well as internet access.

The implementation of SCORE projects helped to make the company even more competitive.

Key contracts signed within the Lufthansa Group
The scope of cooperation with companies in the Lufthansa Group was extended further. SWISS chose the latest revenue integrity solution from Lufthansa Systems. Austrian Airlines, CityLine and Germanwings purchased solutions for flight plan and slot management, crew planning and flight operations management. Lufthansa Passenger Airlines and SWISS renewed their contracts for navigation solutions for another five years.

The IT for around 20,000 workplaces was updated in the Group companies and new hardware and software installed. The entire process is due for completion by early 2014. Furthermore, the Lufthansa Group decided to introduce the Lync communications platform, which is used primarily for telephony and digital conferences, at all companies. The technology transition to the new global wide area network (WAN) was successfully completed at some 600 Lufthansa Passenger Airlines and Lufthansa Cargo sites.

Lufthansa Systems also gained new clients for its multi-award-winning, wireless in-flight entertainment solution BoardConnect. It has now been installed on all 89 Boeing 737s and Embraer E190s operated by Virgin Australia. By summer 2014, Lufthansa Passenger Airlines is to install BoardConnect on 20 Airbus A321s, making it the first major airline in Europe where, on selected routes, passengers will be able use a wide range of entertainment and information services on their own smartphones, tablets or notebooks. Israeli EL AL is to equip ten Boeing 737s and two B767s with the solution.

Revenue and earnings development

Revenue up sharply
In the financial year 2013, Lufthansa Systems reported total revenue of EUR 640m, an increase of 5.1 per cent on the previous year. Revenue from companies in the Lufthansa Group accounted for EUR 375m (+6.2 per cent) and revenue from external customers for EUR 265m (+3.5 per cent).

Other operating income increased year on year to EUR 28m (EUR +9m). Exchange rate movements and income in connection with the termination of an IT outsourcing contract were reasons for this increase. Total operating income added up to EUR 668m in the reporting period (+6.4 per cent). The cost of materials and services rose by 27.6 per cent year on year to EUR 125m, in line with the higher revenue.

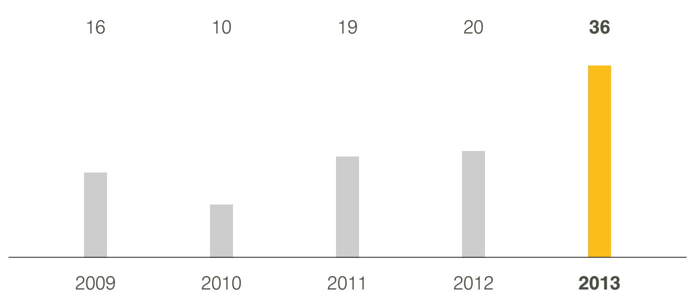
Operating expenses IT Services

	2013 in €m	2012 in €m	Change in %
Cost of materials and services	125	98	27.6
Staff costs	238	242	–1.7
Depreciation and amortisation	35	37	–5.4
Other operating expenses	234	231	1.3
of which external staff	67	59	13.6
of which rent/maintenance of IT	116	130	–10.8
Total operating expenses	**632**	**608**	**3.9**

The average number of employees fell to 2,724 (–1.9 per cent). Staff costs of EUR 238m were slightly lower than the previous year's figure of EUR 242m. Depreciation and amortisation came to EUR 35m (–5.4 per cent).

Other operating expenses rose by 1.3 per cent to EUR 234m, largely due to the greater volume of business. This resulted in total operating expenses of EUR 632m (+3.9 per cent).

Operating result IT Services in €m



Operating result up sharply
The operating result for the reporting year was EUR 36m, an improvement of EUR 16m on the previous year. The continued optimisation of the production and sales units, good revenue and earnings developments for the BoardConnect wireless in-flight entertainment solution, and income from the termination of an IT outsourcing contract were responsible for the good performance. Capital expenditure on property, plant and other equipment and intangible assets came to EUR 20m (EUR –4m) in the reporting period.

Long-term overview shows positive trend
The development of the operating result is evidence of Lufthansa Systems' strong business performance in recent years. The steady, sustained growth trend was continued in 2013.

Other

↗ AirPlus increases income slightly thanks to innovations. ↗ Lufthansa Flight Training boosts process efficiency and improves cost structures. ↗ Lufthansa Flight Training's revenue and result are down on the previous year, however. ↗ Rising restructuring costs within the Lufthansa Group. ↗ Lower earnings contribution from Group functions. ↗ Decline in segment revenue and result.

Other

	2013 in €m	2012 in €m	Change in %
Total operating income	1,214	1,310	−7.3
Operating result	−378	−261	−44.8
Segment result	−285	−246	−15.9
EBITDA*	78	508	−84.6
Segment capital expenditure	13	21	−38.1
Employees as of 31.12.	3,981	3,979	0.1
Average number of employees	3,974	4,033	−1.5

* Before profit/loss transfer from other companies.

The segment Other consists of the service and financial companies and the Group functions
The segment Other consists of the service and financial companies in the Lufthansa Group, where the service and financial activities are organised, as well as central Group functions. AirPlus and Lufthansa Flight Training are two of the most important service and financial companies.

AirPlus delivers innovations
AirPlus is one of the leading worldwide providers of solutions for paying for and analysing business travel. Under the AirPlus International brand the company supplies tailored products and integrated solutions with which companies can make their everyday travel management simpler and more cost-effective. AirPlus enables its customers to achieve full company-wide transparency on all business travel expenses and so to meet all the conditions for effective control of travel expenses.

The company is headquartered in Neu-Isenburg. AirPlus now also has offices and subsidiaries in over 25 countries around the world. Around the world, more than 1,100 employees served nearly 42,000 corporate customers in 2013.

With its newly developed mobile and virtual payment solutions for companies and business travellers, AirPlus again stood out in 2013 as the innovation leader among providers of company credit cards. At the start of the year, AirPlus added MasterCard's PayPass function to its corporate cards. This new technology makes paying even more convenient. The credit card is simply held against a reader at the cashier, and an acoustic signal confirms the payment.

In a joint pilot project with Deutsche Telekom, the AirPlus corporate card became the first company credit card to be integrated in a wallet solution for smartphones. The solution, which is also based on the PayPass function, was developed over the course of the project to meet the requirements of business travellers. With the market launch of Mobile A.I.D.A. in June 2013, AirPlus presented the first virtual payment solution for on the go. Business travellers can use it to generate a virtual credit card number via their smartphone, and so pay for hotel accommodation, for instance, from their company's central account. These solutions enable AirPlus to offer its corporate clients ever greater flexibility in booking and paying for business travel services.

AirPlus is the innovation leader among providers of company credit cards.

Operating income only increased by less than 1 per cent, due to a weak development in volumes in some countries in the reporting period. Operating expenses were 8 per cent up on the year, however, as a result of write-downs on receivables and expenses from the previous year. This decreased the operating result to EUR 14m, which was EUR 21m lower than in the previous year.

Lufthansa Flight Training continues to be successful in the market for the initial and advanced professional training of flight crews

Since 1997, Lufthansa Flight Training GmbH (LFT) has acted as an independent provider of initial and advanced professional training for flight crews within the Lufthansa Group. In addition to the flight operations of the Lufthansa Group, its customer list now includes more than 200 other airlines from all over the world. The LFT service portfolio includes basic training for pilots and flight attendants, simulator training, emergency and service courses and a wide range of e-learning products. With a total of 40 cockpit simulators in Frankfurt, Berlin, Essen, Munich and Vienna, as well as flying schools in Bremen, Rostock and Phoenix, USA, the company is one of Europe's largest training institutions for pilots and flight attendants.

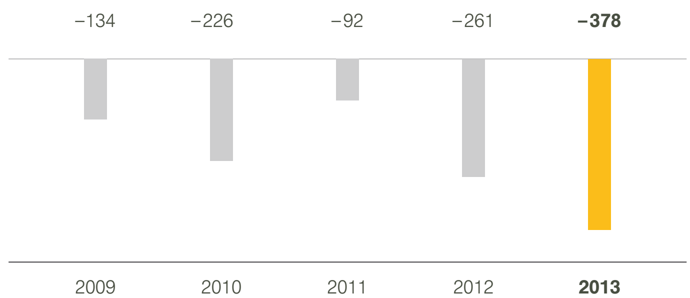
Demand from the Lufthansa Group for training services declined in 2013, especially in the areas of safety and service training, and flying schools. At the same time, however, LFT was able to sell more simulator hours to airlines outside the Lufthansa Group than ever before, which partly made up for the decline in the other segments.

Total operating income for LFT came to EUR 164m, which was EUR 7m down on the figure for the previous year. The operating result was EUR 3m down on the previous year at EUR 18m. Measures adopted as part of the SCORE programme are currently being implemented with the aim of making LFT's capacities more flexible and improving its cost structure.

In 2013, the focus of the simulator training unit was on expanding the strategic growth area of "wet training". This means that airlines not only use the training equipment, but also LFT instructors to train their pilots. Swiss Aviation Training (S.A.T.) put a new full-flight simulator for the Embraer 190 into service at the LFT Center in Frankfurt in May 2013. The simulator is used by S.A.T. and LFT is responsible for the technical service. In July, the LFT Supervisory Board approved the purchase of a full-flight simulator for the Boeing 777, which is expected to go into service for pilot training from summer 2014.

In future, LFT will continue to streamline its administrative functions, increase the efficiency of its core processes and improve its cost structures.

Operating result Other in €m



Group functions report lower earnings

The results for the segment Other are largely determined by the Group functions, whose earnings reflect the currency hedging and financing activities carried out by Deutsche Lufthansa AG on behalf of the companies in the Group. The segment result is therefore heavily exposed to exchange rate movements.

In 2013, the performance of Group functions was again impacted by currency effects. Exchange rate movements resulted in a slight net loss. Total operating income fell by 10.2 per cent to EUR 616m, while operating expenses climbed by 2.4 per cent to EUR 1.0bn. The result therefore decreased by 28.7 per cent to EUR –421m.

Fall in earnings for the segment Other

The segment Other generated total operating income of EUR 1.2bn (–7.3 per cent) in the financial year 2013. Operating expenses rose slightly by 1.3 per cent to EUR 1.6bn as companies charged the restructuring expenses for SCORE to Group functions. This pulled the operating result down to EUR –378m (–44.8 per cent). The segment result also fell to EUR –285m as a result (–15.9 per cent).

Employees

↗ The Lufthansa Group is one of the biggest employers in Germany. ↗ Continuous developments to human resources strategy. ↗ Human resources management accompanies activities to increase the organisation's productivity. ↗ The first differentiated pay scale increase sets an important precedent for future collective bargaining. ↗ The Lufthansa Group strengthens the employer brand and promotes ideas management. ↗ The Lufthansa Group assumes its social responsibility, even in difficult situations.

Its employees are a vital success factor for the Lufthansa Group as a service company.

Employees as of 31.12.2013

		2013	2012	Change in %
Group employees	number	118,214	116,957	1.1
of which Passenger Airline Group	number	54,702	55,236	–1.0
of which Logistics	number	4,589	4,606	–0.4
of which MRO	number	19,917	20,282	–1.8
of which Catering	number	32,307	30,088	7.4
of which IT Services	number	2,718	2,766	–1.7
of which Other	number	3,981	3,979	0.1
Revenue per employee	thousands €	256	257	–0.4
Revenue per full-time equivalence	thousands €	292	293	–0.2

At the end of 2013, the Lufthansa Group had 118,214 employees worldwide. This represents an increase of 1.1 per cent. The rise is due to recruitment for a specific contract by LSG Sky Chefs in North America. With 66,795 employees, the Lufthansa Group is still one of the biggest employers in Germany. At the same time, it is a global company, with 51,419 employees in 88 countries outside Germany. The average age of the workforce rose from 41.3 to 41.9 years. Average seniority rose slightly from 14.0 years to 14.5 years. In 2013, a total of 14,267 employees left the Company and 14,397 joined. Fluctuation in Germany went up by 1.1 percentage points to 6.2 per cent.

Human resources management accompanies and supports change process in the Lufthansa Group

The structural changes within the Lufthansa Group were the main focus of human resources work in 2013. This not only entailed intensive support for the restructuring that is currently required, but also the definition of a forward-looking and sustainable human resources strategy for the Lufthansa Group. Four areas of strategic focus for human resources, derived from the Company's strategic objectives, were defined in coordination with the business segments:

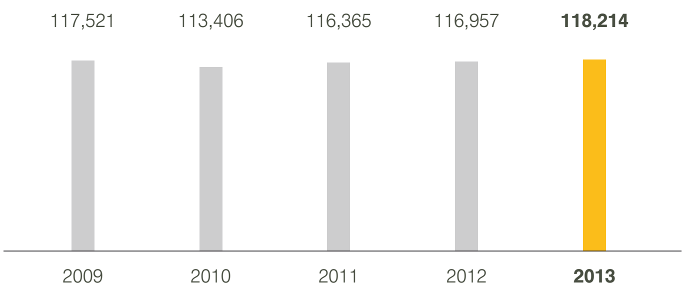
- to boost the productivity of the organisation;
- to maintain and strengthen the Company's attractiveness as an employer;
- to strengthen the commitment of employees; and
- to advance sustainable social responsibility.

This was followed by the launch of a comprehensive and focused set of measures that creates the conditions for innovative human resources work over the years ahead. The first implementation phase concentrates on realising synergies, standardising processes and developing management resources.

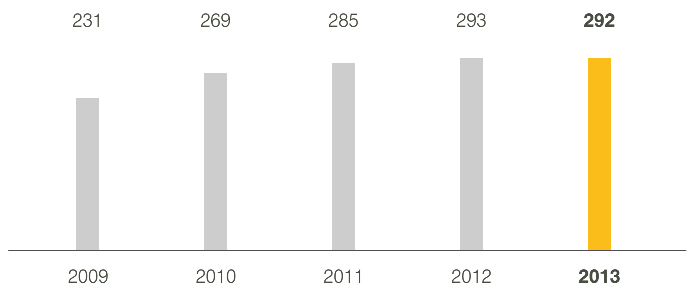
Boosting the productivity of the organisation – human resources management accompanies steps to restructure the Lufthansa Group

In 2013, the SCORE programme again had a significant impact on the work of human resources management. The job cuts it requires are being accompanied closely by the various human resource departments in the Lufthansa Group. In Germany, the Company has undertaken to achieve the job cuts in a socially responsible manner, and primarily by means of voluntary measures.

Employees average number



Revenue per full-time equivalence Lufthansa Group in € thousands



This is based on the existing settlement of interests and the severance payments for the Lufthansa Group, which have been supplemented for the project period by adapting the rules accordingly. Incentives for leaving the Company and phased early retirement models are the key features of the scheme.

In the reporting period, Lufthansa Global Business Services GmbH (LGBS) was established with the aim of pooling operations and processes in the areas of finance, purchasing, human resources and revenue services across the Group in order to realise significant synergies. LGBS took over some aspects of financial accounting and the first human resources processes in 2013. By the end of 2014, the main processes from nearly 50 companies in the Lufthansa Group are to be transferred to LGBS. Altogether, some 700 jobs will be transferred abroad from the sites in Cologne, Hamburg and Norderstedt.

In addition to the Group-wide restructuring measures, human resources management is also supporting the specific programmes in the individual business segments. In the reporting year, Lufthansa Passenger Airlines reviewed all ground processes in Germany and abroad as part of the Shape project. The new process structure created results in redundancies, which Lufthansa is carrying out in a socially responsible manner and on a voluntary basis. Lufthansa Technik also specified its restructuring plans for administrative areas in 2013 as part of the NETwork project. A total of around 650 jobs are reduced by 2015. Lufthansa Technik also intends to implement the ensuing redundancies in a socially responsible manner.

Competitive collective bargaining also contributes to greater productivity

In May 2013, the Employers' Federation for Air Transport Companies (AGVL) and the trade union ver.di agreed on a wage settlement for about 33,000 ground staff at the Lufthansa Group in Germany. For the first time, a differentiated pay rise was negotiated that reflects the economic situation of the individual operating segments. The differentiated pay scale increases combined with the longer duration of wage settlements sets an important precedent for future collective bargaining. As the pay rises were only applied prospectively, the employees also made a contribution to safeguarding the earnings of the Lufthansa Group by deferring their wage increases for a few months from February 2013.

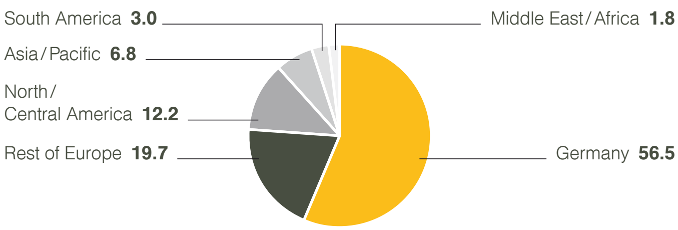
In February 2013, a structural reform was agreed on between ver.di, AGVL and LSG Sky Chefs for the staff at LSG Sky Chefs' regional companies in Germany. The agreement defines savings for existing staff and changes to pay scales and conditions for new recruits. At the same time, the company gave a commitment to long-term job security. On the basis of this solution, it was agreed that the companies affected by the structural reform would not fully participate in the Group's collective bargaining round for 2013.

Sustainable structures were also achieved for cabin crew in the reporting year following arbitration with the Unabhängige Flugbegleiter Organisation (UFO). One special feature here is the wage agreement on annual working hours, which enables the company to better cover its seasonal requirements in Germany.

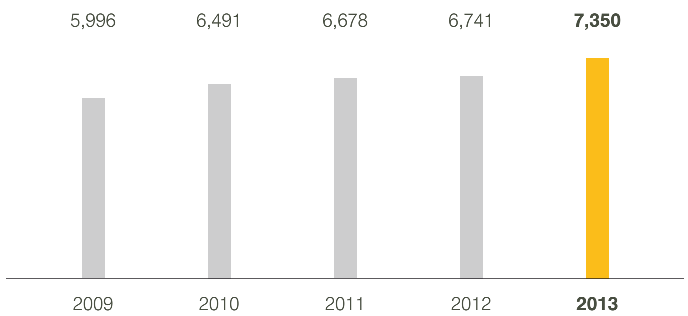
Negotiations also continued in the reporting period on the wage agreement for cockpit staff at Lufthansa Passenger Airlines. Since the subject matter is complex and the two sides are still a long way apart, the talks remain difficult but are still being pursued with the same intensity.

SWISS successfully concluded a wage agreement with its cockpit staff in 2013, including significant productivity increases, new pension rules and pay scales for new recruits. Negotiations are currently under way on the wage agreements for cabin crew and ground staff.

Employees by region in %



Staff costs Lufthansa Group in €m



Austrian Airlines made significant reforms to its collective bargaining framework in 2013 in anticipation of future demands. The package of reforms for ground staff agreed with the unions and works councils was the largest ever. It includes far-reaching changes to salary bands, entry-level pay, salary increases, company pensions, anniversary bonuses and severance pay. In exchange, employees are to receive a profit-sharing payment in the future. Employees approved the new rules by a resounding majority of around 75 per cent.

Maintain and strengthen the Company's attractiveness as an employer by developing leadership principles

Fast-moving markets and the structural shifts in the airline industry demand bold, swift decisions and an understanding of how to deal with ever-increasing complexity. Back in 2012, the Lufthansa Group launched targeted initiatives to change the corporate and leadership culture throughout the Group, in order to successfully exploit the opportunities resulting from these changes. In this environment, managers, in particular, need skills like pragmatism, tolerance of ambivalence and the ability to motivate clients and staff.

That is why in the reporting year, the Lufthansa Group refined its management approach to focus on five leadership principles. They comprise the following skills:

- acting pragmatically and economically,
- enjoying change,
- empathy and curiosity,
- encouraging creativity and
- holistic thinking and problem-solving.

The new management approach addresses the internal and external challenges facing the Lufthansa Group and thereby supports the implementation of its strategic goals. All the relevant human resources instruments, such as selection methods, performance systems and top-management qualifications are currently being adapted to the new approach. Particularly noteworthy here is the greater weighting now given to the operating result at Group level as part of the target agreement for managers in the Group. The operating margins of the individual business segments are also incorporated into the variable remuneration for the staff employed there.

Operating margin[1] for the Group and the business segments in %

	2013	2012	Change in pts
Passenger Airline Group	2.1	2.4	−0.3
Lufthansa Passenger Airlines[2]	1.5	0.1	1.4
Logistics	3.2	3.9	−0.7
MRO	9.7	8.2	1.5
Catering	4.2	4.0	0.2
IT Services	5.6	3.3	2.3
Group	2.3	2.8	−0.5

[1] Operating result / revenue.
[2] Including Germanwings. Previous year's figures have been adjusted.

Successfully establishing a proactive process for filling vacancies at management level encourages an understanding on the part of managers of transparency and of trust in the Company and in their own opportunities for development. In the period under review, the proportion of women in management positions was on a par with that of the previous year for all hierarchy levels, at 31.5 per cent in Germany and 32.8 per cent worldwide. The proportion of female managers above the level of line management was increased by around 1 percentage point to 16.7 per cent in Germany and 14.5 per cent worldwide. At the same time, the Lufthansa Group provides additional support, such as coaching and mentoring programmes, for high-potential female staff in order to reach its own growth target of 30 per cent per year by 2020. This also includes steps to make it easier for all employees to reconcile the demands of family and career. Day care for children during five weeks of school summer holidays was offered in Frankfurt for the first time in 2013. The strong demand was an indication of the interest and need on the part of the workforce, with the result that the Lufthansa Group's childcare activities are to be extended even further next year.

In 2013, the Company also started a pilot project to establish a new working culture for administrative jobs. Alongside the principle of task-specific jobs, irrespective of particular individuals, this involves evaluating across all hierarchical levels how flexible the working hours can be made for the workforce.

People make the difference – enhancing employer attractiveness and assuming responsibility
The Lufthansa Group is recognised as being an attractive employer in Germany. Among young professionals, the Lufthansa Group took fourth place concerning employer attractiveness in a survey carried out in 2013 by the consultancy company Universum Communications. With business students, the Company was again in the top ten in the reporting period. Compared with earlier years, Lufthansa scored slightly worse with students of other subjects in 2013.

"trendence Student Survey 2013"
published in ManagerMagazin

Degree course	Ranking 2013	Ranking 2012
Business studies	9th	4th
Engineering	11th	9th
Law	17th	11th

"Universum Student Survey 2013"
published in Wirtschaftswoche magazine

Degree course	Ranking 2013	Ranking 2012
Business studies	6th	4th
Engineering	7th	7th
Computer science	27th	23rd

The Lufthansa Group wants to remain one of the most attractive employers in Germany, where staff work with passion and commitment.

To ensure that it moves back up the rankings in the future, one of the new initiatives launched by the Lufthansa Group in the reporting year is a "be Lufthansa" blog, in which more than 124 employees from various Group companies introduce their working environment. And it has proven very popular, with more than 300 individual weekly visitors and more than 85,000 page views. This can also be seen in the high level of interaction, with 1,820 comments received on the 320 blog posts to date.

As the Company again invested in its vocational and professional training in the reporting year, this is particularly relevant. The Lufthansa Group can thereby affirm its role as a social and socially responsible employer. In the reporting period, the Lufthansa Group offered 65 different entry programmes for school leavers. 313 new cabin staff qualified in 2013, 29 new flight trainees were recruited for the cockpit in the reporting year, of which 6.8 per cent were women.

Furthermore, the Lufthansa Group again offered classic apprenticeships in 36 different occupations. 62 apprentices also began a degree course with the help of the Lufthansa Group. For the first time in the reporting year, the Company was able to recruit from across the airline group for its top trainee programme "Pro Team", and to once again give participants in its study and intensive practice (st.i.p.) programme the opportunity to combine their degree course with structured practical training at the Lufthansa Group. This enables the Group to offer career prospects to more than 622 young people in Germany.

In 2013, the Lufthansa Group received a total of 10,700 applications for its various training programmes. Altogether, the Lufthansa Group received more than 120,000 applications in response to its job advertisements. This shows that interest in the Lufthansa Group as an employer remains high.

The internal budget for training and development activities came to EUR 136m in 2013, which was 6 percentage points below the previous year's figure. Despite this, the number of training days increased slightly to 771,000.

The Lufthansa School of Business offered training and networking programmes for managers on subjects including innovation, change management and diversity. It provides dedicated content to support the Company's continued cultural development.

New forward-looking retirement benefits to be negotiated

Retirement benefits for employees have a high priority in the Lufthansa Group. Lufthansa's aim is to safeguard retirement benefits for employees and the competitiveness of the Company in the long term. Persistently low interest rates and longer periods over which a pension is paid have caused a steep rise in the costs of current company pension schemes. For this reason, the Employers' Federation for Air Transport Companies (AGVL) terminated the pension agreements for the Lufthansa Group as of year-end 2013, with the aim of negotiating new, forward-looking retirement benefits for employees and the Company. The Lufthansa Group is striving for a more flexible system that responds to developments on the capital markets. Company pensions in Germany always have to have a nominal guarantee, however. This means that the contributions are guaranteed and a negative return is not possible. The precise design of such a system is currently being drawn up with the collective bargaining partners.

At the same time, AGVL terminated the wage agreement on transitional benefits for airborne staff. The Lufthansa Group intends to discuss this topic in the context of overall benefits and aims at reaching a joint solution with the collective bargaining partner.

Strengthening employee commitment – ideas and dialogue are openly encouraged

Ideas management in the Lufthansa Group was practised more proactively again in 2012 with the "Impulse" programme to make active use of employees' ideas and creativity. The brainstorming was very successful in the reporting year, with more than 2,800 suggestions for improvement, of which nearly 600 were put into practice. The benefits generated by the staff suggestions came to more than EUR 7.8m in 2013 alone, making a direct contribution to the Company's success. In addition to the economic success of the suggestions, the ideas and innovation management programme boosted exchange and interaction between the operating segments by means of greater communications and networking.

Further improvements are to be made in future by streamlining processes and using modern technologies and media. The aim is to establish a new culture of innovation to increase profitability and for the benefit of customers and quality, but also for employer branding.

Employee commitment means asking for feedback: The Lufthansa Group again carried out a global employee survey at Lufthansa Passenger Airlines and the Group functions in the reporting year. Various subsidiaries also carried out similar surveys. The main areas investigated by the survey were loyalty to the Company, satisfaction and employee commitment. The results reflect the challenges currently posed by the change process. Loyalty to the Company improved by 2 percentage points in the reporting year, while staff satisfaction was the same as in the previous year. The employee feedback shows that there is still great commitment to active involvement in shaping the process of change.

Advancing sustainable, social responsibility – for employees and society

A core element of the Lufthansa Group's human resources strategy in the reporting year was to start assuming responsibility for assisting employees to take their careers in a new direction. The programme provides support to employees and managers who are seeking to realign their professional development – whether inside or outside the Lufthansa Group. To this end, the Lufthansa Group is working closely with renowned international HR consultancies. This offer is open to all Lufthansa Group employees in Germany and is a symbol of the sustainable human resources policy at a time of change. More than 500 employees have already made use of the advice on offer in 2013.

For the measures defined as part of SCORE, a requirement to cut a total of 2,793 full-time equivalents in the Lufthansa Group with a severance volume of some EUR 245m in total was identified in 2013. Altogether, around 2,000 employees – corresponding to 1,757 full-time equivalents – signed up for one of the voluntary packages of measures on offer in the reporting period. Of these, 541 full-time equivalents were cut already in 2013.

Corporate responsibility

↗ Lufthansa Group assumes full corporate social responsibility. ↗ Variable remuneration of Executive Board members and managers also depends on sustainability parameters. ↗ A clear corporate compliance policy reflects corporate social responsibility. ↗ Lufthansa Group pursues four-pillar strategy for climate protection. ↗ Specific CO_2 emissions and specific fuel consumption were cut significantly. ↗ New fleet improves long-term environmental impact. ↗ Social commitment is expressed in many different ways.

Lufthansa Group is committed to the principles of the UN Global Compact

Corporate social responsibility at the Lufthansa Group extends to three areas: economic, ecological and social sustainability. The Lufthansa Group is aware of its corporate social responsibility and has embedded the corresponding targets in its company values and leadership principles. Since 2002, the Lufthansa Group has been committed to the principles of the UN Global Compact, the largest global initiative for responsible corporate governance. The Group has also complied with the recommendations of the German Corporate Governance Code since 2002, with very few, well-founded exceptions. Most of the facultative suggestions have also been followed. The declaration of compliance was updated at the Supervisory Board meeting held on 4 December 2013. Further information can be found in the "Corporate governance" section on p. 17.

The interdisciplinary, cross-segment Corporate Responsibility Council is responsible for coordinating and refining all activities and initiatives relating to sustainable corporate governance within the Lufthansa Group. It is chaired by the head of Group Strategy and is composed of the heads of the Policy, Environmental Concepts, HR Strategy and Organisational Development, Legal Affairs, Communications, Investor Relations, Corporate Sourcing and Group Controlling departments. The Corporate Responsibility Council meets several times a year and reports directly to the Executive Board of the Lufthansa Group.

Corporate responsibility at the Lufthansa Group

Economic sustainability		Environmental sustainability	Social sustainability
Customers and quality	Profitability		
▪ Quality improvements for our customers through investments ▪ Increase in customer focus ▪ Better marketing of our strengths, including innovation, reliability, and quality	▪ Achievement of the necessary operating margin through SCORE ▪ Increase company value ▪ Stronger prioritization of investments for value creation ▪ Flexibility regarding faster responses to market conditions	▪ Reduction of Group-wide resource consumption (fuel efficiency, CO_2 neutral growth from 2020) ▪ Investment in alternative fuels and biofuels ▪ Noise reduction with a modern fleet ▪ Development of intermodal partnerships	▪ Positioning as an attractive employer ▪ Responsible handling of people – people at the heart of our actions ▪ Expansion of corporate citizenship activities, particularly HelpAlliance

Value-based management secures economic sustainability
The value-based management of the Company enhances its economic sustainability. This entails measuring the Company's performance by its cash value added (CVA). Further information on this subject can be found in "Management system and supervision" from p. 30. The SCORE programme also makes a vital contribution to the economic sustainability of the Lufthansa Group. All SCORE projects serve either to cut costs, increase income or optimise processes. In this way, the Lufthansa Group creates the conditions for maintaining its capability to actively shape the future. Further information on SCORE can be found in the "Group strategy" chapter from p. 26 as well as in the "SCORE programme" section on p. 40.

Corporate responsibility and success go hand in hand at the Lufthansa Group.

Variable remuneration rewards sustainability
The Executive Board and managers of the Lufthansa Group receive their variable remuneration based partly on CVA and partly on sustainability parameters such as environmental protection criteria (fuel efficiency and CO_2 emissions), and customer and staff satisfaction.

To safeguard its commercial success, the Lufthansa Group also identifies the relevant risks and opportunities for the Company at regular intervals and takes these into consideration in its corporate governance. The Company is thus prepared for positive and negative factors and can respond to them flexibly. Detailed information on our management of risks and opportunities can be found in the "Opportunities report" from p. 97 and in the "Risk report" from p. 102.

The Lufthansa Group maintains a process of regular dialogue, based on mutual trust, with its stakeholders in Germany and abroad. This covers relationships with customers, suppliers, investors, the scientific community, non-governmental organisations, politicians and neighbours as well as internal communications with employees and their representatives. Executive Board members and managers have regular discussions with employees, for instance, currently on the topic of SCORE in particular.

Corporate compliance is strictly enforced
A clear corporate compliance policy is also an expression of corporate social responsibility. The management and supervisory culture of the Group is based on German legislation on stock corporations, co-determination and capital markets, as well as on the Articles of Association of Deutsche Lufthansa AG and the German Corporate Governance Code as applied by the Company. To also enable employees to fulfil their responsibilities in this area, mandatory training is provided on competition compliance and integrity compliance.

Suppliers are also selected on the basis of sustainability criteria
In its Group purchasing guidelines, the Lufthansa Group has integrated aspects of corporate social responsibility. Suppliers must respect various obligations relating to social, climate and environmental responsibility as defined in standard contracts. Compliance with the ten principles of the UN Global Compact and the four core labour standards of the International Labour Organisation (ILO) is also required. Furthermore, suppliers must follow the Lufthansa Group's environmental protection guidelines and allow scheduled and unscheduled audits by the Group. Finally, business partners have to grant the Lufthansa Group the right to terminate contracts if these agreements are breached.

Lufthansa Group pursues four-pillar strategy for climate protection
For many years, the Lufthansa Group has taken steps to reduce the environmental impact of its business activities to a minimum. As part of its environmental strategy 2020, which includes targets for reducing specific emissions and for researching and promoting alternative fuels, the Lufthansa Group follows the four-pillar climate protection strategy developed by the airline industry. This consists of the elements: technical progress, improved infrastructure, operating measures and economic instruments. By taking concrete steps internally and by consulting with system partners and governments, the Lufthansa Group is working intensively on each of these individual topics.

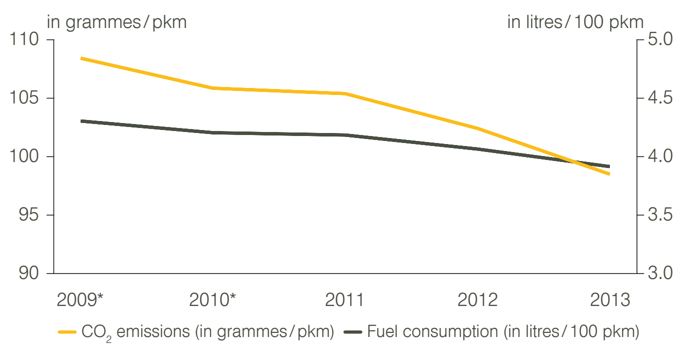
The environmental experts at the Lufthansa Group work constantly to improve the Company's ecological impact even further. In doing so, they draw on an environmental database which makes it possible to calculate the relevant environmental performance indicators for the Lufthansa Group. These are essentially figures for energy and kerosene consumption as well as data on noise emissions. These performance indicators are analysed regularly and used to formulate specific recommendations for action.

In 2013, the primary focus was on fuel efficiency. In this area, the congruence between ecological and economic objectives is particularly great. The specific fuel consumption of the Group fleet was again reduced further compared with the previous year. Projects and activities are being developed continuously to improve this figure even further – they range from technical solutions and weight reductions, to changes in ground handling and the route network, to structural political projects and processes for flight operations. More information can be found in our sustainability report "Balance", which is available at i www.lufthansagroup.com/responsibility.

The Lufthansa Group is also active in the field of alternative fuels. Since 2009, Lufthansa has pooled all of its activities relating to the future use of alternative fuels under the name of Pure Sky in a separate department. The use of biofuels is subject to their availability and cost-effectiveness, as well as to positive environmental effects, such as a reduction in CO_2 emissions.

One of the bigger research initiatives in this area was the burnFAIR project in 2011. It involved a Lufthansa Passenger Airlines Airbus A321 with one engine half-fuelled with bio-synthetic kerosene, which was deployed for around six months between Hamburg and Frankfurt as part of the regular flight timetable. The main aim of this long-term trial was to gain experience in dealing with bio-kerosene and to collect long-term measurement data.

Development of specific CO_2 emissions and specific fuel consumption



* Including bmi.

Key indicators for measuring an aviation group's environmental efficiency are specific CO_2 emissions and specific fuel consumption. In 2013, the Lufthansa Group's total CO_2 emissions fell to 27.6 tonnes, which represents an improvement of 1.3 per cent compared with the previous year. Thanks to larger and more efficient aircraft in the fleets as well as a higher passenger load factor, specific CO_2 emissions per passenger-kilometre flown (pkm) were even significantly reduced to 98.4 g/pkm (– 3.8 per cent) in the reporting year. Specific fuel consumption, measured in litres per 100 pkm flown, also fell, reaching its lowest value in the history of the Lufthansa Group at 3.91 l/100 pkm (previous year: 4.06 l/100 pkm).

New fleet improves the environmental performance of the Lufthansa Group

With the aircraft ordered in 2013, the Lufthansa Group will improve its environmental impact even further in the years ahead. Further information can be found in the "Fleet" section on p. 55. In comparison with their predecessors, these new aircraft consume less fuel and are also much quieter, so they are an important element of the Lufthansa Group's contribution to active noise protection.

Other activities in this area include the use of the latest technologies, retrofits to the existing fleet, improved take-off and landing procedures and ongoing noise research.

Research and development to minimise climate and environmental impact

The Lufthansa Group is involved in several research projects and initiatives to minimise noise emissions. The most important of these is currently the MODAL project (Models and Data for the Development of Active Noise Protection Measures in Aviation), which was launched in January 2012 as part of the aviation research programme set up by the German Federal Ministry of Economics and Energy. Lufthansa Passenger Airlines is leading the project, which aims to identify sources of noise in the existing fleets and, wherever possible, to develop measures to reduce noise emissions even further. Another objective is to improve the evaluation of active noise-protection measures by means of more precise calculations. The MODAL project was launched as part of the Quiet Traffic research alliance, an important platform for developing new project ideas.

Noise protection has been growing in importance for years, especially at Frankfurt Airport. Two agreements, in particular, have contributed to the tangible improvements made at this site: one is the "First Package of Measures for Active Noise Protection" presented in June 2010, and the other is the second package signed in February 2012, entitled "Together for the region – Alliance for more noise protection". The activities range from replacing the hush kits on the Boeing 737 fleet based in Frankfurt and fitting the aircraft in the Airbus A320 family with vortex generators, to the segmented approach, increasing the number of approaches in a continuous descent, to further improvements in take-off and landing procedures.

For two decades, the Lufthansa Group has also been active in climate research. The primary current projects are CARIBIC, IAGOS and MOZAIC, which are all designed to measure greenhouse gases, trace elements and aerosols in the atmosphere and to analyse them in coordination with the project partners. This enables valuable information to be gathered for climate research. In the field of e-mobility, too, the Lufthansa Group is carrying out important research work into aircraft taxiing and towing procedures. Current initiatives include eTaxi (electrically operated forward landing gears for taxiing), TaxiBot (pilot controls a diesel-electric aircraft towing truck from the cockpit), a hybrid e-towing truck without a towbar and eLift (development of an electric catering vehicle). All activities that lead to more e-mobility on the apron at Frankfurt Airport were brought together in 2013 under the "E-Port an" umbrella.

"E-Port an" partners include the state of Hesse, the Lufthansa Group, Fraport AG and the Rhine-Main model region. Further information on the Lufthansa Group's research projects can be found in the "Balance" sustainability report as well as on our website i www.lufthansagroup.com/responsibility.

Awards for commitment to sustainability
External experts and agencies again honoured the Lufthansa Group's commitment to sustainability in 2013. Once again, the Group was included in the sustainability indices FTSE4Good and Ethibel Excellence Investment Register, as well as in two indices compiled by the agency ECPI. As part of the Carbon Disclosure Project (CDP), the Lufthansa Group was again able to improve its ranking in comparison with the previous year.

In addition, the Lufthansa Group won the Airline Business Technology Award from the Airline Business Magazine. The jury emphasised the technical expertise and innovation at Lufthansa Technik, which makes an important contribution to economic and ecological sustainability. Austrian Technik received the environmental prize from the city of Vienna for an innovative way of saving energy, waste and resources.

Treating employees responsibly in times of change
The Lufthansa Group operates in a labour-intensive service industry, and this is one reason it feels a particular sense of obligation towards its employees. Strengthening employees' commitment and taking steps to make the Group more attractive as an employer are particularly important. By responsibility, the Lufthansa Group also means acting responsibly in the context of processes to reshape the workforce, such as those required in the course of the SCORE programme. The "Employees" chapter from p. 88 provides detailed information on this topic.

Social commitment is actively practised
Many staff members at the Lufthansa Group carry out voluntary work in their spare time for social and charitable causes. The best-known examples are the HelpAlliance e.V. and Cargo Human Care e.V. aid organisations. The Lufthansa Group supports both initiatives with logistics and communications. HelpAlliance runs projects around the world to improve the living conditions of disadvantaged people, mostly children. The projects involve the construction, management, funding and operation of training centres, orphanages and hospitals. Projects to help homeless children and business start-ups are also sponsored. Cargo Human Care is a humanitarian and medical aid project operated by the staff of Lufthansa Cargo in cooperation with doctors. It provides fast, uncomplicated logistical help for sick and needy people, concentrating on projects in Kenya.

At times of urgent need following natural disasters, the Lufthansa Group also provides fast, pragmatic assistance. In November 2013, Lufthansa Passenger Airlines, Lufthansa Cargo and Lufthansa Technik organised a joint aid flight to the Philippines after the country had been hit by a typhoon. Lufthansa Technik Philippines provided logistical assistance on the ground. A few days after the first aid flight, Lufthansa Cargo put on a second flight in cooperation with the "Aktion Deutschland Hilft!" alliance. For many years, Lufthansa Cargo has also sponsored "Werkstätten für Behinderte Rhein-Main e.V.", a workshop programme for 400 people with physical and mental disabilities, by purchasing airfreight tension belts made in the workshop. The Lufthansa Group also sponsors performances by the Lufthansa Orchestra, whose musicians come from all the Group companies and a variety of locations, and who meet to play together and give concerts.

The Lufthansa Group is also active in environmental, cultural and sports sponsorship. In terms of environmental sponsorship, the focus in 2013 was on protecting cranes; cultural sponsorship concentrated on orchestras and concerts, while sports sponsorship was directed at the partnership with the Deutsche Sporthilfe foundation and the National Paralympic Committee Germany. Further information on this topic can be found in our "Balance" sustainability report as well as on our website i www.lufthansagroup.com/responsibility.

Supplementary report

Strike at Frankfurt Airport disrupts flight operations
Due to a strike, announced by the trade union ver.di, by various security companies at Frankfurt Airport on 21 February 2014, there were delays and cancellations in the Lufthansa Group's flight plan throughout the day, particularly concerning flights to and from Frankfurt. Although the strike did not take place at the Lufthansa Group itself, travellers with Lufthansa Passenger Airlines, SWISS and Austrian Airlines were severely affected by the action, as the airport's security checks for passengers embarking in Frankfurt were closed from the early afternoon.

Opportunities report

Opportunities are identified early. Opportunities result from various internal and external factors. The Lufthansa Group exploits specific opportunities. This increases efficiency, productivity and competitiveness.

Opportunity management system

The Lufthansa Group's systems for managing opportunities and risks are closely related. Both areas are described in detail below.

Opportunities are defined as possible future developments or events which may lead to a positive deviation from plans, forecasts or targets, and which therefore represent effective value creation or which generate potential competitive advantages. For the highly dynamic global airline industry, such opportunities can arise from new customer wishes, products, market structures or regulatory frameworks. Innovations, quality improvements and competitive differentiation can also give rise to opportunities for internal improvements in all areas.

Steps in the opportunity management process

The systematic identification of opportunities by staff and management in the Lufthansa Group takes place as part of everyday processes and market observations. Scenario analyses and accurate return calculations are used to evaluate opportunities and the associated risks. Opportunities that, in an overall assessment, are considered advantageous for the development of the Lufthansa Group, and so for the interests of shareholders, are pursued and implemented by means of defined steps. They are managed by the established planning and forecasting processes as well as by short-term projects if the time frame or the nature of the opportunities so requires.

For the Lufthansa Group, the SCORE programme currently is an essential instrument for realising opportunities to improve efficiency, productivity and competitiveness. Within SCORE, a project management tool for the entire Group systematically identifies activities to realise opportunities, analyses their feasibility and evaluates their cost-effectiveness.

Activities are developed both bottom-up and top-down. They are managed throughout individual project phases from idea to implementation. Progress against forecasts is monitored continuously and, if necessary, suitable instruments are developed to expedite matters. Another important aspect is the process for transferring improvement potential to other areas of the Group, so that all the companies in the Lufthansa Group can share views on opportunities that have been identified and accordingly profit from them.

The plan is to integrate the rolling assessment of earnings improvement measures for subsequent years as an instrument of the SCORE programme into routine company management processes in the future, so as to provide controlling and strategy processes with lasting support. This is intended to promote a structured process of identification, evaluation and proactive management of opportunities in the long term. Regular reporting over the course of the year already provides information about the opportunities and risks in the Lufthansa Group.

Individual consideration of opportunities

Opportunities from macroeconomic and financial developments

The economic environment has an effect on the business activities, financial and earnings position, and cash flows of the Lufthansa Group. The Lufthansa Group's forecast for 2014 is based on the expectation that future macroeconomic conditions and sector developments will correspond to the description given in the "Forecast" chapter from p. 118. If the global economy performs better than forecast, this will have a positive effect on the Lufthansa Group's business. Future revenue and earnings for the Lufthansa Group may, in this case, exceed the current forecast. As a global company, the Lufthansa Group can also benefit from positive developments outside its own core market.

Examples of such positive developments are a faster revival of economic growth in emerging markets and in the indebted countries in southern Europe. Flexible capacity management makes it possible to respond to a certain extent to positive developments in demand.

As described in the "Risk report" from p. 109, the Lufthansa Group is an international aviation group and so is exposed to financial risks from changes in fuel prices, exchange rates and interest rates. In addition to the risks described, these financial and economic developments also entail potential opportunities for the Lufthansa Group. Volatility in fuel prices, exchange rates and interest rates can result in lower costs for the Lufthansa Group if the direction taken is better than the assumptions used for planning and forecasting.

In the context of fuel supplies, there are also opportunities in the development of new techniques for extracting crude oil and other sources of energy, which may have the direct or indirect effect of reducing prices and volatility for the Lufthansa Group's kerosene expenses. Another opportunity in this area is the recent expansion of oil production in North America. This reduces dependence on oil production in regions of the world which have experienced particular political instability in recent years. The Lufthansa Group's fuel hedging is set up to provide protection against price rises, but also to derive benefits from lower prices. More information on the opportunities from innovation and research into alternative fuels can be found in the chapter "Opportunities from innovations throughout the Group" on p. 101.

Opportunities from taking a disproportionate share of growth in the global air transport industry

Driven by increasing globalisation and the ensuing need for mobility, as well as by growth in less developed markets, the air traffic sector will remain a long-term growth industry. The Lufthansa Group, with its Passenger Airline Group and the MRO, Logistics, Catering and IT Services service segments, is sufficiently diversified to profit in a balanced way from global growth in the aviation industry.

Its strong position in its European airlines' home markets offers the potential for participating disproportionately from rising demand in its core markets if the crisis-hit countries in Europe make a rapid recovery. By actively managing capacities, the Passenger Airline Group is, to a certain extent, able to benefit flexibly from positive demand and pricing developments. Outstanding fleet orders and future deliveries in the course of roll-over planning create room for manoeuvre in which it is possible to take a disproportionate advantage of such market developments. This not only applies to the Passenger Airline Group but, as a result of its close links with the service companies, ultimately to the Lufthansa Group's entire product and service portfolio.

Opportunities from the development of new customer needs and additional income

In the context of customer requirements developments can be seen towards new wishes for the organisation of the travel experience. In concrete terms, this may be increasing demand for innovative in-flight entertainment services and the passengers' wish for constant access to digital data networks, also during the flight. For the airlines in the Lufthansa Group, this creates new potential for additional income. For the system and service providers like Lufthansa Systems and Lufthansa Technik, there are additional growth opportunities both in completions and in retrofitting, maintenance and service.

Beyond the development of new customer requirements, the convergence of the full-service carrier, low-cost carrier and charter carrier business models has potential for ancillary revenue for full-service carriers, too; partly by the separate pricing of previously inclusive services, as can be seen with checked-in baggage and seats with more leg-room. Furthermore, there is a visible trend towards more buy-on-board products, which, in addition to the direct income potential from in-flight sales, can also boost revenue for the Catering segment by providing the corresponding logistics services.

Opportunities from occupying new customer segments

Regional growth expectations and new customer requirements can be boosted by the emergence of new, rapidly growing customer segments. Due to the increasing global mobility of education and work, the growing segment of "visiting friends and relatives" is particularly important for the Lufthansa Group. The increasing prosperity of a broader middle class in developing countries and emerging markets also gives rise to higher demand for holidays and educational trips in these regions and represents additional potential for the Lufthansa Group. Demographic trends, including an ageing society with a growing number of wealthy retired people, sometimes dubbed "Third Agers", is producing further potential demand for holiday, educational and healthcare tourism, especially in developed Western markets, for which the brands in the Passenger Airline Group, with their focus on quality, are particularly well positioned. Successfully opening up these emerging private travel segments will offer additional opportunities for differentiating the Group further from competitors and so generating competitive advantages.

Occupying new customer segments also creates chances for the service companies. Growth potential can be tapped in the Catering segment by opening up adjacent markets such as catering for railway passengers, hospitals and cruise ships. For the IT Services segment, there are growth opportunities in entertainment solutions, such as for long-distance coaches for example.

Opportunities from developments in the competitive environment

Opportunities from market consolidation

The airline industry is still highly fragmented, especially in Europe. In domestic European traffic, the five largest airline groups have a combined market share of less than 50 per cent. In the much more profitable US market, the figure is now at 90 per cent. This applies to a lesser extent to the MRO, Logistics and IT Services segments as well. In the past, the consolidation of the airline industry required from an economic perspective was often delayed by the willingness of governments to provide financial assistance to struggling companies.

Increasing competition regulation by the European Commission and an increasing reluctance to subsidise companies that are no longer economically sustainable and that are incapable of survival as independent entities, will create opportunities for the Lufthansa Group to realise further economies of scale and to expand its business models. Further consolidation may take place in the form of potential mergers and acquisitions as well as with the departure of unprofitable competitors.

In this area, the Lufthansa Group has established a continuous evaluation process, which examines opportunities as they arise to determine their effect on our competitive position and competitiveness as well as on our value creation for shareholders, both in terms of their strategic fit as acquisitions and in terms of reoccupying traffic volumes if a competitor leaves the market. This not only applies to passenger transport, but also concerns our service companies, such as the Catering segment, which has acquired various plants in growth regions.

Opportunities from new partnerships

The dynamic market and competitive environment creates space for new airline and service partnerships, particularly in the Asia/Pacific, Latin America and Africa growth regions. These may follow the pattern of existing alliances and joint ventures, or adopt alternative and innovative structures to reflect changes in global and regional competition.

Within the existing alliances, the dynamics of global competition make it necessary to review the current alliance membership of certain airlines. This can result in advantageous switches between alliances for some airlines as well as in new members being accepted, which can give rise to new growth opportunities for the Lufthansa Group and its airline group by expanding the network, especially in the growth regions mentioned above. They stem from a greater range of destinations within the Star Alliance and from a wider selection of alternative connections for passengers.

While the Lufthansa Group is continuously enhancing its existing partnerships in the form of joint ventures – for example in the passenger business with the North Atlantic joint venture A++ with United Airlines and Air Canada and the Japanese joint venture J+ with ANA – it also makes use of changing market and competitive conditions to evaluate opportunities from establishing new partnerships and cooperation with a regional focus wherever these serve the strategic development of the Lufthansa Group and support a course of sustainable, profitable growth.

Additional partnerships with other carriers, such as railway and long-distance coach operators, offer further market opportunities within Europe. Such partnerships make it possible to tie passengers in to the Lufthansa Group's airlines by offering them a seamless travel experience and, at the same time, to ensure feeder traffic to the hubs and destinations of the airline network in an economically efficient manner. In addition to the potential for new customers, this can also deliver differentiation potential by increasing the benefit to customers.

Opportunities from new cooperation structures and partnerships in passenger transportation may be accompanied by additional market opportunities in the MRO and Logistics segments resulting from increased cooperation and joint ventures. Partnerships, especially with aircraft, engine and component manufacturers, may enable Lufthansa Technik to win new maintenance and overhaul contracts and ensure long-term access to patents, licences and other intellectual property at the same time. As partnerships in passenger transportation give customers access to a wider route network, so new partnerships in the Logistics segment at Lufthansa Cargo and Swiss World Cargo can open up new markets or increase the efficiency with which routes already in the portfolio are served.

Opportunities from efficiency gains and differentiation

As a diversified aviation group, the Lufthansa Group not only has the ability to absorb fluctuations in the cyclical airline business better than its pure airline competitors. The ongoing SCORE programme also creates opportunities which pure airline competitors do not have to realise synergies by making the interactions between individual Group companies even more efficient.

They include the complementary positioning of the new Germanwings and the ongoing restructuring of the regional airlines, which improves the profitability of Lufthansa Passenger Airlines' core business segment and safeguards its home market following changes to the market and competitive environment. Further potential for efficiency gains between the airlines in the Group has also been identified in the area of flight training.

Additional potential for generating sustainable competitive advantages and efficiency gains compared with direct competitors stems from a large number of projects and activities to increase the profitability of all the operating segments. One example of such an initiative is the construction of the new Lufthansa Cargo Center in Frankfurt, which will allow the Logistics segment to set up even more efficient logistics processes.

Its positioning as an ecologically and socially sustainable aviation group also creates additional differentiation potential compared with European and, above all, global competitors. The Lufthansa Group's sustainable positioning is visible in various activities and initiatives in the area of fuel-efficiency, which in recent years have not only had the economic effect of reducing fuel consumption significantly, but which also contribute to differentiating the Group from the competition, by means of the high-profile Pure Sky programme, for instance.

Opportunities from improvements in sector-specific operating conditions

Opportunities from improvements in the regulatory environment

The changes of government at federal level in Germany, in Hesse, Bavaria and, in 2014, in the EU as well, bring changes of government policy and so potential changes to the regulatory environment. In terms of international competition, improvements to the status quo would consist of removing inefficient distortions to competition from unilateral national and regional regulatory action, but also of efficiency gains by restructuring the air transport infrastructure; here, in particular, by making progress in creating a unified European airspace (Single European Sky). The Lufthansa Group – with its European home market – would realise considerable cost savings from the efficiency gains that Single European Sky would bring.

The creation of a unified, market-based global system for cutting emissions from air traffic by 2020, which the International Civil Aviation Organisation (ICAO) has fundamentally agreed on, would also diminish competitive distortions and improve the Lufthansa Group's competitive position. Changes to the scope of emissions trading entail both opportunities and risks in terms of the expenses incurred.

Abolishing the air traffic tax at federal level would also have a positive effect on the earnings situation, especially for Lufthansa Passenger Airlines and Germanwings. Given the other financing risks at federal and state level, there appear to be no signs of concrete opportunities for putting this into practice, however, although transport and economic ministers are in agreement.

Market introduction of new aircraft technology

The future market introduction of new aircraft technologies represents an opportunity for even more efficient and sustainable airline operations. Following the market launch of milestone models like the Airbus A380 and the Boeing 787, and thanks to the large-scale orders placed in 2013, the Lufthansa Group will increase its competitiveness in the future both in European and intercontinental traffic.

In European traffic, the Airbus A320neo and the Bombardier C-Series will improve the profitability of the existing Lufthansa Group route network and enable potential new destinations.
In intercontinental traffic, the new A350 and the new B777X will improve the Lufthansa Group's global competitiveness in the same way. Once they have been introduced into the Lufthansa Group's fleet, all the new aircraft technologies will make a major contribution to fuel efficiency and noise reduction, which in turn promotes the sustainability and associated opportunities for differentiation described above.

Opportunities from improving conditions within the Company

Opportunities from innovations throughout the Group

The pronounced culture of innovation and the ability throughout the Group to deliver innovations, in particular through cooperation between different subsidiaries, continually create opportunities for further growth by moving into new markets. Lufthansa Systems, working together with Lufthansa Technik and Lufthansa Passenger Airlines, developed the cutting-edge BoardConnect in-flight entertainment system, which enables Lufthansa Systems to bring a next-generation product to the market as an industry pioneer. Now that the first customers have decided to use this innovative technology, considerable potential is seen for its further development and sales.

Its trailblazing sector-specific work in sustainable fuel technologies puts the Lufthansa Group in a strong position for the future, especially compared to its competitors. In its burnFAIR project to test biofuels in practical trials, the Lufthansa Group has already gained extensive experience of these forward-looking technologies. This wealth of experience will stand the Lufthansa Group in good stead for new developments and make it more independent of conventional fossil fuels and their price fluctuations.

In the area of fuel efficiency, the Lufthansa Group is also carrying out groundbreaking work that goes beyond new aircraft models, as illustrated by its trials of aerodynamic sharkskin structures under real conditions, which make it an innovator in sustainable technologies to reduce fuel consumption. The potential for reducing emissions and costs by the widespread use of these technologies throughout the Group is another opportunity for the Lufthansa Group, in addition to the marketing opportunities in the industry as a whole.

Opportunities for greater differentiation through product improvements

Extensive capital expenditure on the Lufthansa Group's airline products enables further opportunities for differentiation and for gaining market share. In 2014, Lufthansa Passenger Airlines will install the new and very well-received Business Class in even more aircraft, and will make a completely new class – Premium Economy – available to passengers for the first time. These are important steps for the Lufthansa Group on its way to becoming the first Western five-star airline.

At the level of the Lufthansa Group, the check-in facilities at many destinations are being harmonised and further optimised for passengers. In the future, this will not only enable the Lufthansa Group to offer its passengers further service improvements for greater customer satisfaction and so differentiate itself even better from competitors, but it will also open up additional potential for cost savings.

Opportunities from developments in human resources

The employees in the Lufthansa Group are characterised by their high level of professional qualification, their productivity, motivation and adaptability. This creates opportunities for making greater use of this talent pool at all levels. The diversity of the roles in the Lufthansa Group and the subsequent encouragement of employee rotation offer the chance of increasing the Group's attractiveness as an employer and the employability of the staff.

In 2013, management development processes were introduced which have sustainably raised management diversity. The greater mix in terms of gender, age groups and internationality offers the opportunity of meeting the increasingly differentiated demands made of management.

Establishing professional change management expertise and processes creates an opportunity to provide a constructive framework for the structural changes taking place as part of the SCORE programme.

Another opportunity for becoming more attractive as an employer is the development of corporate responsibility activities and initiatives, such as day care for children during the school holidays to make it easier to strike a balance between work and family life.

Opportunities from the SCORE programme

The purpose of the SCORE programme is to improve the competitiveness of the Lufthansa Group. This requires an efficient cost structure and a solid financial position in order to enable investment in products and services. For the years 2014 and 2015, the Lufthansa Group is currently managing around 2,000 activities and driving their implementation forward continuously. For 2014, the volume of planned gross earnings improvements is currently more than EUR 924m. The SCORE principles for the continuous development of new activities create opportunities for identifying, developing and implementing additional potential to improve the operating result over the further course of the SCORE programme, but these are not yet part of the established planning. The current SCORE volume for 2014 now already exceeds the planned SCORE potential. If the planned targets are exceeded, this will open up additional potential for earnings improvements.

Risk report

↗ Risks are identified early. ↗ Risk management is integrated in all business processes. ↗ Risks are managed and monitored proactively. ↗ The continued existence of the Lufthansa Group is not in danger.

Risk management system

Objectives and strategy of the risk management system
As an international aviation company, the Lufthansa Group is exposed to macroeconomic, sector-specific, financial and company-specific risks. At the Lufthansa Group, risks are defined as possible future developments or events which may lead to an adverse deviation from plans, forecasts or targets. The calculated management of risks is an integral part of corporate governance. Risk management is integrated into existing business processes.

Risk management in the Lufthansa Group is defined as a logical system of rules that covers all business activities. Systematic, permanent procedures are defined in the risk management process, which is based on a fixed objective and the strategy derived from it. The objective of the Lufthansa Group's risk management is to ensure that throughout the Group, all regulatory requirements of risk management systems are met in full and that a commercial benefit for decision-making processes is generated at the same time.

The Lufthansa Group's risk strategy is manifested in the principles of risk management. These consist of identifying risks, making risks transparent and comparable, assigning clear responsibilities for risks, evaluating risks, managing and monitoring risks proactively, taking action when necessary and agreeing on the information relevant to risks with the planning, management and controlling processes. The principles of risk management are governed by the risk management guidelines adopted by the Executive Board, which also provide a binding definition of all methodological and organisational standards for dealing with risks.

Structure of the risk management system
The group of companies covered by the Lufthansa Group's risk management system comprises the Passenger Airline Group, the parent companies of the respective operating segments and two companies from the Other segment (Lufthansa Flight Training GmbH and Lufthansa AirPlus ServicKarten GmbH), as well as Delvag Luftfahrtversicherungs-AG and LRS Lufthansa Revenue Services GmbH.

The adjacent chart shows the functions which have special responsibilities and expertise within the Lufthansa Group's risk management system. These are explained below.

The Executive Board of the Lufthansa Group regularly reports to the Audit Committee, which is the relevant Supervisory Board Committee for risk management, on the performance of the risk management system, the risk situation of the Group and on significant individual risks and their management. The Audit Committee monitors the existence and the effectiveness of the Lufthansa Group's risk management.

The Risk Management Committee ensures on behalf of the Executive Board that business risks are permanently identified and evaluated across all functions and processes. It is also responsible for ensuring that the risk management system is always up to date and for making continuous improvements to its effectiveness and efficiency. The committee is made up of the directors of Corporate Controlling and Risk Management, Legal Affairs, Corporate Finance, Corporate Accounting, Corporate IT, Controlling Lufthansa Passenger Airlines as well as the management of the Delvag Group. The director of Corporate Audit is a permanent member without voting rights.

The Corporate Controlling and Risk Management staff unit has functional responsibility for ensuring that the risk management system is standardised across the Group. An independent unit was set up here in 2012, with responsibility for implementing uniform standards throughout the Group and for coordinating and continuously developing the risk management process.

The management boards of all the companies covered by the risk management system also appoint risk managers. They are responsible for implementing the Group guidelines within their respective companies and are in close, regular contact with the Lufthansa Group's risk management function. In addition, they ensure that risk-relevant information is agreed with the planning and forecasting processes in their company (risk controlling).

The risk owners are senior managers in the sub-divisions for which they are responsible, whose role includes implementing risk management at a segment level. The identification, evaluation, management and monitoring of risks are therefore inherent tasks of a management role.

The Internal Audit department carries out internal, independent system audits focusing on the effectiveness, appropriateness and cost-effectiveness of the risk management system practised in the Lufthansa Group.

During its annual audit of the financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC) examines the system for the early identification of risks in place at Deutsche Lufthansa AG with regard to statutory requirements. In 2013, it again satisfied all the statutory requirements made of such a system.

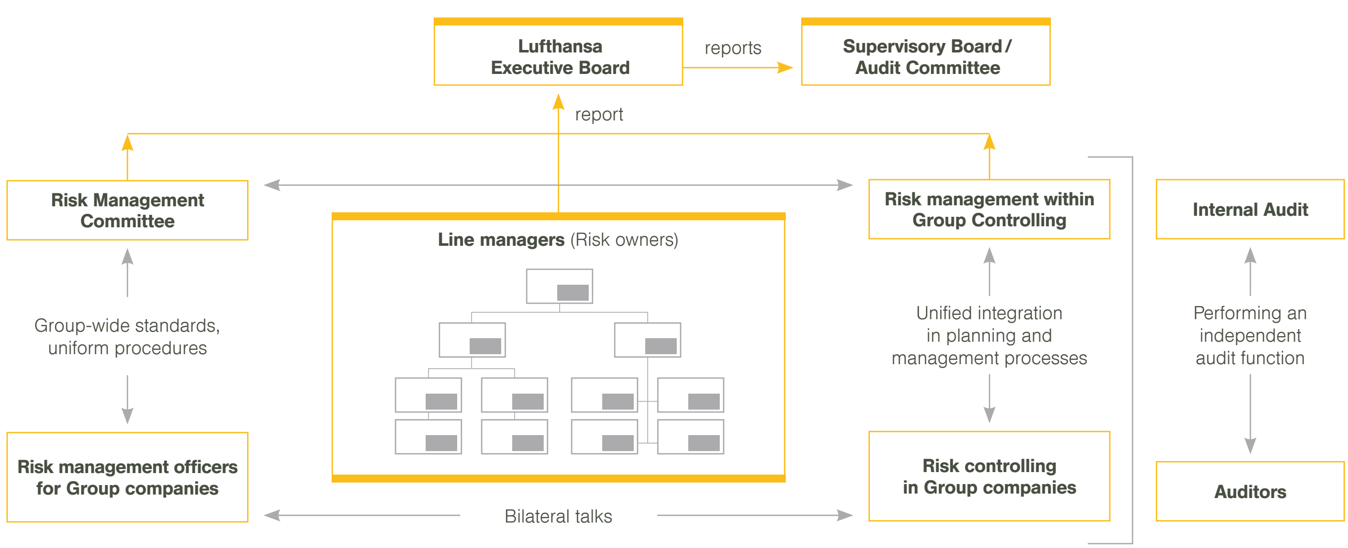
Steps in the risk management process

The Lufthansa Group's risk management process consists of successive phases of risk identification, evaluation, management, monitoring and reporting. These phases form a closed, continuous and IT-supported control system.

The risk management process begins with the identification of risks, i.e. the compilation of current and future existing and potential risks from all internal and external risk areas. All the risks identified are checked for plausibility and gathered together in the Group's risk portfolio. The risk portfolio documents the systematic entirety of all individual risks and constitutes the quality-assured result of the identification phase. As the risk landscape is dynamic and subject to continuous change, the identification of risks is a continuous task for the risk owners.

Risk identification is followed by risk evaluation, which is understood as a targeted qualitative and/or quantitative evaluation of all the individual risks identified after risk limitation activities have been carried out (net basis). The defined evaluation principles, see the "Evaluation methodology in the risk management process" section from p. 104, are applied uniformly throughout the Group. Wherever possible, objective criteria or figures derived from past experience are used for the evaluation. Risk evaluation forms the basis for risk consolidation, in which individual risks of the same type are combined to form one total risk, which is then evaluated as a whole.

Risk management at Lufthansa Group



Suitable instruments for handling the identified and evaluated risks are defined and deployed in the course of risk management. The aim of risk management is to limit risk positions proactively. Continuous risk monitoring within the process identifies changes in individual risks and any necessary adjustments to risk management at an early stage. If any preliminary development work is required before these management and monitoring instruments can be deployed on a routine basis, the necessary steps are defined and implemented. Steps in this sense mean clearly defined activities with a fixed duration, responsibility and time frame, which serve to develop control instruments. The progress made on these steps is also monitored continuously. The costs of an instrument or a measure are always weighed against the benefit in order to judge the cost-effectiveness.

The effectiveness of the management and monitoring instruments used for the main risks is reviewed systematically as part of the Lufthansa Group's internal control system (ICS). One of the primary tasks of the organisational unit responsible for the ICS is to ensure that all operating segments use a standardised methodology and standardised reporting within the ICS. Every year, the unit defines which Group companies and which selected topics are to be included in the reporting for the purposes of documenting and evaluating the ICS. The relevance of the Group companies is decided on the basis of statutory requirements and qualitative criteria. They include the German companies that come within the scope of BilMoG as well as foreign companies that pass a certain materiality threshold. Topics are selected every year on the basis of risk, taking qualitative and quantitative criteria for the items in the balance sheet and the income statement into account; see also "Description of the internal control and risk management system as it relates to accounting in accordance with Section 289 Paragraph 5 and Section 315 Paragraph 2 No. 5 HGB" from p. 116 and the results of the risk management process. Centralised target requirements (management controls) are formulated for the companies' internal control systems for all identified topics.

The existing management and monitoring instruments to cover the target requirements in the selected companies are then documented and must be updated every year. The structure, functionality and therefore the effectiveness of the instruments is also assessed annually. This is carried out on a regular basis by the Internal Audit department or by means of self-assessment by the process owner. Each company regularly reports to its supervisory board on the effectiveness of its internal control system. The Audit Committee of Deutsche Lufthansa AG's Supervisory Board also looks regularly at the effectiveness of the ICS for reporting at the overarching level.

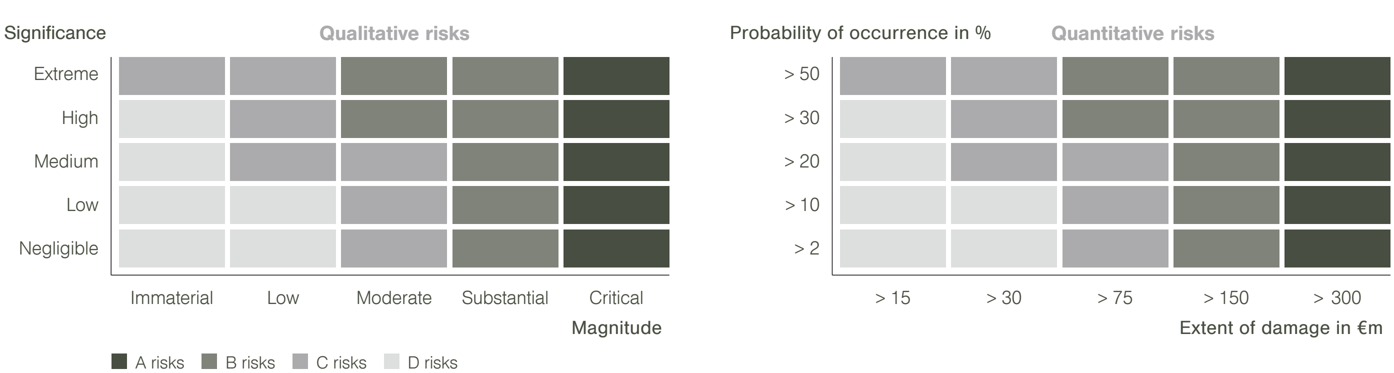
The Executive Board of the Lufthansa Group is informed about the current risk situation of the Group and of the operating segments every quarter as part of regular risk reporting. The operating segments also evaluate the degree to which circumstances involving risk have already been included in the forecast results and to what extent there are additional risks or opportunities of achieving a better or worse result than the one forecast. In the event of significant changes to previously identified top risks or recently identified top risks, mandatory ad hoc reporting processes have been defined in addition to these standard reports.

Evaluation methodology in the risk management process

The methodological evaluation of risks at the Lufthansa Group distinguishes between qualitative and quantitative risks. Risks are evaluated on a net basis, i.e. taking management and monitoring instruments into account.

Qualitative risks are long-term developments and challenges with potentially adverse consequences for the Lufthansa Group and its Group companies. As specific information often is not available, these risks can generally not be quantified precisely or indeed at all. In the context of qualitative risks, risk management amounts to a strategic approach to uncertainty. Qualitative risks are often identified in the form of weak signals. In order to evaluate qualitative

Lufthansa risk evaluation



risks as systematically as possible in spite of this, estimates are made about their magnitude and their significance. The estimate of magnitude has to assess how pronounced or intense the (weak) signals are that indicate a potential risk to the Lufthansa Group and/or to the specific company in the Lufthansa Group. Significance describes the potential impact of the individual risk or development under consideration of the reputation, the business model or the earnings of the Lufthansa Group and/or the specific company in the Lufthansa Group. The illustration on p. 104 shows the different categories used.

Quantitative risks are those whose potential monetary impact on the Lufthansa Group and/or its Group companies can be estimated. The probability of their occurrence, divided into various classes, is used to evaluate quantitative risks; see illustration on p. 104. The extent of damage is generally given as the potential monetary impact on the operating result. Depending on the type of risk being evaluated, this may relate either to relatively infrequent event risks (such as an airspace closure) or to risks from deviations from planned business developments (such as fuel price volatility). Quantitative risks therefore form the basis for the overarching verification of potential deviations from plans and forecasts. The thresholds for classifying the monetary earnings effect are defined centrally for the Lufthansa Group and the Group companies according to a standardised logic.

After evaluation, the individual qualitative and quantitative risks are divided into classes A, B, C and D to assess their materiality. A and B risks as shown in the adjacent chart are deemed to be material for the Lufthansa Group. The relevant qualitative and quantitative risks for the Lufthansa Group that meet this materiality criterion are described below. In some cases, the risks are shown here in a more aggregated form than that used for internal management purposes. Unless stated otherwise, all the operating segments in the Lufthansa Group are exposed to a greater or lesser degree to the risks described.

Individual consideration of risks

Macroeconomic risks

Risks from political crises, wars or natural disasters

Risks from political crises, wars, natural disasters and similar events and developments cannot be prevented. The Lufthansa Group is nonetheless aware of these risks and has implemented structures in various areas to better identify and respond to them. In terms of their possible magnitude, these risks are so varied that a systematic presentation would make no sense. Responses to such events and developments are made on a case-by-case basis.

There are also concrete risks as a result of the financial and sovereign debt crisis in the euro area. The process of adjustment by means of austerity and budgetary consolidation is now starting to have a positive effect on the debtor nations in Southern Europe, but this is accompanied by an increasing rejection of this strict economic policy within the population. Italy, Portugal and Greece have already suffered various political crises for this very reason. In these countries or at EU level, the increasing influence of political parties which have taken a critical position towards budgetary consolidation in recent years cannot be ruled out. This may have implications for the continued existence of the euro zone, which, via effects on the real economy and global trade, would in turn impact on the sales opportunities and financial profile of the Lufthansa Group.

Political risks with potential effects on global economic growth, and so for the Lufthansa Group’s sales, also exist outside of Europe. If the upswing in economic growth in China is too pronounced, it may provoke severe consolidation measures on the part of the Chinese government and central bank. Excessive budgetary consolidation may cause a downturn in domestic demand and have an impact on Chinese financial markets, which in turn would be highly detrimental to global growth.

Alongside these uncertainties, there are risks from political unrest, in particular in Libya, Iraq, Nigeria, Egypt and Yemen. This unrest may have an effect on the oil price and therefore influence the Lufthansa Group’s fuel costs. Similar effects are caused by the ongoing civil war in Syria and the wrangling over Iran’s nuclear programme.

In addition to the financial consequences described above, external factors like these and other political crises, wars or natural disasters may also severely jeopardise the safety of flight operations, passengers and staff, and by this have a fundamental effect on the Lufthansa Group's other interests. These external factors therefore require comprehensive risk analysis, monitoring and management. In order to respond quickly and protect its resources in such an event, the Lufthansa Group continuously monitors the security situation and current political developments around the world which may have an impact on the Group's interests. This takes place in the Group's own security centre, which operates around the clock and acts as the first point of contact. Although sudden events require an appropriate response, the first priority is to anticipate potential dangers and to take effective protective measures beforehand. Independently of its daily monitoring of the global security situation, the Lufthansa Group therefore prepares comprehensive security analyses on an ongoing basis in order to assess developments in particular regions of the world in advance and so to draw up preventive scenarios in the event of any disruptions. The necessary security measures depend on the probability and consequences of the event. In preparing its comprehensive security analyses for the Group, including all foreign flight operations and partners in the airline group, the Lufthansa Group can draw on a wide-ranging network of national and international security services and consultancies specialised in security.

The demands made of organisational security aspects at international companies have continued to rise in recent years. External risks such as political unrest, terrorist attacks, natural disasters, cybercrime and fraud require all-encompassing contingency planning and risk management. Civil aviation remains a potential target for terrorist attacks and has a correspondingly high risk exposure, which varies from region to region, however.

For this reason, the Lufthansa Group has implemented a comprehensive quality management system, which helps with the continuous evaluation of local security procedures, both in existing operations and with new destinations. It focuses on markets and stations at risk, mainly in Africa and the Middle East, which from a security perspective are under-regulated or not regulated at all. In order to ensure compliance with national, European and international aviation security legislation and Lufthansa's own security standards, these sites are inspected regularly in the course of risk audits for aviation security, the probability of terrorism, rates of crime, corruption and governmental structures. Wherever necessary, deficits in local security infrastructure are mitigated by additional measures, which can apply to all relevant functional areas (passengers, baggage, freight). Also included is an evaluation of Germany's risk profile and perception in certain regions of the world, which, in view of changes in the foreign policy of the Federal Republic of Germany (overseas deployments by the German army, for instance), may have an impact on the Lufthansa Group. An interdisciplinary team made up of lawyers, political scientists and former members of police authorities is responsible for the evaluation.

The safety of employees abroad also has a high priority. Regular security inspections are also carried out at Lufthansa Group offices abroad, as well as at employees' apartments and crew hotels.

Environmental risks

Environmental risks can materialise suddenly and without warning, as in 2010 and 2011 when sections of European airspace were closed because of the threat of volcanic ash in the atmosphere. The need to improve cooperation between governments, public authorities and the aviation sector became particularly clear in 2010. Steps have been taken to enable a better, more flexible response if necessary. A European crisis coordination point has been created, the ICAO Volcanic Ash Contingency Plan for Europe has been updated and better coordination processes have been initiated among the EU member states. The ICAO Volcanic Ash Task Force is busy refining global standards for the applicable procedures and defining limits.

Experience of the SARS and H1N1 flu pandemic has demonstrated the vulnerability of international air traffic at times of increasing mobility and globalisation. According to experts, it must now be assumed that people all over the world can be infected by pathogens within a few weeks. The more infectious the virus behind an epidemic or a pandemic, the faster the infection will spread. Travel restrictions by public health authorities, uncertainty on the part of travellers and aircraft crews, and employee unavailability can mean that flights to certain destinations may no longer be possible or that flight operations have to be suspended altogether. In 2003, a scenario like this had significant effects on airlines in Asia within a few weeks. As in previous years, if risks from epidemics or pandemics should arise, the Lufthansa Group has professional medical services and emergency plans at the ready, which are updated taking business continuity considerations into account, in order to take early and appropriate action as needed. In addition, an inter-segment expert group is engaged in drawing up coordinated and updated emergency procedures for various stages of a pandemic for the whole Group, based on experience of past crises, scenario analyses and the latest findings.

Sector-specific risks

Risks from market developments and competition

Changes in available capacity have a decisive influence on the risk profile of the airline industry. Given the orders for new aircraft throughout the entire market and the forecast growth prospects for the airline industry, there is still a risk of overcapacities on the market. This results in the risk for the Lufthansa Group that pressure on average yields will continue to increase and that demand trends will be difficult to forecast. To a certain extent, the airlines in the Lufthansa Group are able to adjust their capacities to demand flexibly and at short notice. In view of structural shifts in demand, there is the possibility in the short and medium-term of responding by deploying two- or three-class aircraft and flexible compartment sizes in Business and Economy Class.

In the MRO market, the introduction of new aircraft types (Boeing 787 and Airbus A350) has made it even more evident that the trend is towards an ever smaller number of original equipment manufacturers (OEMs) for each aircraft type. This strengthens the market position of the OEMs, which puts up barriers to entry for providers of aircraft-related maintenance, repair and overhaul (MRO) services and makes it more difficult to gain access to licences and intellectual property. For the MRO segment, the challenge is to maintain its market position despite this trend. In response to this challenge, it is working on different solutions for each product segment and OEM. Licensing agreements have been reached with various OEMs, for instance, which strengthen the MRO segment's business model and enable it to further extend its market position.

Risks from partnerships

The success of a network carrier with global operations largely depends on its worldwide, closely meshed route network. Together with the Star Alliance partners and those in the airline group, the Lufthansa Group gives its customers access to the largest route network in the world. Systematic network and alliance management enable risks to be identified at an early stage.

Collaboration with alliance partners and greater cooperation as part of joint ventures in both transatlantic (A++) and Japanese traffic (J+) open up strategic opportunities; see "Opportunities report" on p. 99. Risks can ensue primarily from changes in the different alliances. In the case of joint ventures, there is always the risk that the arrangement comes to an end as well as the risk of lost income if the regulatory conditions no longer apply. Instruments for limiting risk include full compliance with the relevant reporting obligations and demonstrating the benefits for customers, such as greater capacity as a result of joint ventures.

Regulatory risks

Political decisions at national and European level continue to have a strong influence on the international airline business. This is particularly the case when such intervention affects competition in one part of one market, for example by regional or national taxes, fees and charges, restrictions or subsidies.

Risks from regulating the emissions trading scheme

The volatility in the field of legislation and the additional lack of visibility brought about by changes of government are illustrated in exemplary form by the ongoing uncertainty concerning the EU emissions trading scheme. Despite the fundamental agreement at negotiations at ICAO level in autumn 2013, the European Commission still insists on implementing its limited regional solution. Shortly after the ICAO meeting in October, it published a new proposal (airspace model), which again includes companies from non-EU states up to the EU's external borders in the EU emissions trading scheme for 2014 and subsequent years. It is therefore doubtful whether the new proposal will be implemented. Alternatives to the airspace model are being discussed at the level of member states and in the European Parliament. For the Lufthansa Group, the uncertainty persists concerning the expenses to be expected from emissions trading and the details of implementation. Changes to the scope of emissions trading entail both opportunities and risks in terms of the expenses incurred. With "unilateral EU action" that includes non-EU states, there is a risk of retaliation by third-party states which has a considerable direct and indirect impact on the business of companies in the Lufthansa Group. Exceptions for companies from these states lead to market distortions, however, and the risk of discriminatory competition. A sustainable solution to the issue of emissions requires a global approach in any case, and the implementation of long-overdue infrastructure improvements – keyword: Single European Sky.

Risks from stricter air traffic tax regulation

Risks also exist in the area of fiscal and tax policy. The air traffic tax in force in Germany since 1 January 2011 was reduced slightly on a straight-line basis for 2012 and 2013 in anticipation of emissions trading, but is nevertheless still in place. The new government coalition has also kept the air traffic tax in place. The tax is divided into three categories depending on the length of the flight, and does not include international transfers and cargo flights. Although this takes at least some account of Germany's air transport structures in the context of international competition, the tax still distorts competition and has an adverse effect on air transport, tourism and the many companies in Germany that depend on aviation. Altogether, the German federal government levies around EUR 1bn a year from the airline industry with the tax, of which around 60 per cent comes from German companies. Similar national taxes exist in the UK, France and Austria. Ireland has reduced its tax rate to zero, however, and the Netherlands have abolished it altogether. Given the uncertainty about EU climate policy described above, as well as the unremitting pressure on public-sector finances, a reduction or even a suspension of the air traffic tax would appear to be difficult in the short term for overriding political reasons, although many sectors of the economy would welcome it.

Risks from stricter noise abatement legislation

Pressure on air transport and regulatory risks stem not only from climate policy, fiscal and tax policy, but also from a section of the general public in relation to large infrastructure projects and traffic noise. In the past, this tendency has affected the Lufthansa Group in the form of additional expenses at Frankfurt Airport, and in particular with the introduction of the night-flight ban applied for by the airport operator Fraport in connection with the opening of the north-west runway. In the future, there remains a risk for aircraft operations and the use of airports that existing noise regulations will be tightened. This may result in additional costs for the Lufthansa Group via higher fees and charges. With respect to this the Lufthansa Group plays a leading global role in reducing noise at source. The latest aircraft types brought into service by the Lufthansa Group reduce the noise footprint by around 30 per cent compared with their direct predecessors. It is also important to act in concert with the planning and transport authorities when implementing the international "balanced approach", as well as for residential and transport planning projects. The upcoming revision of the Environmental Noise Directive at EU level is important for clarifying the definition of a "balanced approach".

The German federal government's coalition agreement provides for balanced measures to reduce traffic noise. In the area of air transport, this means, in particular, weighing all concerns appropriately, reducing noise at the source, tightening noise limits for new aircraft approvals, operating flights to reduce noise, making the best use of land at airports and revising noise limits, as it is already planned for 2017 in the amended Aircraft Noise Act. The proposals seem even-handed and follow the balanced approach recommended by the ICAO. General night-flight bans are rejected. The new state government coalition in Hesse, which is particularly relevant for the Lufthansa Group with its main hub in Frankfurt, emphasised the major economic significance of Frankfurt as an aviation hub, and intends to campaign for the airport's competitiveness. This is especially necessary in view of the desired quiet periods in some areas of seven hours during the night. In specifying an upper limit for noise levels, noise emissions should be restricted on the basis of the movements approved in the planning approval document.

Risks from opening markets without regulation to ensure fair competition

Since the 1990s, the airline industry in the USA and Europe in particular has been liberalised and privatised, with the aim of using market mechanisms and efficient competition to make air travel cost-effective and affordable. The policy was founded on traditional principles of common benefits and interests, reciprocal opportunities and national control. There was no need for aviation to be included in the World Trade Organisation (WTO) given the bilateral agreements intended to ensure market access and control mechanisms for competition law. Air transport is becoming more important in view of the dynamic interactions between international economies and industries in the course of globalisation. This creates new dependencies and opportunities to exert influence, which some resource-rich states with small populations are exploiting – in particular by means of specially established and highly subsidised state-owned companies, which follow very different goals that no longer include reciprocal benefit. These states see themselves as "airline providers" for the world and are investing in air transport worldwide, taking dominant positions in some cases. By means of their orders and their capital expenditure, they are exerting a growing influence over global aviation, which until now has been governed by bilateral agreements. As such relationships and obligations evolve, the opportunities for individual states and companies to influence the way the market is organised diminish. There is a risk that the fundamental principles of airline competition that have applied internationally to date, and therefore the efficiency and ecological as well as economic sustainability of the industry, are damaged when the previously applicable rules of self-regulation are ignored. Solutions should be sought first at a bilateral level, but also multilaterally, in order to re-establish a balance between legitimate interests and needs. Governments and industry are only at the beginning of this process.

Risks from extended financial market regulation

Different attempts at regulating financial markets are still being pursued at national, European and international levels. To the extent that the proposed regulation also affects the real economy, there is a danger that the Lufthansa Group will be exposed to ever higher costs and less availability when carrying out hedging transactions for foreign currencies, interest rates and fuel prices. The introduction of a financial transaction tax would also lead to considerably higher costs for using derivatives, investing liquidity and for the pension fund.

Risks from stricter consumer protection regulations

As an international company, the Lufthansa Group is bound by a large number of national, European and international consumer protection regulations. It goes without saying that the Lufthansa Group complies with these standards. It can nonetheless be observed that these regulations are increasingly being tightened to the detriment of companies, as is evident not least from a proliferation of court rulings. In some cases, rulings have gone against companies and against the unequivocal letter of the law. They include the rulings of the European Court of Justice (ECJ) on the compensation payable by airlines, not only in the case of delayed departure, but also for delayed arrivals. To the extent that these rulings do not apply internationally, they amount to a distortion of competition in international aviation.

Particularly relevant in this context is the revised European Passenger Rights Regulation (EC) No. 261/2004. It is already apparent from the ongoing legislative process that this one-sided consumer protection at the expense of the airlines is to be extended. The ECJ's rulings on compensation for delayed flights are to be codified in statute and compensation will also have to be paid if passengers are not carried because they did not take the outbound flight or refused to pay a supplement to do so. At present, the overall commercial effects of the revised regulations on the Lufthansa Group cannot be quantified. The costs of compensation, support and care services are expected to increase, however.

Equally relevant is a lawsuit brought against Lufthansa by the consumer protection association in North Rhine-Westphalia to overturn the requirement to pay for tickets in advance.

Risks from stricter regulatory requirements concerning aviation security

National and international aviation security regulations also oblige the Lufthansa Group to draw up an air carrier security programme defining protective measures for security areas and aircraft as well as security checks for airfreight and in-flight supplies.

New rules are added all the time and, generally speaking, can have an impact on passengers, employees, efficient flight operations and costs. The Lufthansa Group works directly and via industry associations with public safety authorities at a political level in order to implement new practices within the existing system of regulations and to develop innovative joint approaches for the future that will guarantee passenger-friendly and efficient air transport.

Financial risks

Financial risk management system

As an international aviation company, the Lufthansa Group is faced with financial risks in the form of changes in fuel prices, exchange rates and interest rates. The principally conservative approach towards financial and commodity risks is reflected in systematic financial management. Derivative financial instruments are used exclusively for hedging underlying transactions. The main aim of fuel price and currency hedging is to reduce earnings volatility. This is achieved by forming averaging prices by means of layered hedging. Interest rate hedging aims to reduce interest expenses. As a rule, 85 per cent of financial liabilities are either at floating rates from the outset or are swapped into floating rates using derivatives. This enables the Lufthansa Group to minimise average long-term interest expense. Foreign currency risks from financing are always hedged to 100 per cent. The system cannot rule out these risks altogether, however.

For this type of transaction, the Lufthansa Group only works with counterparties that have at least an investment grade rating equal to Standard and Poor's "BBB" rating or a similar long-term rating. All hedged items and hedging transactions are tracked in treasury systems so that they can be valued at any time.

Appropriate management and control systems are used to manage financial and commodity risks, which measure, manage and monitor risks, but do not eliminate them altogether. The functions of trading, settlement and controlling of financial risk are strictly separated at an organisational level. To do so, the Lufthansa Group uses internal guidelines, which are continuously developed. The Group Financial Risk Controlling and Corporate Audit departments monitor compliance with these guidelines. Furthermore, the current hedging policies are also permanently discussed in management board meetings across the business areas. The Supervisory Board is regularly informed of the amounts of risk. Detailed information on currency, interest rate and fuel hedges can be found in the Notes to the consolidated financial statements, "Note 42" from p. 186. The main financial risks are described below.

Fuel price movement risks

In the reporting year, the Lufthansa Group consumed around 9 million tonnes of kerosene. It is a major item of expense, making up over 22 per cent of operating expenses for the Lufthansa Group. Severe fluctuations in fuel prices can therefore have a considerable effect on the operating result. A change in the fuel price of +10 per cent (–10 per cent) in 2014 would increase (reduce) fuel costs for the Lufthansa Group by EUR +392m (EUR –515m) after hedging. The Lufthansa Group therefore hedges fuel prices with a time horizon of up to 24 months. This is aimed at reducing fluctuations in fuel prices. Limited protection against higher prices is accepted in exchange for maximising the benefits derived from any fall in prices.

The hedging level and hedging horizon depend on the risk profile, which is derived from the business model of the Group company concerned. The hedging policy and structure shown in the chart below are applied to Lufthansa Passenger Airlines, SWISS and the scheduled operations of Austrian Airlines. Other Group companies are hedged to a lesser extent, and therefore have greater exposure to price increases, but also benefit to a greater extent from lower prices. Charter business is hedged in full using forward transactions as soon as the contract has been signed. This largely eliminates the risk of fuel price increases. On the other hand, there is also no chance that prices will fall.

The Lufthansa Group uses standard market instruments for fuel hedging and hedges fuel price risks with a lead time of up to 24 months, mostly by means of combined options. Hedges are mainly in crude oil for reasons of market liquidity. The hedging transactions are based on fixed rules and map the average of crude oil prices over time. Depending on the company in the Group, the amounts hedged each month result in a hedging level of up to 85 per cent. For Lufthansa Passenger Airlines for instance, the six months following a given date are hedged to 85 per cent.

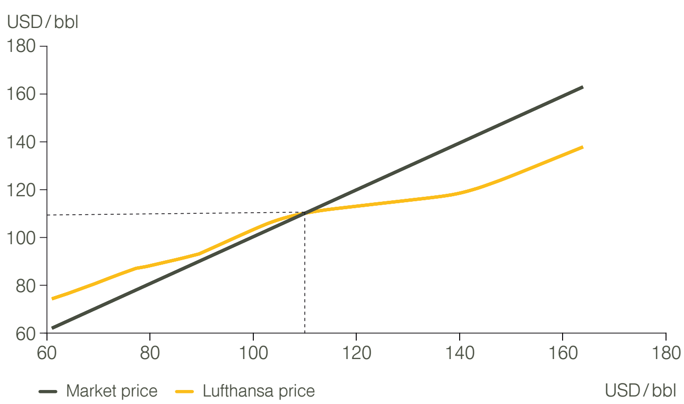
At the beginning of February 2014, there were crude oil and kerosene hedges for 75.5 per cent of the forecast fuel requirement for 2014, in the form of futures and options. For 2015, around 29.8 per cent of the forecast fuel requirement was hedged at that time.

The fuel surcharge has established itself in the market as a further means of reducing risk. The extent to which it will continue to be possible to levy a surcharge is nevertheless uncertain. In the example shown above of a 10 per cent fall in the fuel price, the saving of EUR 515m would possibly be reduced by lower fuel surcharges. As fuel is priced in US dollars, fluctuations in the euro/US dollar exchange rate can have a positive or a negative effect on reported fuel prices. US dollar exposure from planned fuel requirements is included in foreign exchange exposure.

Exchange rate risks

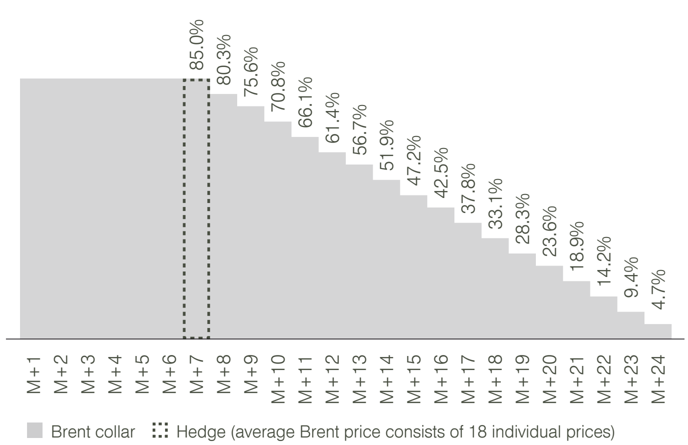
International ticket sales and the purchase of fuel, aircraft and spare parts give rise to foreign currency risks for the Lufthansa Group. All subsidiaries report their planned currency exposure in 66 foreign currencies to the central financial planning department over a time frame of at least 24 months. At Group level, a net position is aggregated for each currency in order that “natural hedging” can be taken advantage of. Twenty of the planned currencies are hedged because their exposure is particularly relevant to the Lufthansa Group. The main currencies are the US dollar, Japanese yen, Swiss franc, Chinese renmimbi and pound sterling. Currencies highly correlated with the US dollar are also set off against operating USD exposure. Operating exposure and other information on hedging general currency positions and hedging currency risks from aircraft investments can be found in the Notes to the consolidated financial statements, “Note 42” from p. 186.

Oil price scenario for the Lufthansa Group 2014*



* As of 3.2.2014.

Lufthansa’s hedging policy Medium-term crude oil hedging



Market risks from capital investments

Capital investments at the Lufthansa Group are managed from the point of view of operating and strategic liquidity. Investments are also made by the Lufthansa Pension Trust and other pension funds in the Group. The risks mainly consist of potential price changes for shares, fixed-income securities and interest rates, as well as credit risks.

Capital investments to ensure the Lufthansa Group's operating liquidity are made in accordance with the Group's financial guidelines. The investment period for the Lufthansa Group's operating liquidity is limited to a maximum of twelve months, whereby at least EUR 300m should be in investments that can be liquidated on a daily basis. For its operating liquidity, the Lufthansa Group mainly uses money market funds which can be liquidated daily, overnight deposits, fixed-term deposits and short-term securities, especially commercial papers, from creditworthy issuers. Investments should be with counterparties which have a rating of at least BBB. Only 30 per cent of investments for operating liquidity should be invested with counterparties with less than an A rating. Investment in money market funds should not exceed 10 per cent of the fund's total assets.

The investment structure of the strategic minimum liquidity for the Lufthansa Group has been determined using a stochastic allocation study. It was based on the Lufthansa Group's liquidity requirements and conservative investment principles. The majority of these investments are in products related to the money market. The strategic minimum liquidity is divided into various components with different investment horizons. They are managed by several external asset managers with separate mandates. One of the requirements is that the investments must be able to be liquidated within a maximum of four weeks. Each manager follows their own investment guidelines derived from the general Lufthansa Group investment principles. The asset allocation is reviewed regularly and adjusted as necessary. The experience from the financial crisis in particular has led to an even greater focus on liquidity and counterparty risks. Risk management with a defined stop-loss has also been implemented across all asset classes. The Lufthansa Group is in permanent contact with the asset managers concerned and monitors their performance by means of daily and monthly performance and risk reports.

Investments by the Lufthansa Group's pension funds are made on the basis of regularly updated allocation studies. Specific investment guidelines for the individual asset managers follow the Group's conservative investment principles. The Lufthansa Group follows the principle of diversifying risk by dividing the investments across a broad range of assets classes and managers. A risk management system is also in place for the Lufthansa Pension Trust, which enables daily controlling on the basis of a strict risk budget. Scheduled contributions to the pension fund were continued in 2013; see "Financing" chapter on p. 56.

Credit risks

The transactions completed in the course of financial management give rise to default risks. These are managed using a system of counterparty limits with which the Lufthansa Group constantly assesses the risk of counterparty default. A maximum acceptable risk is determined for each counterparty. This is primarily derived from the rating given by recognised rating agencies. For oil companies without a rating, the maximum credit limit is generally EUR 20m. The Lufthansa Group calculates and monitors daily the extent to which counterparty limits are taken up by existing financial market transactions. If limits are exceeded, a documented escalation procedure comes into play, requiring decisions to be taken on the action needed.

In times of high economic fluctuation, the default risk for trade receivables increases. Here, too, the performance of receivables is tracked closely at the level of the Group and the individual business segments. Preventive measures are also taken. Passenger and freight documents are largely sold via agents, whose credit rating is reviewed and partly secured by guarantees or similar instruments. Counterparty risks in connection with credit card companies and interline partners are also monitored closely in line with the volumes at risk and partly on the basis of leading indicators; payments are verified daily and/or at adequate intervals. Additional information and the credit risk positions existing at year-end 2013 can be found in "Note 39" to the consolidated financial statements on p. 183.

Rating risks

The credit ratings given to the Lufthansa Group by the rating agencies are particularly important. The Lufthansa Group is rated by Standard & Poor's as investment grade and by Moody's as non-investment grade. If, in future, a rating agency were to downgrade the credit rating, in particular if Standard & Poor's were also to downgrade the credit rating to non-investment grade, this could lead to a distinct deterioration in funding terms and financial risk management and restrict access to new funding and hedging instruments. For this reason, achievement of the targets set by the rating agencies for an investment grade rating is monitored continuously.

Company-specific risks

Risks in the context of the SCORE programme

The purpose of the SCORE programme is to maintain and improve the competitiveness of the Lufthansa Group. This requires an efficient cost structure and a solid financial position, in order to enable further capital expenditure on products and services in the future. For the years 2014 and 2015, the Lufthansa Group is currently managing around 2,000 activities and driving their implementation forward continuously. Implementation risks exist, especially for the projects that are still at the ideas stage. Achieving the SCORE targets also depends to a large extent on the way that offsetting factors develop, these are cost increases or any deterioration in the operating business, because there is always a delay before it is possible to make up for severe changes in demand or changes in fuel prices, for example.

Investment risks

The Lufthansa Group has to keep investing in modernising its fleet, its in-flight and ground products, and its infrastructure, if it is to hold its ground against the competition in general and against the still rapidly growing airlines from the Middle East in particular. Total capital expenditure of some EUR 9bn is planned by 2016, of which aircraft account for about EUR 6bn. The decisions on the fleet taken in 2013 represent an investment in new technologies, efficiency and passenger comfort. The new aircraft are to expand the Lufthansa Group's long-haul fleet. They will replace older aircraft in the period 2016 to 2025. Risks arise from the volatile operating environment generally as well as from potential delays in the delivery of the aircraft on order. With the current large number of owned, unencumbered aircraft, it is possible to address the delivery risks by flexibly scheduling the times at which they are replaced by new ones.

In addition to the capital expenditure on the fleet, investments are also being made in renewing existing processes and expanding infrastructure. This year, for example, the Logistics segment completed further preliminary work for the construction of its new Lufthansa Cargo Center in Frankfurt. With long-running, complex infrastructure projects, there are always risks of cost-overruns and delays. These risks are identified at an early stage of the detailed planning process and monitored continuously.

Human resources risks

For the Lufthansa Group, human resources risks can arise from the interplay between general social and economic megatrends, the strategic and economic objectives of the Group's sustainable development and its organisational and cultural characteristics.

Social trends are essentially determined by demographic developments and the ensuing shift from an employer's to an employee's market, as well as the different expectations that the next generation of employees ("Generation Y") has of the work environment. Studies of the expectations and demands of Generation Y show that the workplace of the future will be defined by a number of lasting trends. The world of work is changing ever faster; traditional company structures are disintegrating. Teams, project groups and company departments have increasingly little direct personal contact with one another and often exist as virtual entities only. To remain an attractive employer in the future, the Company will have to adapt its working conditions to the increased mobility of employees, extensive digital and social networks and individual diversification. The Lufthansa Group addresses the risks arising from an increasing virtualisation of the workplace by expanding the opportunities it offers for digital learning. It is also testing a new, open and flexible workplace for all hierarchy levels by implementing a pilot model of a "new work space".

Demographic developments mean that future employees will increasingly have a greater supply of jobs to choose from. Inadequate working conditions entail the risk of insufficient recruitment opportunities and the danger of losing qualified staff at all levels. The Lufthansa Group counters these risks in particular by adapting its remuneration structures, ancillary benefits and benefits-in-kind to different groups of employees.

To meet the Lufthansa Group's strategic and economic objectives, it is becoming increasingly important to manage the gap between the requirement for staff and the existing employees. Developing a strategic human resources plan for the whole Lufthansa Group addresses the potential risk of the Group's personnel structures becoming unsuited to future developments. The aim is to make findings about quantitative, structural and qualitative changes in the workforce transparent for strategic corporate planning and to enable concrete steps to be derived from these findings. These focus both on areas of acute need for action, such as recruiting, and on strategic areas such as skills management systems and staff development programmes.

Finally, the cultural set-up, with a stable basis of trust between all groups of employees and all labour union partners, is becoming more important. This applies particularly to a service company, which relies on the commitment and productivity of its employees. Developing a basis of trust with the employees and their representatives therefore becomes an issue of strategic importance for the Lufthansa Group. A stable culture of trust with the employees and a trusting working relationship with the co-determination bodies is a prerequisite for the implementation and success of structural changes, particularly those aimed at restructuring the Group; otherwise delays and incessant conflicts are likely. To manage the risk that the necessary changes to processes and behaviour are not implemented, the Lufthansa Group has created a series of new instruments, established a new platform architecture for dialogue and networking and connected all those responsible for cultural change in the Lufthansa Group with one another to exchange best practices. A permanent, formal dialogue also takes place with the co-determination bodies, and regular discussions are held with individual representatives of these bodies.

Further classical human resources risks exist in the area of collective bargaining and co-determination. They are concentrated in the spheres of wage settlements and, increasingly, of retirement benefits. The risks inherent in the negotiations that need to be held with the ground, cockpit and cabin staff are all the greater the more it becomes necessary to differentiate between the companies' competitive environments. In an intensive dialogue with trade unions and works councils, the Lufthansa Group tries to ensure predictability and security as well as an appropriate share of economic gains for the Group and its employees by means of long-term agreements with company-specific and performance-related components. To safeguard attractive and sustainable long-term retirement benefits, for instance, talks and negotiations will be held in 2014 with the collective bargaining partners of all three groups in Germany about new company pension schemes.

Despite the best endeavours of both parties to reach acceptable solutions in constructive negotiations, collective bargaining disputes, including industrial actions, cannot be ruled out for 2014 and thereafter. 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. This risk is also run if the Lufthansa Group is affected indirectly by strikes in other areas of the production chain. Strikes by the security staff responsible for passenger checks or by air traffic controllers, for example, can cause this kind of disruption.

The Employers' Federation for Air Transport Companies (AGVL), introduced in 2010 to carry out collective bargaining for several segments within the Group, has worked well. It reflects the changed requirements of collective bargaining within the Group and also meets the conditions for an employers' association specific to the air transport sector, which can take part in legislative processes, for example, and achieve better representation in umbrella associations.

The ruling of the German Federal Labour Court departed from the principle of uniform collective bargaining in 2010 and created considerable legal uncertainty. Several breakaway unions are already active, especially at companies in the air transport and railway industries. The tendency towards a fragmentation of the trade union landscape is growing. This jeopardises the principle of abidance by collective bargaining agreements and the functioning of the social partnership, with considerable effects on operations and the wider economy. Increasing risks of industrial action in the Lufthansa Group and the entire production chain are another illustration of this trend, which causes significant damage to parties not involved in the collective bargaining dispute and to the general public.

Operating risks

The airlines in the Lufthansa Group are exposed to potential flight and technical operating risks. One of these is the risk of not being able to carry out regular flight operations for technical or external reasons. If flights do not take off or land on time, due to weather conditions for instance, this may have a negative influence on customer satisfaction and future purchase decisions. Airlines' liability for delays has also been broadened considerably, see "Risks from stricter consumer protection regulations" on p. 109.

Another flight and technical risk is the risk of an accident happening, with the possibility of damage to people and property. Threats affecting the risk of accidents are divided into four groups: environmental factors (for example weather or bird strike), technical factors (for example engine failure), organisational factors (such as errors in selecting staff, contradictory instructions), and the human factor. The airlines in the Lufthansa Group and Lufthansa Technik search for these dangers systematically in order to manage the resulting risk by means of suitable countermeasures and to increase the level of flight safety further. For example, every single Lufthansa Passenger Airlines flight is routinely analysed using the parameters recorded in the flight recorder (black box) in order to identify any peculiarities at an early stage. Other sources of information, for example accidents and hazardous situations which come to light around the world are also analysed and the results integrated into prevention measures, such as training courses, if relevant. The safety management systems of the Lufthansa Group airlines can thereby reduce operational risk, for instance by specific steps as part of pilot training or by technical modifications such as retrofitting new types of warning system. This enables the safety management systems to be improved and refined continuously.

In the Catering segment, it is vital that food is produced to the highest quality and in accordance with all hygiene standards. Certified quality management systems are used to ensure that potential quality defects are identified at an early stage. These systems monitor and manage quality assurance and safeguard product standards. By investing continuously in production facilities and equipment and by using the latest technologies, LSG Sky Chefs optimises production methods and promotes the continuous improvement of quality processes. The modernisation process is supported by intensive training courses as well as learning and problem-solving workshops in the individual companies.

IT risks

Business processes at the Lufthansa Group are supported in all areas by IT. The use of IT also entails risks for the stability of business processes and for the availability, confidentiality and integrity of information and data which ultimately cannot be eliminated. The IT risk management process serves to identify and evaluate IT risks and to initiate appropriate measures to reduce them. The IT systems are assessed regularly to determine the level of protection they require. The review is based on the criticality of the business processes as defined by those responsible for them. Security procedures are adjusted continuously in light of these findings. Security guidelines also exist for information security, and campaigns are conducted to make employees aware of this topic.

Despite extensive protection against cyberattacks, disruptions to the availability of applications, the IT infrastructure and information security, including the protection of personal data, can never be ruled out completely. To deal with these, the Lufthansa Group has established a process for managing security incidents. The failure of existing security measures can cause reputational damage to the Lufthansa Group that is difficult to measure and give rise to risks in the form of payment obligations resulting from contractual and statutory claims by customers, business partners and authorities.

The IT risk management and IT security processes are organised on a cross-segment basis. The results are consolidated annually at Group level and are handled by the Risk Management Committee. An IT security organisation has been established to implement the security regulations, consisting of a corporate information security officer for the Group and information security officers for the companies. They are responsible for implementing the IT security and risk management standards in the Group companies. The risk and security management systems and selected other measures are regularly reviewed by the internal audit department.

In connection with IT risk management and IT security management, data protection should protect customers, shareholders, suppliers and staff of the Lufthansa Group from any infringement of their privacy due to incorrect handling of their personal data. On the one hand, Corporate Data Protection ensures that the Lufthansa Group complies with the provisions of the Federal Data Protection Act by informing staff of the relevant passages of the statute and carrying out data protection audits. Furthermore, the data protection experts advise the operating departments on the introduction of new systems and on designing or altering processes in order to optimise and coordinate data protection and economic concerns from an early stage.

Communications risks

Like any large company, the Lufthansa Group is also exposed to communications risks. Corporate Communications and Capital Market Communications endeavour to give the right information to the appropriate addressees in a timely manner. An Ad Hoc Committee, made up of the General Counsel and the heads of Investor Relations and Corporate Communications, also reviews all significant events to determine their relevance for ad hoc publication in accordance with the Securities Trading Act. The final decisions of the Ad Hoc Committee always require approval by the CFO.

Risks from breaches of compliance regulations

Compliance refers to the observance of legally binding requirements, and is intended to ensure that the Company, its executive bodies and its employees act in accordance with the law. The effectiveness of the Lufthansa Compliance Programme is therefore of vital importance to the Group; see "Lufthansa Compliance Programme" on p. 18.

The Lufthansa Group is a global company, and is active in many countries and subject to various jurisdictions with different legal frameworks, including for commercial criminal law. The complexity of the subject is increased by the fact that all activities not only have to be judged against local criminal law, the laws applicable in the sales area and the local cultural customs and social conventions, but they also need to take extraterritorial regulations like the US Foreign Corrupt Practices Act (FCPA) or the UK Bribery Act into consideration. Any infringements are investigated rigorously; they would result in criminal prosecution for the individuals involved and could expose the Company to fines running into millions of euros. There would also be reputational damage that is difficult to measure and the Company would be put at a distinct disadvantage in public tenders. The Lufthansa Group has put processes in place that are intended to identify specific compliance risks and, in particular, to prevent white-collar crime and corruption.

The Lufthansa Group is also exposed to risks arising from competition and antitrust law. They stem, in particular, from the fact that the Lufthansa Group operates in highly oligopolistic markets, cooperates with competitors in alliances, may have to deal with changes in the legal parameters for certain flight routes and that in some of its segments, suppliers, competitors and clients are the same legal person. The Competition Compliance function addresses the risks of collusive behaviour and provides the staff with extensive training.

Various segments of the Lufthansa Group are involved in international business. Embargo compliance is therefore another challenging area. Controlling passenger, cargo, data and other traffic requires complex procedures given that US legislation on exports and sanctions is applied on an extraterritorial basis, for example, and may differ in its content and scope from UN resolutions as well as EU sanctions and national export legislation.

Individual infringements, particularly of integrity, competition and embargo compliance, cannot be ruled out completely, despite the control mechanisms in place and the steps taken to mitigate risks.

Risks from legal, administrative and arbitration proceedings
The Lufthansa Group is exposed to risks from legal, administrative and arbitration proceedings in which it is currently involved or which may take place in future. It cannot be ruled out that the outcome of these proceedings may cause considerable damage to the business of the Lufthansa Group or to its net assets, financial and earnings position. Even if the Lufthansa Group should prevail in all the details of the case at dispute, it may, in the course of defending itself against accusations, incur significant lawyer's fees and other legal defence costs. Appropriate provisions have been made for any financial losses that may be incurred as a result of legal disputes. More information on provisions for litigation risks and contingent liabilities can be found in the Notes to the consolidated financial statements, "Note 34" from p. 176. Furthermore, the Lufthansa Group has taken out liability insurance for specific legal risks against third-party claims for an amount that the management considers appropriate and reasonable for the industry. This insurance cover does not protect the Lufthansa Group against any damage to its reputation, however. Such legal disputes and proceedings may also give rise to losses in excess of the insured amount, losses not covered by the insurance, or those which exceed any provisions for losses due to legal disputes. Finally, it cannot be guaranteed that the Lufthansa Group will continue to obtain adequate insurance cover on economically acceptable conditions in future.

Accounting risks
Numerous national and European regulations and statutory provisions apply to the preparation of the Lufthansa Group's financial statements, as for all publicly listed companies in Germany. Risks could arise from the inadequate application of accounting regulations. The organisation of the Lufthansa Group's bookkeeping methods ensures that in our accounting and the preparation of our financial statements the national and European regulations and statutory provisions are applied. Further information can be found in the following chapter "Description of the internal control and risk management system as it relates to accounting in accordance with Section 289 Paragraph 5 and Section 315 Paragraph 2 No. 5 HGB" from p. 116 as well as in the "Corporate Governance" chapter from p. 17 and in the Notes to the consolidated financial statements from p. 138.

Overall assessment of opportunities and risks by the management

The opportunities and risks for the Lufthansa Group will be defined very largely by macroeconomic factors and their subsequent effects on global air traffic markets and competition. In this environment, the Lufthansa Group is continuing to rely on its ability to adjust its capacities and resources flexibly to changing market conditions. To compete successfully over the long term, the Lufthansa Group is focusing on a solid financial position and an efficient cost structure. In this context, the SCORE programme is a key driver for seizing opportunities to achieve sustainable structural improvements in efficiency, productivity and competitiveness. The implementation risks for SCORE projects and offsetting factors, such as rising costs for fuel or fees and charges, are being countered by means of systematic risk management.

Although the estimate of individual risks changed in 2013 due to different internal and external conditions and as a result of our own countermeasures, there were no significant shifts in the overall risk landscape for the Lufthansa Group compared with the previous year.

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. The Lufthansa Group's management is convinced that the opportunities and risk management system is effective.

Description of the internal control and risk management system as it relates to accounting in accordance with Section 289 Paragraph 5 and Section 315 Paragraph 2 No. 5 HGB

Principles of the accounting-related internal control and risk management system

The Lufthansa Group's internal control system covers all the principles, procedures and steps intended to ensure effective, economical and accurate accounting and compliance with the relevant legal regulations. It is based on the COSO model (Committee of the Sponsoring Organizations of the Treadway Commission). There have been no significant changes since the reporting date.

Overall responsibility for the internal control system required to manage risk lies with the Executive Board of Deutsche Lufthansa AG, which defines the scope and the format of the systems in place based on the specific requirements of the Lufthansa Group. The internal monitoring system consists of monitoring procedures both integrated into and independent of business processes. In addition to manual process controls – such as the need for dual signatures – automatic IT process controls form a vital part of the integrated monitoring procedures.

The Supervisory Board, particularly the Audit Committee and the Corporate Audit department of Deutsche Lufthansa AG as well as the decentralised internal audit departments at Group companies are embedded in the internal monitoring system for the Lufthansa Group and act independently of business processes.

The Audit Committee of Deutsche Lufthansa AG monitors the effectiveness of the internal control and risk management system on the basis of Section 107 Paragraph 3 German Stock Corporation Act (AktG). The auditors of the consolidated financial statements and other instances, such as internal audits, exercise a wider control function, independently of business processes, for the Lufthansa Group. In particular, the audit of the consolidated financial statements and the review of the accounts presented by the Group companies, which serves this purpose, constitute the main independent monitoring steps in relation to consolidated accounting procedures.

The internal control system is a component of the risk management system and in terms of financial reporting is directed at the risk of misstatements in the consolidated accounting and in external reporting. The objective of the internal control system for accounting processes is by making checks to provide a reasonable degree of certainty that the consolidated financial statements conform to regulations, despite the risks identified. Further comments on the Lufthansa Group's risk management system can be found in the "Risk management system" section of the Risk report from p. 102.

Principle structures, processes and controls

The Lufthansa Group's accounting guidelines define uniform accounting standards for the domestic and foreign companies included in the Lufthansa consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). In addition to general accounting principles and methods this relates above all to rules for the balance sheet, income statement, notes, cash flow statement and segment reporting in accordance with the legal situation in the EU. For the domestic German companies in the Group, a guideline defines rules for drawing up individual financial statements in line with the German Commercial Code (HGB).

The elements of the internal control system are aimed at ensuring the accuracy and reliability of consolidated financial reporting and guarantee that business transactions are recognised in full and at the proper time in accordance with statutory regulations and Lufthansa's Articles of Association. Furthermore, they ensure that inventories are carried out correctly and that assets and liabilities are accurately recognised, measured and disclosed in the consolidated financial statements. The regulations also ensure that the accounting documents provide reliable, comprehensible information.

The controlling activities to ensure the accuracy and reliability of the accounting include analytical reviews using specific performance indicators as well as the execution and control of important and complex transactions by different people. The separation of administrative, executive, accounting and authorisation functions and their performance by different individuals (dual signatures) reduce the risk of fraud.

Internal guidelines also govern specific formal requirements made of the consolidated financial statements. Establishing the group of consolidated companies is defined in detail, as are the components of the reports to be drawn up by the Group companies and their transmission to the central consolidation system. The formal requirements relate to the mandatory use of a standardised and complete set of reporting forms and a uniform account framework for the Group. The internal guidelines also include concrete instructions on presenting and carrying out netting procedures within the Group and confirming the resulting account balances. Confirmation of account balances for the entire Group takes place via an internet-based platform.

At Group level the specific control activities to ensure the accuracy and reliability of consolidated financial reporting include the analysis and if necessary restatement of separate financial statements prepared by Group companies, taking into account the auditors' reports and meetings held to discuss them. The accuracy and completeness of the reporting packages presented by the individual companies in the Group are confirmed by the respective auditors in their report. Individual financial statements that contain errors are selected and restated as necessary at Group level on the basis of control mechanisms already defined in the consolidation software SAP SEM-BCS system and/or by systematic plausibility checks. The consolidation system dictates the different deadlines for various elements of the reporting packages and verifies centrally that they are adhered to during the preparation process. Changes to sections of the accounts that have already been closed can then only be made following authorisation in the system by the department responsible for the consolidated financial statements. The centralised controlling of impairment tests for the specific cash-generating units from the Group perspective ensures that uniform, standardised measurement criteria are applied.

The scope of regulations at Group level extends to the centralised definition of the parameters to be used for measuring pension provisions. Expert opinions for determining the amount of pension provisions are prepared by external consultants. Furthermore, the data used to prepare external information in the Notes to the financial statements and the management report are prepared and aggregated centrally. The accounting-based internal control system also aims to ensure that the financial statements for Deutsche Lufthansa AG are prepared in accordance with the provisions of commercial law laid down in the German Commercial Code (HGB). The accounting-related processes are examined independently and regularly by the Corporate Audit department and by the internal auditing departments of the Group companies.

Use of IT systems

Bookkeeping for the individual financial statements of subsidiaries of Deutsche Lufthansa AG generally takes place in local bookkeeping systems from SAP, either locally or using the Group's own shared services centres. To prepare the consolidated financial statements for Deutsche Lufthansa AG, the individual financial statements of the Group companies are supplemented by additional information to form standardised reporting packages, which are then entered into the consolidation software SAP SEM-BCS by the companies, either automatically via transfer interfaces or by means of a data capture module. The Group auditors put SAP SEM-BCS through a specific system test when it was introduced. Any adjustments made to the system are subject to regular reviews by the auditors.

The SAP SEM-BCS system generates and documents all the steps taken to prepare the consolidated financial statements for Deutsche Lufthansa AG, such as capital consolidation, consolidation of liabilities, the elimination of intra-Group expenses and profits, and the equity valuation. Consolidation takes place simultaneously. All elements of the consolidated financial statements for Deutsche Lufthansa AG, including the disclosures in the Notes, are compiled from the SAP SEM-BCS consolidation system. The IT systems used for accounting are protected against unauthorised access by special security precautions.

Qualifying remarks

By means of the organisational, control and monitoring structures defined for the Lufthansa Group, the internal control and risk management system as it relates to accounting enables all matters affecting the Company to be captured, processed and evaluated and to be presented adequately in the Group's financial reporting. The effectiveness and reliability of the control and risk management systems deployed can be restricted by the use of individual discretion, faulty checks, criminal acts by related persons and other factors, so that even the application of these systems throughout the Group cannot guarantee complete certainty regarding the accuracy, completeness and timeliness with which matters are recognised in consolidated financial reporting. These statements only relate to Deutsche Lufthansa AG and the significant subsidiaries included in the consolidated financial statements of Deutsche Lufthansa AG that are under the legal or effective control of Deutsche Lufthansa AG.

Forecast

↗ The global economy is expected to grow faster in 2014. ↗ Profits for European airlines are expected to rise significantly. ↗ Higher structural profitability targeted. ↗ Operating result for 2014 should be between EUR 1.3bn and EUR 1.5bn. ↗ This includes forecasted non-recurring expenses of EUR 380m. ↗ Passenger Airline Group shall drive earnings improvement. ↗ Financial profile remains stable.

Macroeconomic outlook

GDP development
Forecast 2013 to 2017 compared with previous year

in %	2013*	2014*	2015*	2016*	2017*
World	2.5	3.3	3.8	3.9	3.9
Europe	0.3	1.5	1.9	2.0	2.1
Germany	0.6	2.1	2.0	1.6	1.7
North America	1.9	2.7	3.2	3.3	3.1
South America	2.6	3.3	3.9	4.0	4.0
Asia / Pacific	4.8	5.3	5.7	5.5	5.5
China	7.7	8.0	8.3	7.6	7.1
Middle East	2.7	3.4	4.4	4.6	4.6
Africa	3.5	5.2	5.5	5.5	5.6

Source: Global Insight World Overview as of 15.1.2014.
* Forecast.

Moderate global economic growth projected
Global economic growth is expected to pick up in 2014. After two years of moderate growth, the sovereign debt crisis is predicted to abate and confidence on the part of consumers and investors to improve in 2014. Overall, economic growth rates are forecast to return towards their long-term trend.

Growth rates in the last two quarters of 2013 confirm this positive assessment. The US Federal Reserve has begun cut back its bond purchasing programme in acknowledgement of increasingly favourable economic data. Growth rates in emerging and developing markets are likely to remain higher than in the more advanced economies. These countries will benefit particularly when growth rates pick up in the USA, Europe and China. Overall, the global economy is forecast to grow by 3.3 per cent in 2014, rising again in subsequent years. A sustained upturn nonetheless depends on the absence of considerably adverse changes, such as a sharp increase in the oil price.

Economic expansion accelerates in the USA and Asia
In 2013, the continued budget crisis did severe damage to the US economy's recovery. In December 2013, however, the US Congress did adopt a two-year budget for the first time in years, and so laid the foundations for further growth in the US economy in 2014, thanks primarily to the resurgent real estate sector, growing independence from oil imports and rising consumer spending. Overall, growth of 2.7 per cent is expected for the USA in 2014.

In China, the government responded to a slump in growth at the beginning of 2013 with a stimulus programme that delivered quick results. Growth of 8.0 per cent is predicted for 2014. In the medium term, this growth rate is forecast to slow, however. There are already the first signs of an incipient property bubble as well as increasing borrowing by private households and local authorities.

In Japan, the economy is predicted to expand by 1.8 per cent in 2014. Over the years ahead, this growth is projected to slow again, however, as a result of an ageing population and structural changes to the economy, the balance of which will shift from manufacturing to services.

Altogether, economic growth of 5.3 per cent is forecast for the Asia/Pacific region in 2014.

Economic growth also projected for Europe
Although the efforts to consolidate public and private finances in the euro area will continue in 2014, there are signs that sustainably positive economic developments are taking hold at the same time. Reasons for the improvement include a flexible monetary policy, more stable labour markets, greater competitiveness in the euro area's southern countries and increasing confidence in the ability of EU policies to overcome the debt crisis. For the euro area, growth of 0.9 per cent overall is forecast in 2014. The European economy

as a whole should grow by an estimated 1.5 per cent. The German economy is set to be one of the growth engines in the region, with output predicted to rise by 2.1 per cent in 2014. This growth trend shall continue the following year, as the debt crisis is expected to recede further.

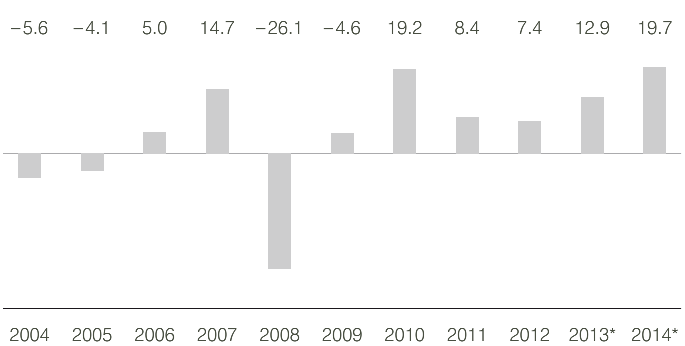
Interest and currency rates to remain volatile
Wide fluctuations in interest and currency rates must be expected again in 2014 as a result of the differences in monetary policy applied by central banks around the world in response to the financial and economic crisis.

Lower oil prices forecast in the medium term
As the economic forecasts are still below long-term trends, market participants expect that oil prices will go down in the medium term. As of 2 January 2014, futures contracts for delivery in December 2014 were trading at USD 103.57/barrel, and for December 2015 at USD 97.77/barrel.

Sector outlook

Sector performance will be uneven across the regions
Taking all the forecasts for global economic growth into account, IATA is predicting growth of 5.6 per cent in passenger numbers for 2014 (previous year: 4.8 per cent). Average annual growth in international air traffic is then projected to stay at a constant 5.6 per cent until 2017. Developments in air transport markets will nonetheless continue to differ from region to region.

Development of sector net result in USD billion



Quelle: IATA Financial Forecast (12/2013). * Forecast.

IATA anticipates the fastest expansion in international passenger traffic in the Middle East, with annual average growth of 6.3 per cent between 2014 and 2017. Substantial growth is also forecast for international passenger traffic in the regions Africa, Asia/Pacific and Latin America. The expansion is expected to be comparatively moderate in the mature markets of Europe and North America, however.

Airfreight traffic should return to growth
Airfreight traffic only expanded by a very moderate 1.2 per cent in 2013, but the growth rate is set to increase again in 2014, driven by the emerging markets. IATA is forecasting freight growth of 4.0 per cent for 2014. International airfreight demand should rise by an average of 4.3 per cent per year until 2017. The strongest growth in airfreight traffic between 2014 and 2017 is expected in Africa, the Middle East and Latin America. Growth in other markets should be more restrained.

Earnings for the airline industry should improve
Although the outlook for the further development of the global economy remains uncertain, IATA is expecting profits for the global airline industry to increase to USD 19.7bn in 2014, having reached USD 12.9bn in 2013. Profits are expected to be higher than in 2013 in all regions of the world. These earnings are to stem primarily from airlines in North America with profits of USD 8.3bn. Profits of USD 4.1bn are forecast for airlines in the Asia/Pacific region, and of USD 3.2bn for European airlines. Carriers from South America and the Middle East will boost their earnings to USD 1.5bn and USD 2.4bn respectively. Airlines from Africa will just about break even with a profit of USD 0.1bn.

Changes in business and organisation

The Lufthansa Group regularly reviews its organisational structure and adapts it as necessary to changes in the business environment. Faced with increasing competition and cost pressure, the Company set up a separate project department at the beginning of 2012 to guide and monitor the implementation of the SCORE programme in all of the Group's business segments. The project department reports directly to the CEO. The operating segments continued to review their portfolios to identify optimisation potential from structural changes and to prepare for their reorganisation.

Commercial and organisational responsibility for European traffic from Lufthansa Passenger Airlines and Germanwings outside the hubs in Frankfurt and Munich was pooled under the Germanwings brand in early 2013. Germanwings took over a large number of these routes as of 1 July 2013, and there are more to come.

Also in the Lufthansa Passenger Airlines segment, the transfer of Miles & More to an independent company was prepared. This is intended to boost the growth and profitability of the Miles & More programme even further and to enable all bonus operations to be merged. Details of the organisational developments in the individual segments can be found in the respective chapters on p. 58–85.

Outlook for the Lufthansa Group

Focus on continuing the process of transformation and implementing the SCORE programme

After the Lufthansa Group was able to successfully implement many of the activities planned for the SCORE programme in 2013, the year 2014 will again be dominated by the implementation of numerous measures that have already been prepared or adopted. The planned activities include organisational steps, generally as pooling of expertise from the individual companies in shared services centres or Group functions, as well as the ongoing optimisation of individual segments and a general streamlining of the administrative functions. Many of the projects involve job losses. In some cases, these have not yet been agreed with the co-determination bodies and with individual employees.

There is therefore still the possibility that collective bargaining and redundancy negotiations will escalate and result in strikes that may have an adverse effect on the business of the companies in the Lufthansa Group. Having agreed landmark wage settlements with flight attendants and the Lufthansa Group ground staff in Germany over the past two years, the focus in 2014 is on bringing the outstanding wage settlement with the pilots at Lufthansa Passenger Airlines to a successful conclusion and on reaching an agreement with the co-determination bodies on sustainable structures for retirement and transitional benefits.

The Executive Board of the Lufthansa Group and the Board members of the individual operating segments will continue to pursue the intense internal and external dialogue explaining the transformation process in 2014, in order to bring about a sustainable change in the corporate culture and at the same time to influence the political environment in favour of the Lufthansa Group.

Monopolistic suppliers also have to make contributions

Fair competition with competitors inside and outside Europe is of great importance for the future viability of the Lufthansa Group's core business. The Group companies will therefore continue to lobby intensively to achieve a level playing field for all market participants. This includes new rules for the European Emissions Trading Scheme (ETS), comparable taxes for passengers and airlines in all markets and for all market players and, in particular, a reasonable progression in the fees charged by air traffic control providers and airports.

Profitability has to rise further in order to compensate for fluctuations in the operating environment

Notwithstanding this, the Lufthansa Group will remain particularly exposed to highly volatile market conditions in its core business segment, which the Company is only partially able to influence. They include fluctuating oil prices and exchange rates as well as political and economic developments. Furthermore, the Lufthansa Group is also subject to developments beyond its control, such as the increasing tendency of small collective bargaining groups to go on strike, as with the strikes by security staff at the airports in Dusseldorf and Cologne or the air traffic controllers in Europe last year.

Given these uncertainties, it is even more important to improve the profitability of the Lufthansa Group. The SCORE programme will therefore remain a top priority in 2014 and will shape the course of the financial year.

The planned earnings improvements showed some initial signs of success in 2013. After adjustment for the net amount of some EUR 200m from positive one-off effects in the previous year, the operating result increased significantly. The main drivers for the profit improvement were the Passenger Airline Group and the MRO segment. Financial stability has improved further and continues to represent a unique selling point compared with the competition. On this basis, the profitability can and shall be improved while continuing to make significant investments in the products and customers.

Lufthansa Group's operating result to reach EUR 1.3 to 1.5bn

The Lufthansa Group is expecting to spend less on fuel, its biggest cost item, in 2014. The saving is due rather to the strong euro than to any fall in the oil price, however. This is expected to lead to lower expenses for fuel and other major cost items that are largely dependent on the US dollar. At the same time, a weak US dollar and further weakening currencies in Asia and some emerging markets may considerably burden the Lufthansa Group's revenue.

The result for the year will therefore depend to a large extent on further movements in exchange rates and the direction of the oil price. Negative exchange rates have already depressed the average yields of the Passenger Airline Group to varying degrees in the individual regions at the start of the year. On current estimates, and if conditions otherwise remain stable, the Lufthansa Group is nonetheless assuming that revenue will rise slightly on the year in 2014 and that the reported operating result will be between EUR 1.3bn and 1.5bn. This also includes a positive impact on the operating result of some EUR 340m from the adjustment of the depreciation parameters described earlier.

The main factors influencing earnings will remain the oil price and the jet fuel crack, as well as exchange rates, and, in particular, market developments, including the continuation of general capacity discipline in European competition. The overall risks from underlying macroeconomic developments remain unchanged.

Furthermore, the result in 2014 will be significantly affected by restructuring expenses and project costs in connection with the implementation of SCORE and the ongoing programme of investment in the fleet and the product. SCORE activities should make a substantial gross contribution in 2014, but will also entail one-off expenses of around EUR 80m. Product improvements at Lufthansa Passenger Airlines will depress the result by further one-off costs of EUR 300m. As in previous years, the Lufthansa Group's operating segments are expecting a considerable general cost inflation.

Earnings improvements to come mainly from the Passenger Airline Group

For the current financial year, Lufthansa Passenger Airlines is expecting earnings to rise significantly, but the improvement will be diluted by one-off expenses of EUR 300m in connection with the ongoing product investments. In addition to the market strategy described below, the focus will principally be on transferring further routes to Germanwings, increasing administrative efficiency and reaching a wage settlement with the pilots. The adjustment of depreciation policy will reduce depreciation and amortisation at Lufthansa Passenger Airlines by around EUR 240m in 2014.

SWISS is expecting a slightly higher result in 2014. The development of the Swiss franc over the year remains a source of uncertainty, however. The SWISS fleet will remain stable, meaning that average yields should improve if demand picks up as expected.

The adjustment of in depreciation policy will reduce depreciation and amortisation at SWISS by around EUR 70m in 2014. Taking this factor into account, SWISS is even expecting its operating result to rise significantly.

Austrian Airlines is forecasting a significant increase in its operating result from the successful continuation of its restructuring programme. One long-haul aircraft is to be added to its fleet, which should boost growth in passenger numbers and revenue. The adjustment of depreciation policy will reduce depreciation and amortisation at Austrian Airlines by around EUR 40m in 2014.

Overall, the Passenger Airline Group segment is forecasting an operating result of EUR 950m to EUR 1,100m. A revenue forecast is particularly difficult because of exchange rate fluctuations. Revenue is expected to go up, however, which should be achieved with a roughly constant fleet size. The deployment of larger aircraft, productivity gains and an optimised distribution of travel classes on board should nevertheless increase capacity at the Passenger Airline Group, measured in available seat-kilometres (ASK), by around 5 per cent. As in previous years, the Passenger Airline Group expects to improve the load factor of its aircraft with this market strategy. Unit revenue is predicted to decrease slightly, which, in combination with higher sales, should lift revenue by up to 5 per cent. The planned earnings improvement should come primarily from the difference between slightly lower unit revenue and an approximate 4 per cent lower unit costs. The decline in unit costs includes the reduced expenses from the change in depreciation policy.

Forecast key performance indicators Passenger Airline Group 2014

	2014 outlook
Fleet (Number of aircraft)	stable overall
Capacity (ASK)	approx. +5%
Sales (RPK)	up more than capacity
Passenger load factor (SLF)	slight increase
Pricing (Average yields)	negative
Unit revenue (RASK)	slightly negative
Unit costs (CASK excluding fuel)	approx. –4%

All Group airlines are able to adjust their capacities to lasting changes in demand. In this forecast, the variables are the general risks described before and, in particular, revenue risks, which may be market-driven – for example in the form of capacity increases in individual traffic regions and the resulting increase in competitive pressure – as well as related to exchange rate movements. The airlines' visibility in terms of advance bookings does not extend as far as the revenue forecast for the financial year. On the basis of the generally positive development expected for its relevant regions and economies, the Lufthansa Group is adopting a generally positive attitude to developments in demand, which will nonetheless have to be validated continuously over the course of the year.

Margin development in the other segments to stay neutral overall

The Logistics segment is expecting a positive economic environment for 2014, which should help to achieve significant increases in revenue and operating result. The focus in the Logistics segment will remain on high capacity utilisation, which should support the development of average yields. After the expected upswing on the global airfreight markets started late and only with little intensity in 2013, Lufthansa Cargo is again assuming that demand will pick up substantially in the financial year 2014, above all in Asia.

Lufthansa Cargo will manage its capacities in line with the market and adapt them to prevailing demand. In the event that there is again no recovery in the airfreight market, the operating result is expected to at least be on a par with the previous year. The adjustment of depreciation policy will increase expenses for Lufthansa Cargo by around EUR 10m in the financial year 2014.

Although its revenue should go up in line with the market, in 2014 Lufthansa Technik will not match the exceptionally high operating result achieved last year. This is mainly due to the particularly strong demand situation in 2013, a much higher project volume for innovative product developments, as well as expenses for expanding the airline group structure. Lufthansa Technik is therefore forecasting a result approximately on the same level as 2012 (EUR 328m). The company will focus on implementing more projects in the course of the SCORE programme and increasingly on investing in growth.

For the financial year 2014 LSG Sky Chefs is expecting revenue and the result to go up slightly, year on year. It will continue to focus on the ongoing initiatives to improve performance, also as part of the SCORE programme. Another key area for the company is the continued expansion at growth locations and the development of its product and service portfolio beyond its core business segment.

Lufthansa Group and operating segments earnings forecasts 2014

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

Lufthansa Systems is expecting slight revenue growth in 2014, particularly from airline applications, as well as a slightly lower result than last year.

Altogether, the operating segments outside the Passenger Airline Group are not expected to make a positive contribution to the Lufthansa Group's earnings improvement in 2014. For earnings stability it is vital that the lower result forecast for Lufthansa Technik is offset by higher profitability at Lufthansa Cargo.

Higher net profit expected

In line with the increase in its operating result, the Lufthansa Group is expecting a significant rise in its net profit for 2014. Earnings should be boosted by higher profitability in the operating business, and in particular by lower expenses following the adjustment of depreciation policy.

Financial stability to remain a focus

The Lufthansa Group is planning annual gross capital expenditure of around EUR 3.0bn in the years ahead. It does not expect to generate positive free cash flow in 2014. To reduce the costs of carry, the current high volume of liquidity of EUR 4.7bn is to be reduced. This will not affect the goal of maintaining a minimum liquidity of EUR 2.3bn at all times.

The Lufthansa Group's financial profile will remain stable. The equity ratio should again go up. The debt repayment ratio has reached its minimum of 35 per cent and should climb towards its target of 45 per cent. The existing investment grade rating should therefore be strengthened. The resumption of dividend payments recommended this year should be pursued in the years ahead. The CVA should improve in 2014 compared with last year's adjusted figure.

Lufthansa Group forecast financial profile

	2013 actual	Target	**2014 forecast**
Equity ratio	20.9%	25% medium-term	rising towards 25%
Debt repayment ratio	37.0%	45% (minimum 35%)	slight increase
Liquidity	€ 4.7bn	minimum liquidity € 2.3bn	declining towards € 3.0–3.5bn

Overall statement on the expected development of the Lufthansa Group

Focused on our way

In spite of the challenges of the market and the ongoing measures to improve earnings as part of the SCORE programme, the Executive Board of Deutsche Lufthansa AG remains overall 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 around the core business segment is just as important in this context as the solid financial profile of the Lufthansa Group. These two features enable the airlines and the service companies to initiate, finance and implement the ongoing processes of structural change from a position of strength. The structural increase in the Group's earnings remains vitally important. Not least due to persistent cost pressure from fuel prices and shifting competitive structures, this is the fundamental condition for the Lufthansa Group's sustainable development. The pillars of the Company strategy – increasing value, market leadership, customer satisfaction and sustainability – remain the benchmarks for this development.

The successes of 2013 give confidence that good progress can be made in the new financial year, in order to achieve the ambitious targets set for 2015. An intensive phase of far-reaching changes still lies ahead of the Company, in order to implement the required measures and to continue developing the corporate culture. The Executive Board is confident that staff and managers together are focused on our way, both today and in the future, in order to shape the development of the Lufthansa Group through intense efforts.

Disclosures in accordance with Section 289 Paragraph 4 HGB and Section 315 Paragraph 4 HGB

Composition of subscribed capital, types of shares, rights and duties
Deutsche Lufthansa AG's issued capital amounts to EUR 1,180,352,000.00 and is divided into 461,075,000 registered shares. Each share corresponds to EUR 2.56 of the issued capital. The transfer of shares requires the Company's authorisation (restriction of transferability). The Company may only withhold authorisation if registering the new shareholder in the share register could jeopardise the maintenance of air traffic rights. Each registered share is entitled to one vote. Shareholders exercise their rights and cast their votes at the Annual General Meeting in accordance with statutory regulations and the Company's Articles of Association.

Voting and share transfer restrictions
For the Company to retain its aviation licence under European law and the air traffic rights required to fly to various international destinations, the proportion of non-European or foreign shareholders may not exceed 50 per cent of the Company's issued capital. If the proportion of foreign shareholders reaches 40 per cent, Deutsche Lufthansa AG is empowered under Section 4 Paragraph 1 German Aviation Compliance Documentation Act (LuftNaSiG) together with Section 71 Paragraph 1 No. 1 German Stock Corporation Act (AktG), to buy back its own shares to prevent imminent excessive foreign control. If the proportion of foreign shareholders in the share register reaches 45 per cent, the Company is authorised, subject to Supervisory Board approval, to increase issued capital by up to 10 per cent by issuing new shares for payment in cash without subscription rights for existing shareholders (Section 4 Paragraph 2 and 3 LuftNaSiG together with Section 4 Paragraph 6 of the Articles of Association). If the proportion of foreign shareholders approaches the 50 per cent threshold, the Company is entitled to withhold authorisation to register new foreign shareholders in the share register (Section 5 Paragraph 1 of the Articles of Association). Should the proportion of foreign investors exceed 50 per cent despite these precautions, Deutsche Lufthansa AG is authorised, subject to the approval of the Supervisory Board, to require the most recently registered shareholders to sell their shares. If they do not comply with this requirement within four weeks, the Company is entitled, after a further notice period of three weeks, to declare the shares to be forfeited and to compensate the shareholders accordingly (Section 5 LuftNaSiG).

On 31 December 2013, foreign shareholders held 37.6 per cent of the shares in the shareholders' register of Deutsche Lufthansa AG. Detailed information on the German Aviation Compliance Documentation Act (LuftNaSiG) and the quarterly update on our shareholder structure can be found on our website i www.lufthansagroup.com/investor-relations.

Employee performance programmes contain time-based restrictions on trading in shares, in particular lock-up periods of three and four years.

Direct or indirect shareholdings with more than 10 per cent of voting rights
As of 31 December 2013, Deutsche Lufthansa AG had received no notification of direct or indirect shareholdings with more than 10 per cent of voting rights.

Holders of shares with special rights
Deutsche Lufthansa AG has no shares with special rights.

Control of voting rights for employee shares when control rights are exercised indirectly
This rule is not applied in Germany.

Statutory regulations and provisions of the Company's Articles of Association on the appointment and dismissal of members of the Executive Board and amendments to the Company's Articles of Association
The Supervisory Board appoints the members of the Executive Board and decides how many board members there should be. The Supervisory Board can revoke appointments for board membership and to the position of Chairman of the Executive Board for good reason. All amendments to the Articles of Association must be approved by resolution of an Annual General Meeting, with a majority of at least three quarters of the issued capital present.

Powers of the Executive Board (share buy-backs, share issuance)
Deutsche Lufthansa AG has authorised capital of EUR 578,128,276.32:

A resolution passed at the Annual General Meeting on 29 April 2010 authorised the Executive Board until 28 April 2015, subject to approval by the Supervisory Board, to increase the Company's issued capital on one or more occasions by up to EUR 561,160,092 by issuing new registered shares on one or more occasions for payment in cash or in kind (Authorised Capital A). Existing shareholders are to be granted subscription rights.

A resolution passed by the Annual General Meeting on 24 April 2009 authorised the Executive Board until 23 April 2014, subject to approval by the Supervisory Board, to increase the Company's issued capital on one or more occasions by up to EUR 25,000,000 by issuing new registered shares to employees (Authorised Capital B) for payment in cash. Existing shareholders' subscription rights are excluded. In 2012, the Company used EUR 5,144,135.68 of this authorised amount to issue 2,009,428 new shares to employees, and in 2013 used EUR 2,887,680 of this amount to issue 1,128,000 new shares to employees. Authorised Capital B still available under the authorisation therefore now amounts to EUR 16,968,184.32.

Contingent capital has been increased by up to EUR 234,464,035.80 by issuing up to 91,587,514 new registered shares. The contingent capital increase will only be carried out to the extent that the holders or creditors of conversion rights or options attached to convertible bonds and/or warrants or profit-sharing rights of any kind (or any combination of these instruments) issued by the Company or its affiliated companies for cash pursuant to the authorisation given at the Annual General Meeting for the period 3 May 2011 to 2 May 2016 exercise their conversion or option rights or that the holders or creditors of convertible bonds issued by the Company or its affiliated companies pursuant to the authorisation given at the Annual General Meeting for the period 3 May 2011 to 2 May 2016 (or of profit-sharing rights or other forms of mezzanine capital with obligatory conversion) meet their conversion obligations and to the extent that the debt is not settled using treasury shares or other rights. The new shares are entitled to share in profits from the beginning of the financial year in which they are issued by the exercise of conversion or option rights or by meeting a conversion obligation. The Executive Board is authorised to determine the further details of the way in which the contingent capital increase is to be carried out.

In addition, the Company is authorised by resolution of the Annual General Meeting on 29 April 2010 to buy back its own shares until 28 April 2015. The resolution can be used to expand the financing alternatives in the event that another company or an equity stake in a company is acquired.

The proportion of shares acquired on the basis of this authorisation, along with any other Lufthansa shares that the Company has already acquired and still holds, must at no time amount to more than 10 per cent of issued capital.

Further information on authorised capital, contingent capital and share buy-backs is given in the Notes to the consolidated financial statements, "Note 31" from p. 170.

Change of control agreements relating to the parent company

Deutsche Lufthansa AG has no such agreements.

Compensation agreements with Executive Board members or employees in the event of a takeover offer

In the event of a change of control at Deutsche Lufthansa AG defined more precisely in the employment contract, the Executive Board members and the Company are entitled to terminate the contract within twelve months of this change of control.

If the contract ends because the special termination right is exercised or the contract is revoked amicably within twelve months of and in connection with the change of control, the Executive Board member is entitled to compensation for remuneration outstanding for the remainder of the contract.

In accordance with the relevant recommendation of the German Corporate Governance Code, compensation may not exceed 150 per cent of the maximum compensation of two annual salaries agreed in the contract; see the Notes to the consolidated financial statements, "Note 45" from p. 201.

Notes to the individual financial statements for Deutsche Lufthansa AG (HGB)

↗ Revenue of Deutsche Lufthansa AG sinks following transfer of decentralised traffic from Lufthansa Passenger Airlines to Germanwings. ↗ The net profit for the year was EUR 407m. ↗ The result after adjustment for non-recurring effects would have been even higher. ↗ Cash flow from operating activities came to EUR 449m. ↗ Total assets rose to more than EUR 21bn.

The financial statements for Deutsche Lufthansa AG have been prepared in accordance with the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG) as well as the transitional provisions of the German Accounting Law Modernisation Act (BilMoG) that are still in force, and have been audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Dusseldorf. They are published in the electronic Federal Gazette. The financial statements are permanently available online at i http://investor-relations.lufthansagroup.com/en/finanzberichte.html.

In this annual report the management report for Deutsche Lufthansa AG has been combined with the Group management report for the Lufthansa Group. Deutsche Lufthansa AG and its results also include the Group headquarters with the central functions for Corporate Development, Finance and Controlling, Communications, Public Affairs, Human Resources, Legal and Compliance, Data Security, Safety and Procurement. The economic environment for Deutsche Lufthansa AG is essentially the same as for the Group and is described in detail in “Macroeconomic situation” from p. 34, “Sector developments” from p. 36 and “Course of business” from p. 38.

Earnings position of Deutsche Lufthansa AG

In the financial year 2013, the earnings position was dominated by the transfer of decentralised traffic from Lufthansa Passenger Airlines to the Germanwings subsidiary. The ensuing decline in traffic figures and lower traffic revenue was offset by the lower cost of materials and services and in other operating income.

59 million passengers transported

The number of passengers decreased by 11.7 per cent in the financial year 2013 to 59 million. Capacity was cut by 4.8 per cent, while demand only contracted by 2.9 per cent. The load factor improved by 1.7 percentage points to 79.7 per cent as a result.

Average yields down on previous year

In 2013, average yields fell by 4.4 per cent compared with the previous year’s figure. With sales down by 2.9 per cent, the Company reported traffic revenue of EUR 14.8bn, or 7.2 per cent less than in the previous year. Other revenue was well above last year’s level at EUR 432m. Overall revenue totalled EUR 15.3bn, a decline of 6.3 per cent year on year.

Trends in traffic regions of Deutsche Lufthansa AG

	Traffic revenue in €m external revenue		Number of passengers in thousand		Available seat-kilometres in millions		Revenue seat-kilometres in millions		Passenger load factor in %	
	2013	Change in %	**2013**	Change in %	**2013**	Change in %	**2013**	Change in %	**2013**	Change in pts
Europe	5,706	–15.2	44,437	–15.2	46,863	–18.2	34,487	–14.9	73.6	2.9
America	4,889	6.5	7,448	5.5	65,858	5.3	56,067	5.8	85.1	0.3
Asia/Pacific	2,949	–9.0	4,570	–0.9	44,144	–0.7	35,659	–0.7	80.8	0.1
Middle East/Africa	1,274	–9.4	2,918	–7.3	17,190	–7.7	12,426	–6.8	72.3	0.8
Total	**14,818**	**–7.2**	**59,373**	**–11.7**	**174,055**	**–4.8**	**138,639**	**–2.9**	**79.7**	1.7

Income statement for Deutsche Lufthansa AG in accordance with HGB

in €m	2013	2012
Traffic revenue	14,818	15,964
Other revenue	432	314
Total revenue	**15,250**	**16,278**
Other operating income	1,939	1,721
Cost of materials and services	–11,321	–12,178
Staff costs	–2,703	–2,638
Depreciation, amortisation and impairment	–380	–520
Other operating expenses	–2,761	–3,043
Result from operating activities	**24**	**–380**
Result of other equity investments	1,231	1,758
Net interest	–418	–184
Impairment on investments and current securities	–211	–138
Financial result	**602**	**1,436**
Result from ordinary activities	**626**	**1,056**
Extraordinary result	–	–396
Taxes	–219	–68
Net profit / loss for the year	**407**	**592**
Transfers to retained earnings	–200	–296
Distributable earnings	**207**	**296**

Revenue and earnings development

Both operating income and operating expenses decreased year on year, by 4.5 per cent and 6.6 per cent respectively. As a result, the profit from operating activities shown in the income statement rose sharply year on year by EUR 404m to EUR 24m (previous year: EUR –380m). This is primarily due to the transfer of decentralised routes to Germanwings. Adjusted for various non-recurring effects – in particular SCORE expenses assumed from Group companies, write-downs on current assets, particularly on bank balances in Venezuela, additions to provisions for residual costs at Lufthansa CityLine GmbH, write-backs of provisions and other one-off effects in both financial years – the result would have been EUR 144m higher at EUR 168m.

Total revenue declined by 6.3 per cent to EUR 15.3bn. The reason for the fall was lower traffic revenue, which dropped by 7.2 per cent to EUR 14.8bn following the transfer of decentralised traffic to Germanwings. In contrast, other operating income rose again to EUR 1.9bn (previous year: EUR 1.7bn). This increase is due mainly to income from capacities leased and services rendered to Germanwings. It would have been higher but for lower write-backs of provisions, the absence of reversals of impairment losses on equity investments and lower exchange rate gains, both realised and from measurement as of the reporting date.

Operating expenses totalled EUR 17.2bn and were 6.6 per cent down on the year. This was also due to transferring decentralised traffic and the related expenses to Germanwings, a decline in fuel expenses (–12.0 per cent) and lower depreciation and amortisation (–26.9 per cent) following the extension of the aircrafts' and reserve engines' useful lives.

The **cost of materials and services** reached EUR 11.3bn and still accounts for two thirds of total operating expenses (previous year: 66.3 per cent). The fall in the cost of materials and services by EUR 857m stemmed mainly from fuel expenses, which dropped by 12.0 per cent to EUR 4.3bn. Adjusted for the amortisation of fuel surcharges, fuel expenses fell by 10.5 per cent. Of the adjusted decline, 7.6 per cent is due to lower volumes following the transfer of decentralised traffic to Germanwings, and 3.4 per cent to the effect of the average USD exchange rate over the year. This was offset by a fuel price increase of 0.5 per cent in USD (including the hedging result). Without the negative hedging result of EUR 45m (including amortisation of surcharges), fuel costs would have been even lower.

In the reporting period, **the costs of services** purchased fell year on year (–3.3 per cent) to EUR 6.9bn. Fees and charges, at EUR 2.8bn, still constitute the largest expense item under services purchased. The decline in passenger numbers due to the transfer of decentralised traffic was reflected in a sharp decline in fees and charges (–11.5 per cent). Air traffic control charges fell by 11.0 per cent, landing fees by 14.0 per cent and passenger fees by 10.0 per cent. Handling charges and charges for airport infrastructure were also down sharply on the previous year, by 13.2 per cent and 12.3 per cent respectively. Costs for purchased MRO services were roughly similar to the previous year at EUR 1.4bn. Charter expenses, largely payable to the regional partners as part of the Lufthansa Regional concept, fell slightly year on year by 1.2 per cent to EUR 909m. This is largely because fewer capacities were chartered following the transfer of decentralised traffic to Germanwings. The decline was offset by higher provisions for residual costs following the restructuring of regional traffic, especially at Lufthansa CityLine GmbH. Expenses for operating leases also went up again, by 19.6 per cent to EUR 631m. This was due to further aircraft financed by means of various sale-and-lease-back models in the financial year.

In financial year 2013, Lufthansa's **staff costs** totalled EUR 2.7bn, which was 2.5 per cent up on the year. With average annual staff numbers down by 3.5 per cent, wage and salary costs rose by 5.7 per cent. This includes restructuring costs of nearly EUR 127m from activities defined in the SCORE programme. Social security contributions of EUR 284m were roughly the same as in the previous year (–0.5 per cent year on year). Expenses for retirement benefits fell again by 20.9 per cent to EUR 201m. Lower transitional benefits are the main reason for the lower expenses, in particular the long duration of the wage settlement for cabin staff and changes to the existing scheme for cockpit staff.

Depreciation and amortisation sank sharply by EUR 140m, or 26.9 per cent, to EUR 380m in the 2013 financial year. The adjustment to the useful lives of aircraft was the main reason for the decrease, reducing deprecation in the reporting year by EUR 126m.

Other operating expenses totalled EUR 2.8bn and were 9.3 per cent, or EUR 282m, down on the year. This was largely due to a decline in exchange rate losses, both realised and from measurement as of the reporting date. This item also includes restructuring expenses assumed from Group companies for the SCORE programme of EUR 71m (previous year: EUR 78m).

The **financial result** of EUR 602m was well below the previous year's figure of EUR 1.4bn. In 2013, it was made up of a result from equity investments of EUR 1.2bn (previous year: EUR 1.8bn), negative net interest of EUR 418m (previous year: EUR –184m) and other financial items of EUR –211m (previous year: EUR –138m).

The **result from equity investments** includes profit and loss transfers of EUR 620m and income from equity investments of EUR 611m. Most of the companies with a profit and loss transfer agreement generated positive earnings in the reporting year. Lufthansa Technik AG (EUR 489m) and Lufthansa CityLine GmbH (EUR 38m) surpassed their results for the previous year, while Lufthansa Cargo AG (EUR 53m), Lufthansa Systems AG (EUR 31m), LSG Lufthansa Service Holding AG (EUR 6m), Delvag Luftfahrtversicherungs-AG (EUR 15m) and Lufthansa Flight Training GmbH (EUR 17m) all performed less well than in 2012. The result from equity investments was depressed by negative results from Eurowings GmbH (EUR –6m) and Lufthansa Commercial Holding GmbH (EUR –23m). The largest share of income from equity investments (EUR 263m) stemmed from dividends from the 24 Austrian leasing companies (previous year: EUR 65m). The remaining income came mainly from distributions from the Lufthansa SICAV-FIS (EUR 161m) and from AirTrust AG (EUR 168m), as well as from GOAL Verwaltungsgesellschaft mbH & Co. Projekt Nr. 7 oHG (EUR 14m), which has since been sold.

Net interest in the financial year came to EUR –418m (previous year: EUR –184m). The decline is mainly due to a much lower market valuation of EUR 217m (previous year: EUR 360m) for the pension fund assets held to meet retirement benefit obligations and to the higher interest of EUR 498m accrued on pension provisions (previous year: EUR 403m).

Impairment losses on investments and current securities were EUR 73m higher than in the previous year. Impairment charges on investments of EUR 138m in 2012 were followed in 2013 by further impairment losses on investments of EUR 211m. Impairment losses were recognised on the carrying amounts for Lufthansa Systems AG (EUR –68m), Air Dolomiti S.p.A. Linee Aeree Regionali Europee (EUR –12m), Eurowings GmbH (EUR –31m) and Lufthansa SICAV-FIS (EUR –100m).

Balance sheet for Deutsche Lufthansa AG in accordance with HGB

in €m	31.12.2013	31.12.2012
Assets		
Intangible assets	157	155
Aircraft	4,895	5,076
Property, plant and other equipment	102	120
Financial investments	11,101	9,837
Non-current assets	**16,255**	**15,188**
Inventories	65	63
Trade receivables	488	502
Other receivables	2,101	2,666
Securities	1,077	1,443
Liquid funds	950	821
Current assets	**4,681**	**5,495**
Prepaid expenses	**35**	**47**
Excess of plan assets over provisions for pensions	**293**	**17**
Total assets	**21,264**	**20,747**
Shareholders' equity and liabilities		
Issued capital	1,180	1,177
Capital reserve	886	872
Retained earnings	2,129	1,634
Distributable earnings	207	296
Shareholders' equity	**4,402**	**3,979**
Provisions	**7,361**	**6,726**
Bonds	1,600	2,100
Liabilities to banks	1,068	1,169
Payables to affiliated companies	2,897	3,102
Other liabilities	3,923	3,652
Liabilities	**9,488**	**10,023**
Deferred income	**13**	**19**
Total shareholders' equity and liabilities	**21,264**	**20,747**

The financial result and operating result combine to make up a **pre-tax profit** of EUR 626m (previous year including extra-ordinary result: EUR 660m).

Positive net result

Deducting taxes of EUR 219m resulted in a net profit for the year of EUR 407m in 2013 (previous year: EUR 592m). After transferral to other retained earnings, this leaves distributable profit of EUR 207m. The Executive Board and the Supervisory Board will propose to the Annual General Meeting to be held on 29 April 2014 to pay a dividend of EUR 0.45 per share from this distributable profit.

Asset and financial position of Deutsche Lufthansa AG

Cash flow from operating activities reaches EUR 449m

The cash flow from operating activities improved to EUR 449m (previous year*: EUR 398m). In the reporting period, Lufthansa invested EUR 1.0bn (previous year: EUR 1.3bn) in aircraft and advance payments for aircraft. Of the total, EUR 600m was for advance payments. To finance future payment obligations arising from staff pension entitlements, Lufthansa again transferred a total of EUR 388m to the Lufthansa Pension Trust on a long-term basis for investment in various fixed income and share funds. Altogether, investments, income from asset disposals and sales of securities resulted in a cash outflow of EUR 204m. Cash flow for financing activities came to EUR 711m in the financial year. With cash flow from operating activities of EUR 449m and gross capital expenditure of EUR 2.3bn, the internal financing ratio improved to 19.6 per cent (previous year*: 17.5 per cent).

* Calculation adjusted to the reporting year.

Total assets up to more than EUR 21bn
Total assets rose by 2.5 per cent, or EUR 517m, to EUR 21.3bn. Non-current assets were up again by nearly EUR 1.1bn, while current assets, including deferred charges, prepaid expenses and excess of plan assets, fell by EUR 0.6bn.

The decrease in property, plant and equipment is largely due to the disposal of 36 aircraft in the reporting period. Financial investments went up by EUR 1.3bn, mainly as a result of increasing shareholdings in affiliated companies and equity investments, including Malta Holding (EUR 437m) and SunExpress (EUR 99m). In addition, another 35 aircraft were transferred to Austrian leasing companies as contributions in kind (EUR 574m). Loans to Lufthansa Cargo AG, Lufthansa Technik AG, Germanwings GmbH, Lufthansa AirPlus Servicekarten GmbH and ÖLB Österreichische Luftverkehrs-Beteiligungs GmbH, among others, were also increased or rolled over. These changes were offset by impairment losses recognised on the carrying amounts for Lufthansa Systems AG (EUR 68m), Eurowings GmbH (EUR 31m), Air Dolomiti S.p.A. Linee Aeree Regionali Europee (EUR 12m) and Lufthansa SICAV-FIS (EUR 100m).

The drop in other receivables and other assets to EUR 2.1bn (previous year: EUR 2.7bn) is mainly due to lower receivables from affiliated companies, in particular to lower profits at subsidiaries subject to profit and loss transfer agreements.

Cash and securities went down by EUR 237m compared with a year ago, to EUR 2bn. They were invested in money market funds (EUR 287m) and in other securities (EUR 790m). Cash-in-hand also came to EUR 950m (previous year: EUR 821m).

As a result, the balance sheet structure showed a slight shift towards non-current assets, which now make up 76.4 per cent of total assets (previous year: 73.2 per cent).

Shareholders' equity rose by EUR 423m, primarily as a result of the distributable profit, totalling EUR 4.4bn as of the reporting date. As total assets only increased slightly, the equity ratio went up to 20.7 per cent (previous year: 19.2 per cent). Non-current borrowing fell by EUR 940m in the period under review. The proportion of non-current funding in the balance sheet total fell slightly as a result by 3.8 percentage points and now amounts to 51.0 per cent. Non-current assets are now 66.7 per cent (previous year: 74.8 per cent) covered by non-current funding. Net indebtedness was stable year on year at EUR 1.3bn.

Declaration on corporate governance in accordance with Section 289a HGB

The declaration on corporate governance required under Section 289a HGB has been issued and made publicly available on the Company's website at i http://investor-relations.lufthansagroup.com/en/corporate-governance/erklaerung-zur-unternehmensfuehrung-289a-hgb.html.

Risk report

Business at Deutsche Lufthansa AG is subject to essentially the same risks and opportunities as business at the Passenger Airline Group segment as presented in the consolidated financial statements. Deutsche Lufthansa AG is exposed to the risks of its equity investments and subsidiaries in proportion to its respective equity stakes. For further information, we refer to the chapter on the "Passenger Airline Group business segment" on p. 58–68.

Supplementary report

The main events taking place after the reporting date are those described in the consolidated financial statements pertaining to the Passenger Airline Group business segment.

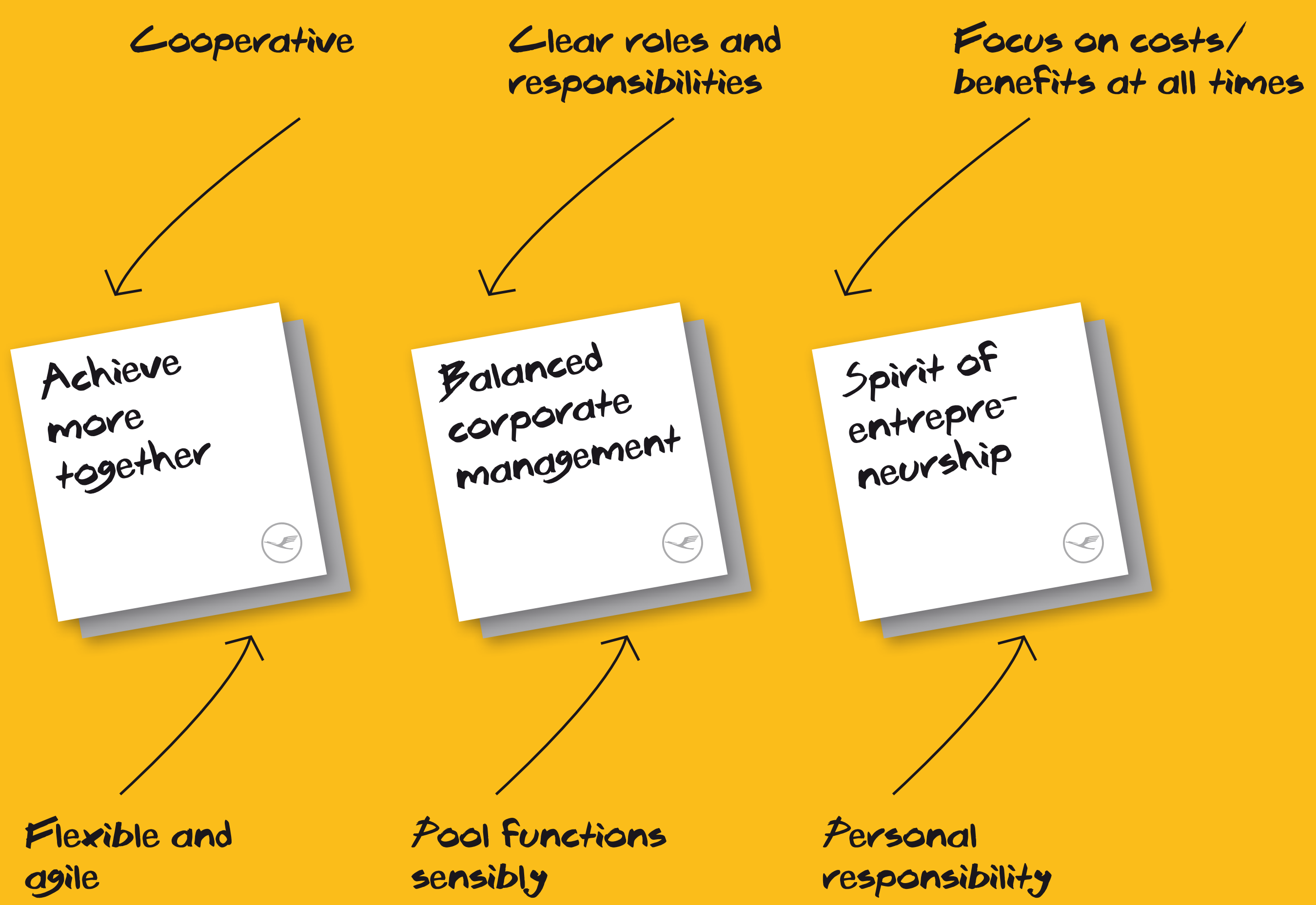
Forecast

Future business performance at Deutsche Lufthansa AG is subject to essentially the same factors as the Passenger Airline Group segment as presented in the consolidated financial statements. Further information on anticipated macroeconomic developments and the performance of the business segments, as well as the assumptions on which the Group forecast is based, can be found in the "Forecast" section of the Group management report on p. 118–123.

The power of a strong Group

We will make our organisation even more efficient.

To maintain a high-performance organisation over the long term, our structures and processes have to become even leaner: we work efficiently, organise ourselves flexibly, decide quickly, cooperate within the Group and act as responsible entrepreneurs. This makes us competitive as individual companies and strong as a whole.



Consolidated financial statements

Consolidated income statement for the financial year 2013

in €m	Notes	2013	2012*
Traffic revenue	3	24,565	24,793
Other revenue	4	5,463	5,342
Total revenue		**30,028**	**30,135**
Changes in inventories and work performed by entity and capitalised	5	158	113
Other operating income	6	2,042	2,785
Cost of materials and services	7	–17,510	–17,946
Staff costs	8	–7,350	–6,741
Depreciation, amortisation and impairment	9	–1,766	–1,839
Other operating expenses	10	–4,753	–4,885
Profit/loss from operating activities		**849**	**1,622**
Result of equity investments accounted for using the equity method	11	92	31
Result of other equity investments	11	33	63
Interest income	12	162	168
Interest expenses	12	–508	–540
Other financial items	13	–83	–48
Financial result		**–304**	**–326**
Profit/loss before income taxes		**545**	**1,296**
Income taxes	14	–219	–91
Profit/loss from continuing operations		**326**	**1,205**
Profit/loss from discontinued operations	15	–	36
Profit/loss after income taxes		**326**	**1,241**
Profit/loss attributable to minority interests		–13	–13
Net profit/loss attributable to shareholders of Deutsche Lufthansa AG		**313**	**1,228**
Basic/diluted earnings per share in €	16	**0.68**	**2.68**
of which from continuing operations	16	0.68	2.60
of which from discontinued operations	16	0.00	0.08

Statement of comprehensive income for the financial year 2013

in €m	2013	2012*
Profit/loss after income taxes	**326**	**1 241**
Other comprehensive income		
Other comprehensive income with subsequent reclassification to the income statement		
Differences from currency translation	–48	–4
Subsequent measurement of available-for-sale financial assets	116	–370
Subsequent measurement of cash flow hedges	60	–322
Other comprehensive income from investments accounted for using the equity method	–5	–10
Other expenses and income recognised directly in equity	–3	–1
Income taxes on items in other comprehensive income	–13	95
Other comprehensive income without subsequent reclassification to the income statement		
Revaluation of defined-benefit pension plans	1,061	–1,867
Income taxes on items in other comprehensive income	–222	486
Other comprehensive income after income taxes	**946**	**–1,993**
Total comprehensive income	**1,272**	**–752**
Comprehensive income attributable to minority interests	–9	–13
Comprehensive income attributable to shareholders of Deutsche Lufthansa AG	**1,263**	**–765**

* The comparable figures from last year were adjusted retrospectively due to the application of the revised IAS 19 as of 1 January 2013.

Consolidated balance sheet
as of 31 December 2013

Assets

in €m	Notes	31.12.2013	31.12.2012[1)]	1.1.2012[1)]
Intangible assets with an indefinite useful life[2)]	17	1,188	1,193	1,191
Other intangible assets	18	381	375	384
Aircraft and reserve engines	19 21	12,354	11,838	11,592
Repairable spare parts for aircraft		959	899	840
Property, plant and other equipment	20 21	2,058	2,081	2,118
Investments accounted for using the equity method	22	458	400	394
Other equity investments	23 42	500	413	898
Non-current securities	23 42	20	19	134
Loans and receivables	24 42	491	464	443
Derivative financial instruments	42	335	268	343
Deferred charges and prepaid expenses	27	16	25	24
Effective income tax receivables	14	39	52	60
Deferred tax assets	14	622	755	152
Non-current assets		**19,421**	**18,782**	**18,573**
Inventories	25	641	639	620
Trade receivables and other receivables	26 42	3,577	3,595	3,449
Derivative financial instruments	42	460	215	414
Deferred charges and prepaid expenses	27	146	151	171
Effective income tax receivables		72	101	128
Securities	28 42	3,146	3,530	3,111
Cash and cash equivalents	29 42	1,550	1,436	887
Assets held for sale	30	71	110	686
Current assets		**9,663**	**9,777**	**9,466**
Total assets		**29,084**	**28,559**	**28,039**

1) The comparable figures from last year were adjusted retrospectively due to the application of the revised IAS 19 as of 1 January 2013.
2) Including Goodwill.

Shareholders' equity and liabilities

in €m	Notes	31.12.2013	31.12.2012[1]	1.1.2012[1]
Issued capital	31	1,180	1,177	1,172
Capital reserve	32	1,395	1,382	1,366
Retained earnings	32	2,002	–63	1,483
Other neutral reserves	32	1,166	1,055	1,624
Net profit/loss		313	1,228	–13
Equity attributable to shareholders of Deutsche Lufthansa AG		**6,056**	**4,779**	**5,632**
Minority interests		52	60	95
Shareholders' equity		**6,108**	**4,839**	**5,727**
Pension provisions	33	4,718	5,844	4,733
Other provisions	34	581	582	574
Borrowings	35 42	4,823	5,947	5,808
Other financial liabilities	36	148	198	128
Advance payments received, deferred income and other non-financial liabilities	37	1,187	1,163	1,156
Derivative financial instruments	42	426	150	55
Deferred tax liabilities	14	146	94	92
Non-current provisions and liabilities		**12,029**	**13,978**	**12,546**
Other provisions	34	861	894	801
Borrowings	35 42	1,514	963	616
Trade payables and other financial liabilities	38 42	4,546	4,231	4,227
Liabilities from unused flight documents		2,635	2,612	2,359
Advance payments received, deferred income and other non-financial liabilities	39	961	933	939
Derivative financial instruments	42	183	2	37
Effective income tax obligations		247	107	71
Liabilities related to assets held for sale		–	–	716
Current provisions and liabilities		**10,947**	**9,742**	**9,766**
Total shareholders' equity and liabilities		**29,084**	**28,559**	**28,039**

[1] The comparable figures from last year were adjusted retrospectively due to the application of the revised IAS 19 as of 1 January 2013.

Consolidated statement of changes in shareholders' equity
as of 31 December 2013

in €m	Issued capital	Capital reserve	Fair value measurement of financial instruments	Currency differences	Revaluation reserve (due to business combinations)	Other neutral reserves	**Total other neutral reserves**	Retained earnings	Net profit / loss	**Equity attributable to shareholders of Deutsche Lufthansa AG**	Minority interests	**Total shareholders' equity**
As of 31.12.2011	**1,172**	**1,366**	**766**	**322**	**193**	**343**	**1,624**	**3,800**	**–13**	**7,949**	**95**	**8,044**
Change in accounting policies	–	–	–	–	–	–	–	–2.317	–	–2,317	–	–2,317
Adjusted as of 31.12.2011	**1,172**	**1,366**	**766**	**322**	**193**	**343**	**1,624**	**1,483**	**–13**	**5,632**	**95**	**5,727**
Capital increases / reductions	5	16	–	–	–	–	–	–	–	21	–	21
Reclassifications	–	–	–	–	43	–	43	–170	127	–	–	–
Dividends to Lufthansa shareholders / minority interests	–	–	–	–	–	–	–	–	–114	–114	–17	–131
Transactions with minority interests	–	–	–	–	–	–	–	5	–	5	–31	–26
Consolidated net profit / loss attributable to Lufthansa shareholders / minority interests	–	–	–	–	–	–	–	–	1,228	1,228	13	1,241
Other expenses and income recognised directly in equity*	–	–	–597	–4	–	–11	–612	–1,381	–	–1,993	–	–1,993
Adjusted as of 31.12.2012	**1,177**	**1,382**	**169**	**318**	**236**	**332**	**1,055**	**–63**	**1,228**	**4,779**	**60**	**4,839**
As of 31.12.2012	**1,177**	**1,382**	**169**	**317**	**236**	**332**	**1,054**	**3,635**	**990**	**8,238**	**60**	**8,298**
Change in accounting policies	–	–	–	1	–	–	1	–3,698	238	–3,459	–	–3,459
Adjusted as of 31.12.2012	**1,177**	**1,382**	**169**	**318**	**236**	**332**	**1,055**	**–63**	**1,228**	**4,779**	**60**	**4,839**
Capital increases / reductions	3	13	–	–	–	–	–	–	–	16	–	16
Reclassifications	–	–	–	–	–	–	–	1,232	–1,228	4	–4	–
Dividends to Lufthansa shareholders / minority interests	–	–	–	–	–	–	–	–	–	–	–14	–14
Transactions with minority interests	–	–	–	–	–	–	–	–6	–	–6	1	–5
Consolidated net profit / loss attributable to Lufthansa shareholders / minority interests	–	–	–	–	–	–	–	–	313	313	13	326
Other expenses and income recognised directly in equity*	–	–	163	–48	–	–4	111	839	–	950	–4	946
As of 31.12.2013	**1,180**	**1,395**	**332**	**270**	**236**	**328**	**1,166**	**2,002**	**313**	**6,056**	**52**	**6,108**

* Please refer to "Note 32" starting on p. 171, for more information on other comprehensive income.

Consolidated cash flow statement for the financial year 2013

in €m	Notes	2013	2012[4]
Cash and cash equivalents 1.1.		**1,436**	**887**
Net profit/loss before income taxes		545	1,296
Depreciation, amortisation and impairment losses on non-current assets (net of reversals)	9 13	1,763	1,867
Depreciation, amortisation and impairment losses on current assets (net of reversals)		−25	58
Net proceeds on disposal of non-current assets	6	−11	−739
Result of equity investments	11	−125	−94
Net interest	12	346	372
Income tax payments/reimbursements		−92	−34
Measurement of financial derivatives through profit or loss		80	19
Change in working capital [1]		809	179
Cash flow from continuing operations		**3,290**	**2,924**
Cash flow from discontinued operations		–	−82
Cash flow from operating activities		**3,290**	**2,842**
Capital expenditure for property, plant and equipment and intangible assets	17 – 20	−2,444	−2,292
Capital expenditure for financial investments	23 24	−26	−67
Additions/loss to repairable spare parts for aircraft		−39	−120
Proceeds from disposal of non-consolidated equity investments		13	404
Proceeds from disposal of consolidated equity investments		−8	−176
Cash outflows for acquisitions of non-consolidated equity investments	22 23 42	−29	0
Cash outflows for acquisitions of consolidated equity investments	1	–	–
Proceeds from disposal of intangible assets, property, plant and equipment and other financial investments		233	418
Interest income		228	296
Dividends received		90	92
Net cash from/used in investing activities		**−1,982**	**−1,445**
of which from discontinued operations		–	−138
Purchase of securities/fund investments [2]		−1,700	−1,316
Disposal of securities/fund investments		1,278	571
Net cash from/used in investing and cash management activities		**−2,404**	**−2,190**
of which from discontinued operations		–	−138
Capital increase	31 32	–	–
Transactions with minority interests		−9	–
Non-current borrowing		536	1,106
Repayment of non-current borrowing		−993	−637
Dividends paid		−14	−131
Interest paid		−424	−449
Net cash from/used in financing activities		**−904**	**−111**
of which from discontinued operations		–	−5
Net increase/decrease in cash and cash equivalents		**−18**	**541**
Changes due to currency translation differences		−13	8
Cash and cash equivalents 31.12.	29	**1,405**	**1,436**
Securities	28	3,146	3,530
Total liquidity [3]		**4,551**	**4,966**
Net increase/decrease in total liquidity		−415	968

[1] Working capital consists of inventories, receivables, liabilities and provisions.
[2] Including transfer to LH Pension Trust of EUR 537m.
[3] Excluding fixed-term deposits with terms of three to twelve months (2013: EUR 145m).
[4] The comparable figures from last year were adjusted retrospectively due to the application of the revised IAS 19 as of 1 January 2013.

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 to the consolidated financial statements
of Deutsche Lufthansa AG for 2013

General remarks

The consolidated financial statements of Deutsche Lufthansa AG, Cologne, 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 International Financial Reporting Interpretations Committee (IFRS Interpretations Committee) as applicable in the European Union (EU).

The commercial law provisions of Section 315a Paragraph 1 of the German Commercial Code (HGB) have also been applied. All IFRSs issued by the IASB and in effect at the time that these financial statements were prepared and applied by Deutsche Lufthansa AG have been adopted by the European Commission for application in the EU. The consolidated financial statements of Deutsche Lufthansa AG, denominated in EUR million, therefore comply with the IFRSs as applicable in the EU and with the further commercial law provisions of Section 315a Paragraph 1 HGB.

With the exception of the changes required by new or amended standards, the accounting policies applied in the previous year have been retained.

These consolidated financial statements for 2013 are to be examined and approved by the Supervisory Board of Deutsche Lufthansa AG in its meeting on 12 March 2014 and are then authorised for publication.

Mandatory International Financial Reporting Standards (IFRS) and Interpretations (IFRIC)
Application of the following standards was mandatory for the first time as of 1 January 2013:

IFRS pronouncement	Adopted	EU endorsement	Published in the Official Journal of the EU	Effective date in EU
Amendment to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	16.6.2011	5.6.2012	6.6.2012	1.7.2012
Revised IAS 19 Employee Benefits	16.6.2011	5.6.2012	6.6.2012	1.1.2013
Amendments to IFRS 1 First-time Adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	20.12.2010	11.12.2012	29.12.2012	1.1.2013
Amendment to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets	20.12.2010	11.12.2012	29.12.2012	1.1.2013
IFRS 13 Fair Value Measurement	12.5.2011	11.12.2012	29.12.2012	1.1.2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	19.10.2011	11.12.2012	29.12.2012	1.1.2013
Amendment to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	16.12.2011	13.12.2012	29.12.2012	1.1.2013
Improvements to International Financial Reporting Standards (2009–2011)	17.5.2012	27.3.2013	28.3.2013	1.1.2013
Amendment to IFRS 1: First-time Adoption of International Financial Reporting Standards: Government Loans	13.12.2012	4.3.2013	5.3.2013	1.1.2013

The **amendments to IAS 1 Presentation of Financial Statements** mainly relate to changes in the recognition of items of other comprehensive income. In future these must be presented separately as items which may be ‘recycled’ in subsequent periods to profit or loss and those which will not be reclassified in this way. It only affects the presentation of the statement of comprehensive income.

In accordance with the **revised version of IAS 19 Employee Benefits (revised in 2011, IAS 19R),** effective since 1 January 2013, actuarial gains and losses, after accounting for deferred taxes, are recognised as revaluations directly in equity, without effect on profit and loss. The 10-per-cent corridor rule previously used in the Lufthansa Group to avoid annual fluctuations in the balance sheet is no longer allowed.

Changes in the discount rate used to measure pension obligations and, for funded pension plans, fluctuations in the market value of plan assets, can, in particular, result in considerable, unpredictable fluctuations in the balance sheet and shifts between equity and liabilities. For funded pension plans, the same interest rate chosen to determine interest expenses and measure pension obligations is also to be used to calculate interest income from plan assets. Defining a uniform interest rate alters the net interest expense for pension obligations.

Furthermore, the revised IAS 19 includes new rules on the meaning of "short-term" and "other long-term benefits". These amendments affected the time at which obligations under partial retirement and similar programmes are recognised in profit or loss and therefore the corresponding balance sheet amounts.

The new standards are applicable retrospectively. Consequently, the balances carried forward to 1 January 2012, the figures reported for the previous year and the balances carried forward to 1 January 2013 have been adjusted and their presentation harmonised to facilitate comparison.

The restatement meant that as of 1 January 2013, pension obligations and other provisions under partial retirement and similar programmes went up by a total of EUR 3.8bn compared with the financial statements for 2012 (as of 1 January 2012: EUR 2.6bn), deferred tax assets rose by EUR 711m (as of 1 January 2012: EUR 119m), deferred tax liabilities declined by EUR 148m (as of 1 January 2012: EUR 272m) and Group equity fell by EUR 3.5bn (as of 1 January 2012: EUR 2.3bn). Furthermore, other non-current receivables fell by EUR 571m (as of 1 January 2012: EUR 161m).

Due to the elimination of both delayed recognition of actuarial losses and the option of recognising past service expenses pro rata, staff costs have been presented as being EUR 308m lower in the financial year 2012.

Staff costs for 2012 were shown as being EUR 3m lower because the top-up amounts agreed in partial retirement and similar programmes are no longer to be recognised in full when the contract is signed, but pro rata over the remaining period of service.

By contrast, net interest expense for the previous year was recognised as being around EUR 54m higher as a result of adjusting forecast plan income to the discount rate applied at the beginning of the year. Altogether, if the new IAS 19R had been applied in 2012, profit before income taxes would have been EUR 257m higher. Profit after income taxes would have been EUR 238m higher.

If the pension obligations had still been accounted for in 2013 according to the old version of IAS 19, interest expenses for 2013 would have been EUR 156m lower, and staff costs EUR 197m higher. Provisions for pensions and similar obligations would have been EUR 2.4bn lower, while other non-current receivables would have been EUR 0.9bn higher, and shareholders' equity around EUR 2.5bn higher.

The provisions of **IFRS 1** and the amendment to **IAS 12** are not relevant for the Lufthansa Group.

IFRS 13 Fair Value Measurement describes how fair value is to be measured for all IFRS reporting standards and extends the disclosures to be made on fair value measurement, but does not stipulate in which cases fair value is to be used. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value of a liability therefore reflects its default risk, i.e. the entity's own credit risk. The first-time application of IFRS 13 caused the positive fair value of derivatives to fall by EUR 7m, and the negative fair value of derivatives to fall by EUR 21m. IFRS 13 stipulates the market conditions under which fair value measurement is possible or restricted and explains that measurement is made with reference to specific markets and not to specific companies. For non-financial assets, fair value is to be measured on the basis of the "highest and best use" of the asset from the perspective of a market participant. IFRS 13 is to be applied prospectively from 1 January 2013. The transitional provisions also state that mandatory disclosures do not have to be applied to comparative information provided for periods before the first-time application of this standard. The Lufthansa Group has therefore not made any of the new disclosures required by IFRS 13 for the comparative figures for the year 2012.

The **IFRIC 20** interpretation is not relevant to the Lufthansa Group.

The amendments to **IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities,** extend the existing quantitative disclosures on recognised financial instruments offset against one another in the balance sheet. In addition, they contain further disclosure obligations for financial instruments subject to netting agreements, irrespective of whether they are actually offset in accordance with IAS 32.

In May 2012, **Improvements to International Financial Reporting Standards (2009–2011)** were published, which contain amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. In addition to minor substantive changes, the improvements mostly clarify aspects of recognition, presentation and measurement. Their first-time application had no significant effect on the consolidated financial statements.

Published International Financial Reporting Standards (IFRS) and Interpretations (IFRIC), not yet applied / applicable

The following standards and amendments have already been endorsed by the European Union. Mandatory application is planned for a later date, however.

IFRS pronouncement	Adopted	EU endorsement	Published in the Official Journal of the EU	Effective date in EU
Application in the 2014 financial year				
IFRS 10 Consolidated Financial Statements	12.5.2011	11.12.2012	29.12.2012	1.1.2014
IFRS 11 Joint Arrangements	12.5.2011	11.12.2012	29.12.2012	1.1.2014
IFRS 12 Disclosures of Interests in Other Entities	12.5.2011	11.12.2012	29.12.2012	1.1.2014
Revised IAS 27 Separate Financial Statements	12.5.2011	11.12.2012	29.12.2012	1.1.2014
Revised IAS 28 Investments in Associates and Joint Ventures	12.5.2011	11.12.2012	29.12.2012	1.1.2014
Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities	16.12.2011	13.12.2012	29.12.2012	1.1.2014
Amendments to the transitional provisions of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Agreements and IFRS 12 Disclosure of Interests in Other Entities	28.6.2012	4.4.2013	5.4.2013	1.1.2014
Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	31.10.2012	20.11.2013	21.11.2013	1.1.2014
Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	29.5.2013	19.12.2013	20.12.2013	1.1.2014
Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	27.6.2013	19.12.2013	20.12.2013	1.1.2014

IFRS 10 Consolidated Financial Statements replaces the guidelines on control and consolidation included in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation: Special Purpose Entities. In future, IAS 27 will only contain rules on IFRS financial statements. IFRS 10 changes the definition of control so that the same criteria are applied to all companies to determine a controlling relationship. This definition is supported by wide-ranging application guidelines illustrating the various criteria that can lead to the control of a company by the reporting company. In this definition, control requires power over the investee and variable returns.

IFRS 11 Joint Arrangements governs the classification of and accounting for joint operations and joint ventures, replacing the previous IAS 31. A joint arrangement is defined as an agreement by which two or more parties exercise joint control. Joint control means that decisions on activities that have a significant effect on the returns from an agreement require the unanimous approval of the parties sharing control. If a joint agreement has been identified, the further classification as a joint operation or a joint venture depends on the rights and obligations of the partners. Accounting for assets under joint control is covered by the rules on joint operations and so still takes place according to the parties' respective equity interests. However, IFRS 11 has eliminated the previously permitted pro-rata consolidation of joint ventures, which must now be accounted for using the equity method only.

To comply with **IFRS 12 Disclosure of Interests in Other Entities,** companies must disclose information that enables users of financial statements to assess the nature, risks and financial effects associated with their investment in subsidiaries, associated companies, joint arrangements and unconsolidated structured entities (special purpose entities).

The **amendments to the transitional provisions of IFRS 10, IFRS 11 and IFRS 12** clarify that the effective date of these standards corresponds to the beginning of the financial year in which they are first applied. No retrospective adjustments in line with IFRS 10 are to be made for subsidiaries sold during the comparable period. Disclosure of the effects, in accordance with IAS 8, is restricted to the comparative period. IFRS 11 and IFRS 12 contain similar clarifications and exemptions; IFRS 12 also removes the need to present comparable figures for non-consolidated structured entities (special purpose entities). Although the IASB provided for an effective date of 1 January 2013, endorsement by the European Union means that the amendments are only effective as of 1 January 2014.

IFRS 10, 11, 12 and the subsequent amendments to IAS 27 and IAS 28 are applicable for financial years beginning on or after 1 January 2014. They are not expected to have a significant effect on the net assets, financial and earnings position.

The amendment to **IAS 32 Financial Instruments: Presentation** clarifies the conditions for offsetting financial assets and financial liabilities in the balance sheet. It states that an entitlement to offset assets and liabilities must exist for all the parties involved as of the reporting date and must be legally enforceable both in the normal course of business and in an insolvency. Furthermore, it defines which gross settlement systems can be considered as net settlement within the meaning of the standard.

In May 2013, the IASB amended **IAS 36 in relation to disclosures on the recoverable amount for non-financial assets.** The IASB thereby restricted the mandatory disclosures on the recoverable amount. At the same time, however, it expands the scope of the disclosures required in the notes in the event of an impairment or an impairment reversal. At present, the recoverable amount must always be disclosed for cash-generating units that account for a significant share of goodwill or of intangible assets with an indefinite useful life. The corresponding disclosure obligation was introduced by IFRS 13. According to the latest amendment to IAS 36, the recoverable amount only has to be disclosed in future if an impairment or an impairment reversal occurred in the current period. In the event of an impairment or an impairment reversal, it introduces additional disclosure requirements for those non-financial assets whose recoverable amount was measured on the basis of fair value less costs to sell. The amendments to IAS 36 are mandatory for the first time in financial years beginning on or after 1 January 2014. The Lufthansa Group is applying this standard early as of 31 December 2013. Application did not result in any additional disclosure obligations in the reporting year.

The amendment to **IAS 39 Novation of Derivatives and Continuation of Hedge Accounting,** published in June 2013, releases entities preparing financial statements from the obligation to discontinue hedge accounting if the hedging instruments are ‘novated’, i.e. transferred to a central counterparty as a consequence of laws or regulations or the introduction of laws or regulations. The amendments cover both novations to central counterparties and to intermediate parties such as direct members of a central clearing house or their clients. The amendments are applicable for financial years beginning on or after 1 January 2014. Early application is allowed.

At the present time, the other new or amended IFRS pronouncements listed in the table are not considered to be of great relevance to the Lufthansa Group.

The IASB and the IFRS IC adopted other standards and interpretations whose application is not mandatory for the financial year 2013. The application of these IFRS and IFRIC is subject to their endorsement by the EU, which is still pending.

IFRS pronouncement	Adopted	EU endorsement	Published in the Official Journal of the EU	Effective date in EU
Application expected in the 2014 financial year or later				
IFRS 9 Financial Instruments: Classification and Measurement – Financial Assets	12.11.2009	Pending	Pending	Expected: 1.1.2018
IFRS 9 Financial Instruments: Classification and Measurement – Financial Liabilities	28.10.2010	Pending	Pending	Expected: 1.1.2018
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date and Transition Disclosures	16.12.2011	Pending	Pending	Expected: 1.1.2018
IFRIC 21 Levies	20.5.2013	Pending	Pending	Expected: 1.1.2014
IFRS 9 Financial Instruments: Hedge Accounting	19.11.2013	Pending	Pending	Expected: 1.1.2018
IAS 19 Employee Contributions	21.11.2013	Pending	Pending	Expected: 1.7.2014
Improvements to International Financial Reporting Standards (2010–2012)	12.12.2013	Pending	Pending	Expected: 1.7.2014
Improvements to International Financial Reporting Standards (2011–2013)	12.12.2013	Pending	Pending	Expected: 1.7.2014
IFRS 14 Regulatory Deferral Accounts	30.1.2014	Pending	Pending	Expected: 1.1.2016

In November 2009, the IASB adopted **IFRS 9 Financial Instruments: Classification and Measurement – Financial Assets.** The new standard governs the classification and measurement of financial assets and thereby concludes the first of three phases, at the end of which the existing IAS 39 is to be abolished. Furthermore, on 28 October 2010, the IASB also issued **IFRS 9 Financial Instruments: Classification and Measurement – Financial Liabilities.** On 19 November 2013, the IASB published a new version of IFRS 9 Financial Instruments. This now contains the new rules on hedge accounting. This replaces the corresponding hedge accounting rules in IAS 39. Companies still have the option of instead applying the previous hedge accounting rules in IAS 39, however. Applying the new hedge accounting rules in IFRS 9 also provides the possibility to apply the special rules in IAS 39 concerning portfolio fair-value hedges for interest rate risks in addition. This IFRS 9 version also allows for the early adoption of the requirement to present fair value changes due to own credit on liabilities designated as at fair value through profit or loss to be presented in other comprehensive income, without applying the other provisions of IFRS 9.

IFRS 9 no longer has a first effective date. In its meeting on 20 February 2014, the IASB decided that IFRS 9 shall only be mandatory for financial years beginning on or after 1 January 2018. Phase II (Impairment) and the project on Macro Hedge Accounting had not yet been adopted at the time these financial statements were prepared. The amendments have not yet been adopted as European law. The effects on the Group of those parts of IFRS 9 that have already been adopted are under review.

On 21 November 2013, the IASB published an amendment to **IAS 19 entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)** that was narrow in its scope. With this amendment, the IASB provides companies with simplified rules for recognising contributions to a pension plan by employees or third parties. On the basis of this amendment, companies are now permitted to recognise contributions from employees or third parties as a reduction of current service cost in the period of service if the contributions are independent of the number of years of service. Contributions are deemed to be independent if the amount is a fixed percentage of the employee's salary. They are not independent, however, if the salary percentage increases with the length of time the employee has been with the company. In this case, the IAS 19 rule is to be applied and the contributions from employees or third parties are to be spread over the period of service. The question of whether to make use of this option is currently under review.

At the present time, the other new or amended IFRS pronouncements listed in the table are not considered to be of great relevance to the Lufthansa Group.

With the exception of the amendment to IAS 36, the Group has not voluntarily applied any of the new or amended regulations mentioned above before their binding date of application. If the effective dates of the standards and interpretations mentioned above fall within the year, they are applied as of 1 January of the following financial year. This is subject to the endorsement of the standards by the EU.

1 Group of consolidated companies

All significant subsidiaries under the control of Deutsche Lufthansa AG are included in the consolidated financial statements. Significant joint ventures or associated companies are accounted for using the equity method when the Group holds between 20 and 50 per cent of the shares and / or can, together with other shareholders, exercise control or significant influence.

A list of significant subsidiaries, joint ventures and associated companies can be found on p. 211–217. The list of shareholdings is attached at the end of these notes.

Special purpose entities in which the Group does not hold a voting majority are, nonetheless, classified as subsidiaries if the Group derives majority benefit from their activities or bears most of the risk. The companies affected are identified as such in the list of significant subsidiaries.

In addition to Deutsche Lufthansa AG as the parent company, the group of consolidated companies includes 60 domestic and 195 foreign companies, including special purpose entities (previous year: 63 domestic and 183 foreign companies).

Changes in the group of consolidated companies during the 2013 financial year are shown in the following table:

Changes in the group of consolidated companies

Name, registered office	Additions	Disposals	Reasons
Passenger Airline Group segment			
FG Unity Leasing Co., Ltd., Tokyo, Japan	21.10.2013		Established
FG Vision Leasing Co., Ltd., Tokyo, Japan	21.10.2013		Established
GOAL Verwaltungsgesellschaft mbH & Co. Projekt Nr. 7 oHG, Grünwald, Germany		31.12.2013	Sale
LLG Nord GmbH & Co. Bravo KG, Grünwald, Germany		31.12.2013	Merger
LNN/LNO/LAE Ltd., Grand Cayman, Cayman Island		25.4.2013	Liquidation
Lufthansa Technik Switzerland GmbH, Basel, Switzerland		3.12.2013	Merger
Lufthansa Leasing Austria GmbH & Co. OG Nr. 22, Salzburg, Austria	28.5.2013		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 23, Salzburg, Austria	28.5.2013		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 24, Salzburg, Austria	28.5.2013		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 25, Salzburg, Austria	28.5.2013		Established
Lufthansa Leasing Austria GmbH & Co. OG Nr. 26, Salzburg, Austria	28.5.2013		Established
SL Aurora Ltd., Tokyo, Japan	25.4.2013		Established
SL Prairie Ltd., Tokyo, Japan	25.4.2013		Established
SL Victoria Ltd., Tokyo, Japan	25.1.2013		Established
TLC Amaryllis Ltd., Tokyo, Japan	25.1.2013		Established
TLC Petunia Ltd., Tokyo, Japan	25.4.2013		Established
TLC Salvia Ltd., Tokyo, Japan	25.4.2013		Established
Yamasa Aircraft LH1O Kumiai Ltd., Okayama, Japan	19.6.2013		Established
Yamasa Aircraft LH11 Kumiai Ltd., Okayama, Japan	19.6.2013		Established
Yamasa Aircraft LH9 Kumiai Ltd., Okayama, Japan	18.4.2013		Established
Lufthansa Italia S.p.A., Milan, Italy		26.3.2013	Liquidation
Lufthansa Leasing Austria GmbH & Co. OG Nr. 2, Salzburg, Austria		28.2.2013	Merger
MRO segment			
AirLiance Materials LLC, Roselle, USA		13.5.2013	Sale
Catering segment			
Alpha Airport Services OOD, Sofia, Bulgaria	1.7.2013		Acquisition
Retail in Motion (International) Limited, Dublin, Ireland	6.2.2013		Established
LSG Sky Chefs Australasia Pty Limited, Sydney, Australia		20.10.2013	Liquidation
LSG Sky Chefs Hannover GmbH, Neu-Isenburg, Germany		22.1.2013	Merger
LSG Sky Chefs Brussels International BVBA, Zaventem, Belgium	31.10.2013		Acquisition
Starfood Antalya Gida Sanayi ve Ticaret A.S., Istanbul, Turkey		24.6.2013	Sale of shares
Other			
Lufthansa Global Business Services GmbH, Frankfurt/M., Germany	8.5.2013		Established
Lufthansa AITH Beteiligungs GmbH, Cologne, Germany		1.1.2013	Company purpose suspended

With effect from 1 July 2013, a contract was signed between LSG Lufthansa Service Europa/Afrika GmbH and Alpha Flight Group Ltd. to acquire 28.75 per cent of the shares in Alpha Airport Services OOD, alongside a call option exercisable at any time to acquire a further 28.75 per cent of the shares. The purchase price for the shares was EUR 2.5m. An amount of EUR 1.2m was taken as the initial value for the strike price of the purchased call option, which was to be modified, primarily to reflect existing debt and changes in working capital, as of the exercise date. Calculating the fair value of the company's assets and liabilities on the acquisition date resulted in goodwill of EUR 1.2m. It was decided not to apply the full goodwill method.

A purchase agreement was signed on 11 September 2013 between LSG Sky Chefs Belgium on one hand and Gate Gourmet Luxembourg IV S.á.r.l. and Gate Gourmet Switzerland GmbH on the other hand to acquire 100 per cent of the shares in LSG Sky Chefs Brussels International BVBA for a purchase price of EUR 1.2m, with effect from 31 October 2013. Calculating the fair value of the company's assets and liabilities on the acquisition date resulted in goodwill of EUR 3.5m.

The following table provides a summary of the two companies' main assets and liabilities immediately before and after the acquisition date:

in €m	Before acquisition	After acquisition
Non-current assets	2	11
Current assets	8	9
thereof cash and cash equivalents	4	4
thereof other current assets	4	5
Total assets	**10**	**20**
Shareholders' equity	6	7
Non-current liabilities	0	0
Current liabilities	4	13
Total equity and liabilities	**10**	**20**

The following fully consolidated German Group companies made use of the exemption provisions in Section 264 Paragraph 3 and Section 264b German Commercial Code (HGB) in 2013.

Company name	Registered office
Germanwings GmbH	Cologne
Eurowings GmbH	Dusseldorf
Hamburger Gesellschaft für Flughafenanlagen mbH	Hamburg
LSG Sky Chefs Europe GmbH	Neu-Isenburg
LSG Asia GmbH	Neu-Isenburg
LSG-Food & Nonfood Handel GmbH	Frankfurt/M.
LSG Lufthansa Service Catering- und Dienstleistungsgesellschaft mbH	Neu-Isenburg
LSG Lufthansa Service Europa/Afrika GmbH	Neu-Isenburg
LSG Lufthansa Service Holding AG	Neu-Isenburg
Spiriant GmbH	Neu-Isenburg
LSG Sky Chefs Düsseldorf GmbH	Neu-Isenburg
LSG Sky Chefs Frankfurt International GmbH	Neu-Isenburg
LSG Sky Chefs Frankfurt ZD GmbH	Neu-Isenburg
LSG Sky Chefs München GmbH	Neu-Isenburg
LSG Sky Chefs Verwaltungsgesellschaft mbH	Neu-Isenburg
LSG Sky Chefs Lounge GmbH	Neu-Isenburg
LSG-Sky Food GmbH	Alzey
LSG South America GmbH	Neu-Isenburg
Lufthansa Technik AERO Alzey GmbH	Alzey

Company name	Registered office
Lufthansa Cargo AG	Kelsterbach
Lufthansa Cargo Charter Agency GmbH	Kelsterbach
Jettainer GmbH	Raunheim
Lufthansa CityLine GmbH	Cologne
Lufthansa Commercial Holding GmbH	Cologne
Lufthansa Flight Training Berlin GmbH	Berlin
Lufthansa Flight Training GmbH	Frankfurt/M.
Lufthansa Leasing GmbH & Co. Echo-Zulu oHG	Grünwald
Lufthansa Systems AG	Kelsterbach
Lufthansa Systems AS GmbH	Norderstedt
Lufthansa Systems Business Solutions GmbH	Raunheim
Lufthansa Process Management GmbH	Neu-Isenburg
Lufthansa Technik AG	Hamburg
Lufthansa Technik Immobilien- und Verwaltungsgesellschaft mbH	Hamburg
Lufthansa Technik Logistik GmbH	Hamburg
Lufthansa Technik Maintenance International GmbH	Frankfurt/M.
Lufthansa Technik Objekt- und Verwaltungsgesellschaft mbH	Hamburg
Lufthansa Training & Conference Center GmbH	Seeheim-Jugenheim
Lufthansa WorldShop GmbH	Frankfurt/M.
Lufthansa Global Business Services GmbH	Frankfurt/M.
Miles & More International GmbH	Neu-Isenburg
Lufthansa Asset Management GmbH	Frankfurt/M.
Lufthansa Technik Logistik Services	Hamburg

The consolidated financial statements include equity stakes in 42 joint ventures and 37 associated companies (previous year: 39 joint ventures and 40 associated companies), of which 10 joint ventures (previous year: 9) and 16 associated companies (previous year: 18) were accounted for using the equity method. The other joint ventures and associated companies were valued at amortised cost due to their minor overall significance.

The following assets and liabilities and income and expenses are attributed to the Group in accordance with the equity stake held in each joint venture and associated company:

	2013			2012		
in €m	**Joint ventures**	**Associated companies**	**Associated companies not accounted for using the equity method**	Joint ventures	Associated companies	Associated companies not accounted for using the equity method
Non-current assets	284	596	12	290	559	16
Current assets	285	158	29	338	151	25
Shareholders' equity	183	213	26	184	130	23
Non-current liabilities	157	435	1	170	391	2
Current liabilities	229	106	14	274	189	16
Income	1 215	330	26	965	297	28
Expenses	1 191	284	21	936	316	22

2 Summary of significant accounting policies and valuation methods and estimates used as a basis for measurement

The application of the accounting policies prescribed by IFRS and IFRIC requires making a large number of estimates and assumptions with regard to the future that may, naturally, not coincide with actual future conditions. All these estimates and assumptions are, however, reviewed continuously and are based either on past experience and / or expectations of future events that seem reasonable in the circumstances on the basis of sound business judgement.

Estimates and assumptions that are of material importance in determining the carrying amounts for assets and liabilities are explained in the following description of the accounting policies applied to material balance sheet items.

The fundamental valuation method applied in the consolidated financial statements is historical cost. Where IFRS stipulate that other methods of measurement be applied, these are used instead, and are referred to specifically in the following comments on measuring assets and liabilities.

Recognition of income and expenses

Revenue and other operating income is recognised when the service has been provided or when the risk has passed to the customer. Traffic revenue from the Passenger Airline Group and Logistics segments is recognised once a passenger coupon or airfreight document has been used. The amount recognised is calculated as a percentage of the total amount received for the flight document. Revenue for customer-oriented, longer-term production in the MRO and IT Services segments is recognised using the percentage of completion method. This involves estimating the proportion of the total contract already completed and the profit on the whole contract. The total amount of profit realised on long-term contracts in 2013 came to EUR 75m (previous year: EUR 50m).

Operating expenses are recognised when the product or service is used or the expense arises. Provisions for guarantees are made when the corresponding revenue is recognised. Interest income and expenses are accrued in the appropriate period. Dividends from shareholdings not accounted for using the equity method are recognised when a legal claim to them arises.

Discontinued operations

The British Midland Group represented a separate cash-generating unit within the Passenger Airline Group segment of the Lufthansa Group. It was therefore a separate line of business within the meaning of IFRS 5, to which clearly defined cash flows were attributed for operating and accounting purposes. As a result of the contract for the sale of British Midland Ltd. (bmi) to International Consolidated Airlines Group, S.A. (IAG) signed by Deutsche Lufthansa AG and IAG on 22 December 2011, bmi was presented in the Group's income statements for the financial years 2011 and 2012 as a discontinued operation in line with IFRS 5. bmi had been deconsolidated when the sale transaction was completed on 19 April 2012. The proceeds from the discontinued operation in the financial year 2012 included the after-tax result recorded for bmi until its disposal and changes in the valuation or proceeds of disposal for the discontinued operation compared with the 2011 financial statements, which in this case are the proceeds of the aforementioned contractual agreement. For details of the result of the discontinued operation we refer to the Notes to the consolidated financial statements, "Note 15" on p. 157.

Initial consolidation and goodwill

The initial consolidation of Group companies takes place using the purchase method. This involves measuring the fair value of the assets, liabilities and contingent liabilities, identified in accordance with the provisions of IFRS 3, of the company acquired at the acquisition date, and allocating the acquisition costs to them. The proportion of fair value of assets and liabilities not acquired is shown under minority interests. Incidental acquisition costs are recognised as expenses.

Any excess of cost over the value of equity acquired is capitalised as goodwill and subject to a regular annual impairment test thereafter.

If the value of the acquirer's interest in the shareholders' equity exceeds the purchase price paid by the acquiring company, the difference is recognised immediately in profit or loss.

Differences from minority interests acquired after control has been assumed are to be set off directly against equity.

Annual impairment tests applied to goodwill are carried out using recognised discounted cash flow methods. This is done on the basis of expected future cash flows from the latest management planning, which are extrapolated on the basis of long-term revenue growth rates and are assumptions with regard to margin development, and discounted for the capital costs of the business unit. Tests are performed at the cash generating unit (CGU) level. For the individual premises on which impairment tests were based in the financial year 2013, see "Note 17" starting on p. 158.

Additional impairment tests are applied during the course of the year if events give reason to believe that goodwill could be permanently impaired.

Currency translation and consolidation methods

The annual financial statements of foreign Group companies are translated into euros in accordance with the functional currency concept. The functional currency is mainly the currency of the country in which the company concerned is located. Occasionally, the functional currency differs from the national currency. Assets and liabilities are translated at the middle rates on the balance sheet date. Income statements are translated at the average exchange rates for the year. These translation differences are recognised directly in shareholders' equity without effect on profit or loss. Goodwill from capital consolidation of foreign subsidiaries prior to 2005 is carried at historical cost net of amortisation accumulated by the end of 2004.

Goodwill acquired after 2005 is held in the functional currency of the purchased entity and translated at the middle rates on the reporting date.

Transaction differences, however, are recognised in profit or loss. These differences arise in the financial statements of consolidated companies from assets and liabilities based on currency other than the company's functional currency. Any resulting exchange rate differences are included in other operating income as foreign currency transaction gains, or in other operating expenses as foreign exchange losses.

Translation differences for non-monetary items for which changes in their fair value are recognised in equity (e. g. available-for-sale equity instruments), are carried within retained earnings.

The most important exchange rates used in the consolidated financial statements have developed in relation to the euro as follows:

	2013		2012	
	Balance sheet exchange rate	**Income statement average rate**	Balance sheet exchange rate	Income statement average rate
USD	0.73327	0.75386	0.75418	0.77605
JPY	0.00702	0.00776	0.00880	0.00974
GBP	1.19907	1.17319	1.21801	1.23256
CAD	0.68744	0.72980	0.75996	0.77568
HKD	0.09456	0.09718	0.09730	0.10005
THB	0.02249	0.02456	0.02460	0.02495
SEK	0.11120	0.11573	0.11591	0.11481
NOK	0.11911	0.12795	0.13526	0.13362
DKK	0.13406	0.13409	0.13405	0.13436
CHF	0.81555	0.81202	0.82717	0.83056
KRW	0.00069	0.00069	0.00071	0.00069

The effects of intra-Group transactions are completely eliminated in the course of consolidation. Receivables and liabilities between consolidated companies are netted and intra-Group profits and losses in non-current assets and inventories are eliminated. Intra-Group income is set off against the corresponding expenses. Tax accruals and deferrals are made as required by IAS 12 for temporary differences arising from consolidation.

Other intangible assets (except goodwill)

Acquired intangible assets are shown at cost, internally generated intangible assets from which the Group expects to derive future benefit, and which can be measured reliably, are capitalised at cost of production and amortised regularly using the straight-line method over an estimated useful life. The cost of production includes all costs directly attributable to the production process, including borrowing costs as required under IAS 23, as well as appropriate portions of production-related overhead.

Intangible assets with an indefinite useful life are not amortised but, like goodwill, are subjected to a regular annual impairment test.

Property, plant and equipment

Tangible assets used in business operations for longer than one year are valued at cost less regular straight-line depreciation. The cost of production includes all costs directly attributable to the manufacturing process as well as appropriate portions of the indirect costs relating to this process. Borrowing costs in close connection with the financing of the purchase or production of a qualifying asset are also capitalised. In the reporting year borrowing costs of EUR 19m (previous year: EUR 14m) were capitalised. The financing rate used was 3.6 per cent (previous year: 4.5 per cent). The useful lives applied to tangible assets correspond to their estimated / expected useful lives in the Group.

Until the end of the financial year 2012, new commercial aircraft and reserve engines were depreciated over a period of twelve years to a residual value of 15 per cent. Technological developments and the higher demands made of their cost-effectiveness due to increasing competition have resulted in significant changes to the forecast useful economic life of the commercial aircraft and reserve engines used in the Lufthansa Group. In line with the fleet strategy, which takes these aspects into account, as well as with external considerations, commercial aircraft and reserve engines have been depreciated over a period of 20 years to a residual value of five per cent since 1 January 2013. The adjustment to their useful lives was made prospectively as a change in an accounting estimate in accordance with IAS 8.32. The change was therefore not made retrospectively for past reporting periods. As a result of the change in the accounting estimate of the useful economic life of these assets, depreciation and amortisation was EUR 68m lower in the financial year 2013 and impairment losses were EUR 76m lower. In future reporting periods, the adjustment to useful lives will reduce depreciation and amortisation by around EUR 340m for the financial year 2014, by EUR 350m for the financial year 2015 and by around EUR 250m p. a. for the five subsequent financial years.

A useful life of between 20 and 45 years is assumed for buildings, whereby buildings, fixtures and fittings on rented premises are depreciated according to the terms of the lease or over a shorter useful life. Depreciation rates are mainly between 10 and 20 per cent per annum. A useful life of up to ten years is fixed for plant and machinery. Operating and office equipment is depreciated over three to ten years in normal circumstances.

Assets acquired second-hand are depreciated over their expected remaining useful life.

Finance leases

In accordance with IAS 17, the economic ownership of leased assets is deemed to be transferred to the lessee if the lessee holds substantially all the risks and rewards associated with ownership of the leased asset. In addition to the duration of the non-cancellable initial term of the lease and the present value of the leasing payments as a proportion of the total investment, particular consideration is given to the distribution of risks and rewards relating to the residual value of the asset not amortised over the remaining term of the lease. Insofar as its economic ownership is deemed to be with the Lufthansa Group, the asset is capitalised at the beginning of the leasing contract at the lower of the present value of the leasing payments and the asset's fair value, plus any incidental expenses accrued by the lessee. Depreciation methods and useful economic lives correspond to those applied to comparable purchased assets.

Impairment losses on intangible assets and property, plant and equipment

In addition to amortisation and depreciation on intangible assets and property, plant and equipment, impairment losses are also recognised on the balance sheet date if the asset's recoverable amount has fallen below its carrying amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell, and the present value of the estimated net future cash flows from continued use of the asset (value in use).

Fair value less costs to sell is derived from recent market transactions, if available.

If it is impossible to forecast expected cash flows for an individual asset, the cash flows for the next larger asset unit are estimated, discounted at a rate reflecting the risk involved, and the recoverable amount allocated to the individual assets in proportion to their respective carrying amounts.

If the reasons for an impairment loss recognised in previous years should cease to exist in whole or in part in subsequent periods, the impairment loss is reversed.

Repairable spare parts for aircraft

Repairable spare parts for aircraft are held at continually adjusted prices based on average acquisition costs. For measurement purposes, spare parts are assigned to individual aircraft models and depreciated on a straight-line basis depending on the life time of the fleet models for which they can be used.

Investment property

Property held exclusively for letting to companies outside the Group is classified as investment property and recognised at amortised cost.

Equity investments accounted for using the equity method

Equity investments accounted for using the equity method are capitalised at cost at the time of acquisition.

In subsequent periods, the carrying amounts are either increased or reduced annually by changes in the shareholders' equity of the associated company or joint venture that is held by the Lufthansa Group. The principles of purchase price allocation that apply to full consolidation are applied accordingly to the initial measurement of any difference between the acquisition cost of the investment and the pro rata share of shareholders' equity of the company in question. An impairment test is only carried out in subsequent periods if there are indications of a potential impairment in the entire investment valuation. Inter-Group profits and losses from sales between Group companies and companies accounted for using the equity method are eliminated pro rata in relation to the equity stake.

Financial instruments

Financial assets are classified within the Lufthansa Group as "at fair value through profit or loss" "loans and receivables" and "available-for-sale financial assets".

The category "at fair value through profit and loss" includes financial assets held for trading purposes, e. g. derivatives which do not qualify as hedging transactions as part of a hedging relationship.

The category "loans and receivables" consists of financial assets with fixed payment schedules which are not traded in an active market. They are classified as non-current or current assets according to their remaining maturity.

"Available-for-sale financial assets" are non-derivative financial assets which are not attributable to one of the other categories. Securities, equity investments and cash and bank balances count as available for sale.

Derivatives which qualify as hedging transactions within a hedging relationship are not classified in any of these categories.

Financial instruments are recognised on the settlement date, i. e. on the date that they are created or transferred. Financial assets are capitalised at fair value plus transaction costs. Unrealised gains and losses are recognised directly in equity, taking deferred taxes into account. Long-term low or non-interest-bearing loans are recognised at net present value using the effective interest method.

Trade receivables from production or service contracts not completed at the balance sheet date are recognised at production costs, including borrowing costs in accordance with IAS 23, plus a profit margin, if the result of the production contract can be reliably estimated. For other incomplete customer contracts the production costs are capitalised if they are likely to be covered by revenue.

Assets classified as **at fair value through profit or loss** are always recognised at fair value. Changes in fair value are recognised in profit or loss and included in the financial result.

Subsequent measurement of **loans and receivables** is at amortised cost using the effective interest method.

If there are doubts as to the recoverability of receivables they are recognised at the lower recoverable amount. Subsequent reversals (write-backs) are recognised in profit or loss.

Receivables denominated in foreign currencies are measured at the balance sheet date rate.

Available-for-sale financial assets are recognised at fair value in subsequent periods to the extent that this can be reliably measured.

The fair value of securities is determined by the price quoted on an active market. For unlisted fixed-interest securities the fair value is determined from the difference between effective and market interest rate at the valuation date.

Fluctuations in fair value between balance sheet dates are recognised in equity without effect on profit or loss. The cumulative amount is removed from equity and recognised in profit or loss either on disposal or if fair value falls below the carrying amount on a permanent basis. If an impairment loss recognised in previous years due to fair value falling below the carrying amount no longer exists it is reversed – without effect on profit or loss for securities classified as equity instruments, through profit or loss for debt securities.

By contrast, subsequent measurement is at cost for **equity investments for which no quoted price exists on an active market and for which fair value cannot be reliably measured.** If the recoverable amount falls below the carrying amount, an impairment loss is recognised. Such losses are not reversed.

Derivative financial instruments are measured at fair value on the basis of published market prices. If there is no quoted price on an active market, other appropriate valuation methods are applied.

Appropriate valuation methods take all factors into account which independent, knowledgeable market participants would consider in arriving at a price and which constitute recognised, established economic models for calculating the price of financial instruments.

In accordance with its internal guidelines the Lufthansa Group uses derivative financial instruments to hedge interest rate and exchange rate risks, and to hedge fuel price risks. This is based on the hedging policy defined by the Executive Board and monitored by a committee. In some cases the counterparties for interest and exchange rate hedges are also non-consolidated Group companies.

Interest rate swaps and interest rate / currency swaps are used to manage interest rate risks. Interest rate / currency swaps also hedge exchange rate risks arising from borrowing in foreign currencies.

The Lufthansa Group uses currency futures and currency options to hedge exchange rate exposure. This involves the use of spread options that combine the purchase and simultaneous sale of currency options in the same currency. Spread options are concluded as zero-cost options, i.e. the option premium to be paid is equal to the premium resulting from the sale of the option.

Fuel price hedging takes the form of spread options and other hedging combinations, primarily for crude oil. To a limited extent, hedging is also undertaken for other products, such as gas oil.

Hedging transactions are used to secure either fair values (fair value hedge) or future cash flows (cash flow hedge).

To the extent that the financial instruments used qualify as effective cash flow hedging instruments within the scope of a hedging relationship, in accordance with the provisions of IAS 39, the fluctuations in market value will not affect the result for the period during the term of the derivative. They are recognised without effect on profit and loss in the corresponding reserve. According to IAS 39 Financial Instruments: Recognition and Measurement, it is not possible to recognise the change in total market value of an option used as a hedge (full fair value method) in equity as part of hedge accounting, but only the change in the "intrinsic value" of the option. The change in the time value of the option is recognised in the financial result.

If the hedged cash flow is an investment, the result of the hedging transaction, which has previously been recognised in equity, is set off against the cost of the investment at the time the underlying transaction falls due.

In all other cases the cumulative gain or loss previously stated in equity is included in net profit or loss for the period on maturity of the hedged cash flow.

In the case of effective hedging of fair values, the changes in the market value of the hedged asset, or the hedged debt and those of the financial instrument, will balance out in the income statement.

Derivatives which do not or no longer meet the documentation or effectiveness requirements for hedge accounting, or for which the hedged item no longer exists, are shown in the category "at fair value through profit or loss". Changes in fair value are then recognised directly in profit or loss.

Embedded derivatives – to the extent that they should, but cannot, be separated from the financial host contract – are also considered with these as trading transactions for measurement purposes. Changes in market value are also recognised directly as a profit or loss in the income statement. Both types must be classified as financial assets stated at fair value through profit or loss.

The Group's hedging policy, see "Note 42" starting on p. 186, is to use only effective derivatives for the purpose of hedging interest rate, exchange rate and fuel price risks.

Hedging transactions with non-consolidated Group companies and interest / currency swaps generally do not, however, satisfy the strict criteria for effectiveness as defined in IAS 39. Changes in the fair value of these transactions are therefore recognised directly in profit or loss.

Financial guarantees given to third parties are recognised at inception at fair value. If a claim becomes likely, subsequent measurement is made at the higher of initial measurement and best estimate of the expenditure required to settle the obligation on the balance sheet date.

Inventories

This item includes non-repairable spare parts, raw materials, consumables and supplies, and purchased merchandise. They are measured at cost, determined on the basis of average prices, or at production costs. The cost of production includes all costs directly attributable to the production process, including borrowing costs as required under IAS 23, as well as appropriate portions of production-related overheads. Average capacity utilisation of 99 per cent is assumed in determining the costs of production. Measurement on the balance sheet date is at the lower of cost and net realisable value. Net realisable value is defined as the estimated selling price in the ordinary course less the estimated cost of completion and the estimated costs necessary to make the sale.

Assets held for sale

Individual, formerly non-current assets or groups of assets which are expected to be sold within the next twelve months are measured at the lower of their carrying amount at the time they are reclassified and fair value less costs to sell. Fair value less costs to sell is derived from recent market transactions, if available.

Pension provisions

Pension provisions relate to defined-benefit and defined-contribution plans. The pension provisions for defined-benefit plans correspond to the present value of the defined benefit obligation (DBO) on the reporting date less the fair value of plan assets, if necessary taking the rules on the maximum surplus of plan assets over the obligation ('asset ceiling') into account.

The DBO is calculated annually by independent actuaries using the projected unit credit method prescribed in IAS 19 for defined-benefit pension plans. The measurement of pension provisions within the balance sheet is based on a number of actuarial assumptions.

They include, in particular, assumptions about long-term salary and pension trends and average life expectancy. The assumptions about salary and pension trends are based on developments observed in the past and take into account national interest and inflation rates and labour market trends. Estimates of average life expectancy are based on recognised biometric calculation formulas.

The interest rate used to discount the individual future payment obligations is based on the return from investment grade corporate bonds in the same currency and with a similar term to maturity.

If payment obligations based on minimum funding requirements for past service periods exist in connection with fund assets, this may result in an additional provision if the economic benefit of any funding surplus to the company is capped, taking account of the minimum funding contributions still to be made. The determinants for the economic benefit are the present value of future refunds from the plan or of reductions in future contributions to the plan ('asset ceiling').

Actuarial gains and losses arising from the regular adjustment of actuarial assumptions are recognised directly in equity in the period in which they arise, taking deferred taxes into account. Also presented without effect on profit and loss are differences between the interest income at the beginning of the period calculated on plan assets based on the interest rate used to discount the pension obligations and the earnings from plan assets actually recorded at the end of the period. The actuarial gains and losses and any difference between the forecast result and the actual result from plan assets form part of the remeasurement.

Past service costs are recognised immediately in profit or loss.

Defined-contribution retirement benefit schemes also exist within the Group, funded entirely by contributions paid to an external pension provider. Lufthansa runs no financial or actuarial risks from these obligations. Contributions are recognised in staff costs as they fall due.

Other provisions and provisions for taxes

Other provisions and provisions for taxes (effective income tax obligations) are recognised if an obligation toward third parties exists as a result of a past event that is likely to lead to an outflow of resources which can be reliably estimated. If no provision could be recognised because one of the stated criteria was not fulfilled, the corresponding obligations are shown as contingent liabilities.

The amount of the provision is determined by the best estimate of the amount required to settle the present obligation.

Provisions for obligations that are not expected to lead to an outflow of resources in the following year are recognised to the amount of the present value of the expected outflow, taking foreseeable price rises into account.

The assigned value of provisions is reviewed on each balance sheet date. Provisions in foreign currencies are translated at reporting date rates.

Liabilities

Liabilities arising from finance leases are recognised at the present value of the lease payments at inception of the lease term. Other financial liabilities are recognised at fair value. Liabilities for which interest is not payable at a market rate are recognised at present values.

Measurement in subsequent periods is at amortised cost using the effective interest rate method.

Liabilities in foreign currencies are measured at the middle rate on the balance sheet date.

Share-based liabilities from option programmes for managers were measured at fair value in accordance with IFRS 2 Share-based Payment. Fair value was measured using a Monte Carlo simulation.

The obligation was recognised on the basis of the resulting fair value, taking the term of the programme into account.

Details of the assumptions used for the model and the structure of the options programmes can be found in "Note 37" starting on p. 181.

Liabilities from unused flight documents

Until they are used, sold flight documents are recognised as an obligation from unused flight documents. Once a passenger coupon or an airfreight document has been used, the amount carried as a liability is recognised as traffic revenue in the income statement. Coupons that are unlikely to be used are also recognised at the end of the year as traffic revenue in the income statement at their estimated value. The estimate is based on past statistical data.

Obligations under bonus mile programmes

Calculation of the obligations arising from bonus miles programmes is based on several estimates and assumptions.

In accordance with IFRIC 13 Customer Loyalty Programmes, accumulated but as yet unused bonus miles are deferred using the deferred revenue method to the extent that they are likely to be used on flights by airlines in the Lufthansa Group. Bonus entitlements are measured at fair value. The fair value of the air miles is determined as the value for which the miles could be sold separately, i. e. the average revenue, taking booking class and traffic region into account.

Miles that are likely to be used on flights with partner airlines are valued at the price per mile to be paid to the partners in question.

No provisions are recognised for miles that are expected to lapse. The quota of miles that have been allowed to lapse in the past is used to estimate the number of miles that will probably lapse according to current expiry rules.

The fair value of miles accumulated on the Group's own flights is recognised under deferred revenue and the points collected from third parties are shown under other non-financial liabilities.

A total of 209 billion miles (previous year: 205 billion miles) were to be measured as of 31 December 2013. The resulting obligations were recognised in other non-financial liabilities (EUR 648m; previous year: EUR 638m) and in deferred revenue (EUR 1,063m; previous year: EUR 1,022m). See "Note 37" starting on p. 181 and "Note 39" on p. 183.

Deferred tax items

In accordance with IAS 12, deferred taxes are recognised for all temporary differences between the balance sheets for tax purposes of individual companies and the consolidated financial statements. Tax loss carry-forwards are recognised to the extent that the deferred tax assets are likely to be used in the future. Company earnings forecasts and specific, realisable tax strategies are used to determine whether deferred tax assets from tax losses carried forward are usable or not, i. e. whether they have a value that can be realised.

The total amount of deferred tax assets that could not be capitalised as of 31 December 2013 was EUR 530m (previous year: EUR 498m).

Deferred foreign tax rates in the 2013 financial year ranged from 5 to 40 per cent, as in the previous year. For measuring deferred taxes, the relevant taxation rules in force or adopted at the balance sheet date are used.

Deferred tax assets and liabilities are netted out if a legal claim exists to do so, and the deferred tax assets and liabilities relate to the same tax authority.

Notes to the consolidated income statement

3 Traffic revenue

Traffic revenue by sector

in €m	2013	2012
Passenger	21,743	21,766
Freight and mail	2,822	3,027
	24,565	**24,793**

Of total freight and mail revenue, EUR 2,375m was generated in the Logistics segment (previous year: EUR 2,577m). Freight and mail revenue of EUR 447m (previous year: EUR 450m) from marketing belly capacities on passenger flights at SWISS is included in the segment reporting in other revenue for the Passenger Airline Group segment.

4 Other revenue

Revenue by sector

in €m	2013	2012
MRO services	2,394	2,240
Catering services	1,712	1,721
Travel services (commissions)	193	194
IT services	287	278
Ground services	104	108
Other services	773	801
	5,463	**5,342**

MRO services make up the majority of external revenue in the MRO segment. Other revenue in the MRO segment from the sale of material and hiring out material and engines, as well as logistics services, are classified as other services.

The revenue listed under catering services originates exclusively in the Catering segment. Spiriant GmbH and LSG Sky Chefs Lounge GmbH, in particular, also earn revenue in the Catering segment, which does not relate to catering services and is shown under other services.

Revenue from IT services relates to revenue from the IT Services segment.

Other revenue includes revenue of EUR 438m (previous year: EUR 267m) from work in progress in connection with long-term production and service contracts. This revenue has been recognised in accordance with the percentage of completion method. If earnings from the whole contract could not be estimated reliably, the costs incurred for the contract were recognised. If the realisable revenue in these cases was below the costs incurred for the contract, write-downs were made accordingly. The percentage of completion was calculated on the basis of the ratio of contract costs incurred by the balance sheet date to the estimated total costs for the contract.

Accumulated costs for unfinished contracts, i. e. including amounts recognised in previous years, amounted to EUR 430m (previous year: EUR 280m). Profits of EUR 75m were set off against them (previous year: EUR 50m). Advance payments by customers amounted to EUR 446m (previous year: EUR 322m). Unfinished contracts with a net credit balance – less any write-downs – are disclosed in trade receivables, see “Note 26” on p. 169. Unfinished contracts for which advance payments by customers exceed the costs plus any offset pro rata profit are recognised as advance payments, see “Note 39” starting on p. 183. No monies were withheld by customers.

5 Changes in inventories and work performed by entity and capitalised

Changes in inventories and work performed by entity and capitalised

in €m	2013	2012
Increase / decrease in finished goods and work in progress	5	2
Other internally produced and capitalised assets	153	111
	158	**113**

6 Other operating income

Other operating income

in €m	2013	2012
Income from the disposal of non-current assets	27	67
Income from the disposal of non-current available-for-sale financial assets	7	686
Income from the reversal of impairment losses on fixed assets	10	9
Foreign exchange gains	800	860
Income from the reversal of provisions and accruals	191	162
Commission income	248	239
Reversal of write-downs on receivables	43	27
Income from staff secondment	36	45
Compensation received for damages	30	40
Rental income	30	27
Income from sub-leasing aircraft	21	26
Income from the disposal of current available-for-sale financial assets	19	24
Miscellaneous other operating income	580	573
	2,042	**2,785**

Income from the disposal of non-current financial assets in the previous year included, in particular, EUR 631m from the sale and transfer of 7.61 per cent of the shares in Amadeus IT Holding S.A., and EUR 27m from the sale of 1.45 per cent of the Fraport shares.

Foreign exchange gains mainly include gains from differences between the exchange rate on the transaction date (average rate for the month) and at the time of payment (spot exchange rate) along with foreign exchange gains from measurement at the closing date rate. Foreign exchange losses from these transactions are reported under other operating expenses, "Note 10" on p. 154.

Income from the reversal of provisions relate to a number of provisions recognised in previous years which have not been fully used. In contrast, expenses from insufficient provisions recognised in previous years are recognised together with the primary expense item to which they relate.

Miscellaneous other operating income includes items not attributable to any of the aforementioned categories, such as income from training, travel management and other services provided by the Group.

7 Cost of materials and services

Cost of materials and services

in €m	2013	2012
Aircraft fuel and lubricants	7,058	7,392
Other raw materials, consumables and supplies	2,212	2,157
Purchased goods	440	455
Total cost of raw materials, consumables and supplies and of purchased goods	**9,710**	**10,004**
Fees and charges	5,154	5,167
Charter expenses	429	568
External MRO services	1,045	997
In-flight services	317	339
Operating lease payments	74	113
External IT services	166	141
Other services	615	617
Total cost of purchased services	**7,800**	**7,942**
	17,510	**17,946**

8 Staff costs

Staff costs

in €m	2013	2012
Wages and salaries	5,873	5,734
Social security contributions	800	791
Expenses for pension plans and other employee benefits	677	216
	7,350	**6,741**

Expenses for retirement benefits principally consist of additions to the pension provisions, see "Note 33" starting on p. 172.

Employees

	Average for the year 2013	Average for the year 2012	**As of 31.12.2013**	As of 31.12.2012
Ground staff	81,524	81,651	82,245	80,774
Flight staff	34,465	35,188	34,566	34,551
Trainees	1,354	1,529	1,403	1,632
	117,343	**118,368**	**118,214**	**116,957**

The annual average is calculated pro rata temporis from the time companies are consolidated or deconsolidated.

The staff costs shown for the previous year do not include expenses for bmi staff because the company was sold in the previous year and the results from discontinued operations are shown separately in accordance with IFRS 5. To facilitate comparison, the following table therefore shows Group employees in the financial year 2012 without the bmi staff.

Employees*

	Average for the year 2013	Average for the year 2012	**As of 31.12.2013**	As of 31.12.2012
Ground staff	81,524	81,148	82,245	80,774
Flight staff	34,465	34,766	34,566	34,551
Trainees	1,354	1,529	1,403	1,632
	117,343	**117,443**	**118,214**	**116,957**

* Without bmi in 2012.

9 Depreciation, amortisation and impairment

The notes to the individual items show the breakdown of depreciation, amortisation and impairment charges between intangible assets, aircraft and property, plant and other equipment. Total depreciation, amortisation and impairment came to EUR 1,766m (previous year: EUR 1,839m). The adjustment to the useful lives of aircraft reduced depreciation by EUR 144m in total.

Impairment losses of EUR 137m were recognised in the financial year 2013. EUR 124m of the total was recognised for a total of 44 aircraft either available for sale or to be decommissioned successively in line with current corporate plans and which were written down to fair value less costs to sell. Other operating expenses included additional write-downs of EUR 8m on aircraft and repairable spare parts for aircraft, which were shown in the balance sheet under assets held for sale.

Impairment losses of EUR 117m had been recognised in the financial year 2012. EUR 102m of the total was recognised for a total of 21 aircraft either available for sale or to be decommissioned successively in line with current corporate plans and which were written down to fair value less costs to sell or the present value of the forecast net cash proceeds. Other operating expenses included additional write-downs of EUR 27m on aircraft and repairable spare parts for aircraft, which were shown in the balance sheet under assets held for sale. In addition, an impairment charge of EUR 2m had been recognised for the Lauda brand, which is no longer in use.

Annual impairment testing in 2013 and 2012 did not result in any impairment losses on goodwill.

Further information on impairment testing can be found in "Note 17" starting on p. 158.

10 Other operating expenses

Other operating expenses

in €m	**2013**	2012
Sales commission paid to agencies	366	405
Rental and maintenance expenses	791	760
Staff-related expenses	895	883
Expenses for computerised distribution systems	347	348
Advertising and sales promotions	328	308
Foreign exchange losses	632	817
Auditing, consulting and legal expenses	150	157
Other services	128	137
Insurance premiums for flight operations	54	66
Write-downs on receivables	169	142
Communications costs	47	53
Other taxes	77	63
Losses on disposal of non-current assets	28	14
Losses on current available-for-sale financial assets	5	23
Consultancy fees in connection with financial transactions	4	4
Miscellaneous other operating expenses	732	705
	4,753	**4,885**

Foreign exchange losses mainly consist of losses from differences between the exchange rate on the transaction date (monthly average rate), and the rate at the time of payment (spot rate) as well as translation losses from measurement at the exchange rate on the balance sheet date, see "Note 6" starting on p. 152.

Staff-related expenses also include travel and training costs for Group employees and the costs of outside staff.

EUR 6m of the losses incurred on the disposal of property, plant and equipment related to the sale of one Boeing B747-400 and three ATRs.

11 Result from equity investments

Result from equity investments

in €m	2013	2012
Result of joint ventures accounted for using the equity method	75	27
Result of associated companies accounted for using the equity method	17	4
Result of equity investments accounted for using the equity method	**92**	**31**
Dividends from other joint ventures	1	2
Dividends from other associated companies	6	4
Income from profit transfer agreements	24	30
Expenses from loss transfer agreements	–8	–8
Dividends from other equity investments	10	35
Result of other equity investments	**33**	**63**
	125	**94**

Income and expenses from profit and loss transfer agreements are shown including tax contributions.

The increase in the result of investments accounted for using the equity method stemmed in particular from better results at Terminal 2 Gesellschaft mbH & Co. OHG (EUR 35m; previous year: EUR 22m), at SunExpress (EUR 14m; previous year: EUR –6m), and at SN Airholding (EUR –13m; previous year: EUR –30m).

12 Net interest

Net interest

in €m	2013	2012
Income from other securities and non-current financial loans	6	5
Other interest and similar income	156	163
Interest income	**162**	**168**
Interest expenses on pensions obligations	–188	–190
Interest expenses on other provisions	–9	–29
Interest and other similar expenses	–311	–321
Interest expenses	**–508**	**–540**
	–346	**–372**

Net interest from financial instruments calculated using the effective interest method came to EUR –149m (previous year: EUR –153m) and stems exclusively from financial instruments not held at fair value through profit or loss.

13 Other financial items

Other financial items

in €m	2013	2012
Write-downs on held-for-sale financial assets	–3	–9
Write-downs on loans	–	–20
Gains / losses on fair value changes of hedged items	48	–24
Gains / losses on fair value changes of derivatives used as fair value hedges	–48	24
Result of derivatives held for trading classified as at fair value through profit or loss	–60	–101
Ineffective portion of derivatives used as cash flow hedges	–20	82
	–83	**–48**

14 Income taxes

Income taxes

in €m	2013	2012
Current income taxes	264	104
Deferred income taxes	–45	–13
	219	**91**

Current income taxes for 2013 include corporation tax, solidarity surcharge, trade tax and other income taxes paid outside Germany totalling EUR 156m (previous year: EUR 81m). Additional tax expenses of EUR 108m (previous year: EUR 23m) relate to prior years.

The following table reconciles expected and effective tax expenses. Expected tax expense is calculated by multiplying pre-tax profit by a tax rate of 25 per cent for the parent company (previous year: 25 per cent). This is made up of 15 per cent for corporation tax (previous year: 15 per cent) and 10 per cent for trade tax and solidarity surcharge in sum (previous year: 10 per cent).

in €m	2013 Basis of assessment	2013 Tax expenses	2012 Basis of assessment	2012 Tax expenses
Expected income tax expenses/refund	545	136	1 296	324
Tax-free income, other allowances and permanent differences	–	–34	–	–176
Profits from equity investments without deferred taxes	–	–25	–	–12
Difference between local taxes and the deferred tax rates of the parent company*	–	116	–	18
Unrecognised tax loss carry-forwards and deferred tax assets on losses	–	24	–	–62
Other	–	2	–	–1
Recognised income tax expenses	**–**	**219**	**–**	**91**

* Including taxes from other periods recognised in effective tax expenses.

Deferred taxes are recognised on retained earnings of equity investments accounted for using the equity method for the amount of taxes payable on distribution.

Deferred tax liabilities of EUR 4m (previous year: EUR 10m) were not recognised on temporary differences in connection with shares in subsidiaries, as the temporary differences are not expected to reverse in the foreseeable future.

Deferred tax assets of EUR 230m (previous year: EUR 589m) were reversed without effect on profit and loss in the 2013 financial year.

Deferred tax assets and liabilities in 2013 and 2012 are attributable to the following categories:

in €m	31.12.2013 Assets	31.12.2013 Liabilities	31.12.2012 Assets	31.12.2012 Liabilities
Tax loss carry-forwards and tax credits	125	–	134	–
Pension provisions	954	–	1,329	–
Intangible assets, property, plant and equipment	–	659	–	673
Non-current financial assets	–	7	–	28
Fair value measurement of financial instruments	52	–	56	–
Provisions for contingent losses	37	–	39	–
Receivables/liabilities/other provisions	–	159	–	289
Other	133	–	93	–
Offset amounts	–679	–679	–896	–896
	622	**146**	**755**	**94**

The deferred tax assets and liabilities in the category receivables/liabilities/other provisions are expected to reverse within twelve months of the reporting date.

A deferred tax receivable of EUR 105m (previous year: EUR 118m) was recognised for companies incurring a net loss in the reporting year or in the previous year, because on the basis of tax and earnings planning it is reasonably certain that the tax receivable will be realised.

In addition to recognised deferred tax assets from tax loss carry-forwards, non-deductible interest carry-forwards and tax credits, further tax loss carry-forwards and temporary differences totalling EUR 2,313m (previous year: EUR 2,586m) exist for which no deferred tax assets could be recognised.

Of the unrecognised tax loss carry-forwards, EUR 39m can only be used until 2014, EUR 1m until 2016, EUR 1m until 2017, EUR 1m until 2018, EUR 1m until 2019, EUR 3m until 2020, EUR 4m until 2021, EUR 4m until 2022 and EUR 2,016m can also be used after 2022. Deferred tax assets totalling EUR 530m (previous year: EUR 498m) were not recognised.

15 Result from discontinued operations

The following table shows the result of the discontinued operations at British Midland Group for the previous year:

in €m	2013	2012
Income	–	237
Expenses	–	–330
Current result from discontinued operations before taxes	**–**	**–93**
Taxes on income and earnings for discontinued operations	–	13
Current result from discontinued operations after taxes	**–**	**–80**
Valuation / disposal proceeds from discontinued operations	–	135
Taxes on valuation proceeds	–	–19
Valuation proceeds from discontinued operations after taxes	**–**	**116**
Result from discontinued operations	**–**	**36**

The result from discontinued operations in the previous year was mainly due to price adjustments made as a result of bmi's better than expected liquidity position.

16 Earnings per share

Basic earnings per share are calculated by dividing consolidated net profit by the weighted average number of shares in circulation during the financial year. To calculate the average number of shares, the shares bought back and reissued for the employee share programmes are included pro rata temporis.

To calculate diluted earnings per share for the previous year, the maximum number of common shares which could have been issued when conversion rights from the convertible bond issued by Deutsche Lufthansa AG on 4 January 2002 were exercised was also added to the average. At the same time, the net profit or loss for the period was increased by the costs incurred for the convertible bond. The convertible bond was redeemed in full on 4 January 2012. In the previous year, the maximum number of shares from a possible conversion was taken into account pro rata temporis for the period up to the redemption.

		2013	2012
Basic earnings per share	€	**0.68**	**2.68**
Consolidated net profit / loss	€m	313	1,228
Weighted average number of shares		460,154,670	458,397,300
Diluted earnings per share	€	**0.68**	**2.68**
Consolidated net profit / loss	€m	313	1,228
+ Interest expenses on the convertible bond	€m	–	+0*
– Current and deferred taxes	€m	–	–0*
Adjusted net profit / loss for the period	€m	313	1,228
Weighted average number of shares		460,154,670	458,401,038

* Rounded below EUR 1m.

Earnings per share from continuing operations (basic and diluted) came to EUR 0.68 per share (previous year: EUR 2.60), whereas earnings per share from discontinued operations (basic and diluted) came to EUR 0.00 per share (previous year: EUR 0.08).

Due to the first-time application of IAS 19R and the respective adjustment of the figures for the previous year, earnings per share for 2012 were restated from EUR 2.16 per share to EUR 2.68 per share. If pension obligations were still accounted for in 2013 according to the old version of IAS 19, earnings per share for 2013 would have decreased to EUR 0.61.

As the parent company of the Group, Deutsche Lufthansa AG reported distributable earnings of EUR 207m for the 2013 financial year. The Executive Board and Supervisory Board will table a proposal at the Annual General Meeting to be held on 29 April 2014 to pay a dividend of EUR 0.45 per share from this distributable profit.

In 2013, the distributable profit of EUR 296m for the financial year 2012 was transferred in full to retained earnings in accordance with the resolution taken at the Annual General Meeting on 7 May 2013.

Notes to the consolidated balance sheet

ASSETS

17 Goodwill and intangible assets with an indefinite useful life

in €m	Goodwill from consolidation	Intangible assets with an indefinite useful life	**Total**
Cost as of 1.1.2012	914	578	1,492
Accumulated impairment losses	–301	–	–301
Carrying amount 1.1.2012	**613**	**578**	**1,191**
Currency translation differences	3	2	5
Additions due to changes in consolidation	–	3	3
Additions	–	–	–
Reclassifications	–	–3	–3
Disposals due to changes in consolidation	–	–	–
Disposals	–1	–	–1
Reclassifications to assets held for sale	–	–	–
Impairment losses	–	–2	–2
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2012	**615**	**578**	**1,193**
Cost as of 1.1.2013	916	580	1,496
Accumulated impairment losses	–301	–2	–303
Carrying amount 1.1.2013	**615**	**578**	**1,193**
Currency translation differences	–3	–5	–8
Additions due to changes in consolidation	4	1	5
Additions	0*	–	0*
Reclassifications	–	–1	–1
Disposals due to changes in consolidation	–	–	–
Disposals	–	–1	–1
Reclassifications to assets held for sale	–	–	–
Impairment losses	–	–	–
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2013	**616**	**572**	**1,188**
Cost as of 31.12.2013	916	574	1,490
Accumulated impairment losses	–300	–2	–302

* Rounded below EUR 1m.

Apart from goodwill of EUR 3.5m for LSG Sky Chefs Brussels International BVBA acquired in October 2013, all goodwill and intangible assets with an indefinite useful life were subjected to a regular impairment test in accordance with IAS 36 in the 2013 financial year, as in the previous year. Acquired brands and slots have an indefinite useful life due to their lasting legal and economic significance. The tests were performed at the level of the smallest cash generating unit (CGU) on the basis of fair value less costs to sell or value in use. Goodwill originating from the acquisition of Air Dolomiti S.p.A. and the Eurowings group was tested at the level of Deutsche Lufthansa AG and its regional partners as the smallest independent cash generating unit.

The following table provides an overview of the goodwill tested and the assumptions made in the respective impairment tests.

Name of the CGU	Deutsche Lufthansa AG and regional partners	SWISS Aviation Training Ltd.	LSG Sky Chefs USA Group	LSG Sky Chefs Korea	LSG Sky Chefs Havacilik Hizmetleri A.S.	ZAO AeroMEAL	Constance Food Group	Various LSG companies[1]
Segment	Passenger Airline Group	Passenger Airline Group	Catering	Catering	Catering	Catering	Catering	Catering
Carrying amount of goodwill	EUR 249m	EUR 3m	EUR 277m	EUR 53m	EUR 5m	EUR 6m	EUR 9m	EUR 14m
Impairment losses	–	–	–	–	–	–	–	–
Revenue growth p.a. over planning period	1.3% to 6.4%	0.8% to 11.7%	2.0% to 5.5%	5.0% to 6.8%	2.8% to 7.0%	3.0% to 5.2%	2.6% to 3.2%	0.0% to 7.9%
EBITDA margin over planning period	8.3% to 10.3%	24.9% to 31.1%	7.1% to 9.2%	27.9% to 28.9%	5.7% to 7.6%	20.0% to 21.6%	8.9% to 9.5%	9.4% to 26.3%
Investment ratio over planning period	6.1% to 9.8%	7.0% to 47.0%	2.4% to 5.7%	2.1% to 7.1%	1.1% to 1.7%	0.0% to 5.2%	0.6% to 1.0%	0.7% to 76.8%
Duration of planning period	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Revenue growth p.a. after end of planning period	3.2%	1.0%	2.0%	3.0%	5.0%	3.0%	3.0%	3.0% to 4.0%
EBITDA margin after end of planning period	10.3%	31.5%	9.2%	28.1%	7.2%	19.6%	9.2%	8.7% to 25.0%
Investment ratio after end of planning period	8.6%	10.1%	3.7%	1.6%	2.6%	0.5%	1.9%	2.0% to 4.2%
Discount rate	6.8%[3]	6.9%[3]	6.6%[2]	6.4%[2]	6.0%[2]	6.4%[2]	6.4%[2]	6.2% to 6.4%[2]

[1] Goodwill of less than EUR 5m in any individual instance.
[2] Pre-tax rate.
[3] After-tax rate.

The assumptions on revenue growth used for the impairment tests are based on external sources for the planning period (Global Insight). In some cases reductions were made for risk to allow for special regional features and market share trends specific to the respective companies. Assuming sustained revenue growth of 3.2 per cent at the end of the planning period by Lufthansa AG and its regional partners as described in the table, the recoverable amount would exceed the carrying amount by a considerable figure. Even if the assumptions for revenue growth and / or the discount rate were to be reduced substantially, which is not likely, the recoverable amount would exceed the carrying amount.

Assuming sustained revenue growth of 2.0 per cent at the end of the planning period by the LSG Sky Chefs USA Group as described in the table, the recoverable amount would exceed the carrying amount by a considerable sum. Even if the assumptions for revenue growth and / or the discount rate were to be reduced substantially, which is not likely, the recoverable amount would exceed the carrying amount.

The EBITDA margins used are based on past experience or were developed on the basis of cost-cutting measures initiated. The investment rates are based on past experience and take account of the replacement of any means of production envisaged during the planning period.

The intangible assets with indefinite useful lives consist of slots purchased as part of company acquisitions and brand names acquired.

The following table shows the assumptions used for the previous year's impairment tests.

Name of the CGU	Deutsche Lufthansa AG and regional partners	SWISS Aviation Training Ltd.	LSG Sky Chefs USA Group	LSG Sky Chefs Korea	LSG Sky Chefs Havacilik Hizmetleri A.S.	ZAO AeroMEAL	Constance Food Group	Various LSG companies[1)]
Segment	Passenger Airline Group	Passenger Airline Group	Catering	Catering	Catering	Catering	Catering	Catering
Carrying amount of goodwill	EUR 249m	EUR 3m	EUR 277m	EUR 54m	EUR 6m	EUR 6m	EUR 9m	EUR 11m
Impairment losses	–	–	–	–	–	–	–	–
Revenue growth p.a. over planning period	4.4% to 5.7%	−3.5% to 6.2%	2.3% to 3.0%	3.0% to 10.4%	0.1% to 7.0%	0.8% to 3.4%	11.0% to 16.0%	−0.9% to 8.2%
EBITDA margin over planning period	6.3% to 10.0%	24.9% to 29.8%	5.2% to 7.0%	28.1% to 28.4%	14.9%	19.9% to 21.2%	7.7% to 9.8%	7.5% to 36.1%
Investment ratio over planning period	7.8% to 9.9%	12.1% to 28.5%	3.6% to 4.1%	1.9% to 8.6%	1.5% to 3.2%	0.0% to 15.8%	0.0% to 1.4%	0.0% to 60.7%
Duration of planning period	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Revenue growth p.a. after end of planning period	4.1%	1.0%	2.0%	3.0%	5.0%	3.0%	3.0%	3.0% to 4.0%
EBITDA margin after end of planning period	10.0%	24.3%	7.0%	28.4%	14.9%	21.2%	9.8%	9.9% to 33.0%
Investment ratio after end of planning period	8.6%	13.0%	3.4%	1.9%	3.4%	2.6%	3.3%	3.0% to 6.7%
Discount rate	6.9%[3)]	7.0%[3)]	6.8%[2)]	6.5%[2)]	6.0%[2)]	6.5%[2)]	6.5%[2)]	6.3% to 6.5%[2)]

1) Goodwill of less than EUR 5m in any individual instance.
2) Pre-tax rate.
3) After-tax rate.

The following table shows the assumptions made for regular impairment testing of the smallest cash-generating unit (CGU) in each case. The assumptions made for the CGU Deutsche Lufthansa AG and regional partners are the same as those made for the acquired goodwill.

Name of the CGU	SWISS	Austrian Airlines
Segment	Passenger Airline Group	Passenger Airline Group
Carrying amount for slots	EUR 117m	EUR 23m
Impairment losses	–	–
Revenue growth p.a. in planning period	0.2% to 3.0%	5.1% to 8.8%
EBITDA margin over planning period	13.1% to 15.1%	7.6% to 8.8%
Investment ratio over planning period	8.5% to 20.1%	2.4% to 3.6%
Duration of planning period	3 years	3 years
Revenue growth p.a. after end of planning period	2.0%	3.2%
EBITDA margin after end of planning period	15.1%	8.8%
Investment ratio after end of planning period	8.1%	6.5%
Discount rate	6.9%*	6.8%*

* After-tax rate.

Assuming sustained revenue growth by SWISS of 2.0 per cent at the end of the planning period as described in the table, the recoverable amount would be well in excess of the carrying amount. Even if the assumptions for revenue growth and / or the discount rate were to be reduced substantially, which is not likely, the recoverable amount would exceed the carrying amount.

Assuming sustained revenue growth by Austrian Airlines of 3.2 per cent at the end of the planning period as described in the table, the recoverable amount would exceed the carrying amount by a considerable sum. Even if the assumptions for revenue growth and / or the discount rate were to be reduced substantially, which is not likely, the recoverable amount would exceed the carrying amount.

The following table shows the assumptions used for the previous year's impairment tests.

Name of the CGU	**SWISS**	**Austrian Airlines**
Segment	Passenger Airline Group	Passenger Airline Group
Carrying amount for slots	EUR 119m	EUR 25m
Impairment losses	–	–
Revenue growth p.a. in planning period	1.6% to 2.8%	3.4% to 10.1%
EBITDA margin over planning period	12.5% to 13.6%	6.7% to 7.8%
Investment ratio over planning period	6.9% to 16.0%	0.5% to 2.7%
Duration of planning period	3 years	3 years
Revenue growth p.a. after end of planning period	2.2%	4.1%
EBITDA margin after end of planning period	13.6%	7.8%
Investment ratio after end of planning period	6.7%	5.9%
Discount rate	7.1%*	7.0%*

* After-tax rate.

The regular impairment test for the brands acquired was carried out on the basis of the revenue generated from each brand.

The following assumptions were used in the impairment test for the acquired brands:

Group company	SWISS	Austrian Airlines
Carrying amount for brand	EUR 211m	EUR 107m
Impairment losses	–	–
Revenue growth for brand p.a. in planning period	0.3% bis 3.0%	5.2% bis 8.7%
Duration of planning period	3 years	3 years
Revenue growth p.a. after end of planning period	2.0%	3.2%
Savings in hypothetical leasing payments before taxes (royalty rate)	0.6%	0.35%
Discount rate	6.9%*	6.8%*

* After-tax rate.

Assuming sustained revenue growth associated with the brand after the end of the planning period of 2.0 per cent, the recoverable amount for the SWISS brand substantially exceeds the carrying amount. Even if the assumptions for brand-related revenue growth were to be reduced substantially, which is not likely, the recoverable amount would exceed the carrying amount.

Assuming sustained revenue growth associated with the brand after the end of the planning period of 3.2 per cent, the recoverable amount for the Austrian Airlines brands substantially exceeds the carrying amount. Even if the assumptions for brand-related revenue growth were to be reduced substantially, which is not likely, the recoverable amount would exceed the carrying amount.

18 Other intangible assets

in €m	Concessions, industrial property rights and similar rights and licences to such rights and assets	Internally developed software	Advance payments	**Total**
Cost as of 1.1.2012	839	143	58	1,040
Accumulated amortisation	–543	–113	0*	–656
Carrying amount 1.1.2012	**296**	**30**	**58**	**384**
Currency translation differences	0*	0*	0*	0*
Additions due to changes in consolidation	0*	–	–	0*
Additions	39	1	40	80
Reclassifications	57	–1	–55	1
Disposals due to changes in consolidation	–	–	–	–
Disposals	–1	–1	–3	–5
Reclassifications to assets held for sale	0*	–	0*	0*
Amortisation	–75	–10	–	–85
Reversal of impairment losses	–	–	–	–
Carrying amount 31.12.2012	**316**	**19**	**40**	**375**
Cost as of 1.1.2013	923	119	40	1,082
Accumulated amortisation	–607	–100	0*	–707
Carrying amount 1.1.2013	**316**	**19**	**40**	**375**
Currency translation differences	–3	–	0*	–3
Additions due to changes in consolidation	1	–	0*	1
Additions	45	1	48	94
Reclassifications	12	5	–15	2
Disposals due to changes in consolidation	–	–	–	–
Disposals	–3	–1	0*	–4
Reclassifications to assets held for sale	–	–	–	–
Amortisation	–75	–9	–	–84
Reversal of impairment losses	–	–	–	–
Carrying amount 31.12.2013	**293**	**15**	**73**	**381**
Cost as of 31.12.2013	953	124	73	1,150
Accumulated amortisation	–660	–109	0*	–769

* Rounded below EUR 1m.

Non-capitalised research and development expenses for intangible assets of EUR 10m (previous year: EUR 10m) were incurred in the period. Firm orders have been placed for intangible assets worth EUR 18m (previous year: EUR 5m), but they are not yet at the Group's economic disposal.

19 Aircraft and reserve engines

in €m	Aircraft and reserve engines	Advance payments for aircraft and reserve engines	**Total**
Cost as of 1.1.2012	22,486	1,344	23,830
Accumulated depreciation	−12,238	–	−12,238
Carrying amount 1.1.2012	**10,248**	**1,344**	**11,592**
Currency translation differences	18	4	22
Additions due to changes in consolidation	–	–	–
Additions	1,344	608	1,952
Reclassifications	759	−753	6
Disposals due to changes in consolidation	–	–	–
Disposals	−23	−36	−59
Reclassifications to assets held for sale	−178	–	−178
Depreciation	−1,497	–	−1,497
Reversal of impairment losses	0*	–	0*
Carrying amount 31.12.2012	**10,671**	**1,167**	**11,838**
Cost as of 1.1.2013	23,293	1,167	24,460
Accumulated depreciation	−12,622	–	−12,622
Carrying amount 1.1.2013	**10,671**	**1,167**	**11,838**
Currency translation differences	−6	−10	−16
Additions due to changes in consolidation	–	–	–
Additions	1,248	853	2,101
Reclassifications	637	−637	0*
Disposals due to changes in consolidation	–	–	–
Disposals	−48	–	−48
Reclassifications to assets held for sale	−80	–	−80
Depreciation	−1,441	–	−1,441
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2013	**10,981**	**1,373**	**12,354**
Cost as of 31.12.2013	23,182	1,373	24,555
Accumulated depreciation	−12,201	0	−12,201

* Rounded below EUR 1m.

The item aircraft includes 11 aircraft (8 Boeing MD-11Fs and three B747-400s) at a carrying amount of EUR 146m (previous year: EUR 221m), which are the subject of transactions aimed at realising present value benefits from cross-border leasing constructions. These transactions generally involve entering into a 40 to 50-year head lease agreement with a lessee in the Bermudas. The lease payments paid by the lessee are transferred to the lessor in a single amount. At the same time, the lessor concludes a sublease agreement with a shorter duration (14–16 years) with the lessee and pays the leasing obligations on this agreement in a single amount to a bank for the benefit of the lessee.

Following the transaction, the risks and rewards associated with the aircraft and legal ownership of it remain with the Lufthansa Group, so under SIC 27 the aircraft are treated not as leased assets within the meaning of IAS 17, but in the same way as they would be without the transaction.

The transaction does entail some operating constraints, as the aircraft may not be primarily deployed in American airspace.

The present value benefit derived from the transaction is recognised through profit or loss pro rata temporis over the duration of the sublease agreement. In 2013, EUR 6m (previous year: EUR 7m) was recognised in other operating income.

The item also includes 38 aircraft carried at EUR 1,026m (previous year: 44 aircraft carried at EUR 1,100m), which have been sold and leased back to Japanese and British leasing companies, to leasing companies in the Bermudas and to a Swedish bank with the aim of obtaining favourable financing terms. The duration of these leasing agreements is between 10 and 26 years. The Group is entitled to buy the aircraft back at a fixed price at a given point in time.

As the risks and rewards associated with these aircraft remain with the Lufthansa Group, they are also not treated as leased assets under SIC 27.

Operating constraints apply to two of these aircraft financed via leasing companies in the Bermudas. They may not be primarily deployed in American airspace.

Order commitments for aircraft and reserve engines amount to EUR 15.9bn (previous year: EUR 5.7bn).

Within this item, aircraft held at EUR 2,896m (previous year: EUR 2,832m) serve as collateral for current financing arrangements and aircraft held at EUR 337m (previous year: EUR 261m) were also acquired under finance leases, see "Note 21" starting on p. 165.

20 Property, plant and other equipment

in €m	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and plant under construction	**Total**
Cost as of 1.1.2012	2,335	1,044	1,286	71	4,736
Accumulated depreciation	−963	−746	−909	–	−2,618
Carrying amount 1.1.2012	**1,372**	**298**	**377**	**71**	**2,118**
Currency translation differences	–	0*	−3	0*	−3
Additions due to changes in consolidation	6	4	2	–	12
Additions	40	33	115	56	244
Reclassifications	33	19	5	−62	−5
Disposals due to changes in consolidation	–	–	–	–	–
Disposals	−13	−3	−8	−6	−30
Reclassifications to assets held for sale	0*	0*	0*	0*	0*
Depreciation	−87	−58	−109	−1	−255
Reversal of impairment losses	–	–	–	–	–
Carrying amount 31.12.2012	**1,351**	**293**	**379**	**58**	**2,081**
Cost as of 1.1.2013	2,395	1,076	1,258	59	4,788
Accumulated depreciation	−1,044	−783	−879	−1	−2,707
Carrying amount 1.1.2013	**1,351**	**293**	**379**	**58**	**2,081**
Currency translation differences	−7	−2	−2	−1	−12
Additions due to changes in consolidation	2	–	1	0*	3
Additions	18	28	99	104	249
Reclassifications	12	17	9	−39	−1
Disposals due to changes in consolidation	–	−1	–	–	−1
Disposals	−9	−2	−10	–	−21
Reclassifications to assets held for sale	0*	0*	0*	–	0*
Depreciation	−86	−50	−104	–	−240
Reversal of impairment losses	–	–	–	–	–
Carrying amount 31.12.2013	**1,281**	**283**	**372**	**122**	**2,058**
Cost as of 31.12.2013	2,377	1,097	1,270	122	4,866
Accumulated depreciation	−1,096	−814	−898	–	−2,808

* Rounded below EUR 1m.

As in the previous year, charges of EUR 4m exist over land and property. Pre-emption rights are registered for land held at EUR 238m (previous year: EUR 235m) as in the previous year. Other property, plant and equipment carried at EUR 34m (previous year: EUR 31m) serves as collateral for existing financing arrangements. Other equipment carried at EUR 142m (previous year: EUR 155m) was acquired by means of finance leases, see "Note 21" starting on S. 165.

The following items of property, plant and equipment have been ordered, but are not yet at the Group's economic disposal:

in €m	**31.12.2013**	31.12.2012
Land and buildings	36	15
Technical equipment and vehicles	29	5
Operating and office equipment	32	39
	97	**59**

21 Assets for which the Group is lessor or lessee

Property, plant and equipment also includes leased assets which are deemed to be the property of the Group as the underlying contracts are structured as finance leases. The following table shows leased assets for which the Group is either lessor or lessee:

in €m	Lessor of aircraft and reserve engines	Lessee of aircraft and reserve engines	Lessee and sublessor of aircraft and reserve engines	Lessee of buildings	Lessor of buildings and land	Lessee of intangible assets and technical equipment	Lessee of other equipment, operating and office equipment
Cost as of 1.1.2012	201	505	9	248	–	7	2
Accumulated depreciation	–105	–212	–2	–91	–	–7	–1
Carrying amount 1.1.2012	**96**	**293**	**7**	**157**	**–**	**0***	**1**
Currency translation differences	1	2	–	1	–	0*	0*
Additions due to changes in consolidation	–	–	–	–	–	–	0*
Additions	–	56	–	4	–	–	0*
Reclassifications	2	–	– 2	6	–	–	1
Disposals due to changes in consolidation	–	–	–	–	–	–	–
Disposals	–	–	–	–2	–	–	–1
Reclassifications to assets held for sale	–2	–12	–	–	–	–	–
Depreciation	–13	–78	–1	–12	–	0*	0*
Reversal of impairment losses	–	–	–	–	–	–	–
Carrying amount 31.12.2012	**84**	**261**	**4**	**154**	**–**	**0***	**1**
Cost as of 1.1.2013	150	531	6	258	–	7	2
Accumulated depreciation	–66	–270	–2	–104	–	–7	–1
Carrying amount 1.1.2013	**84**	**261**	**4**	**154**	**–**	**0***	**1**
Currency translation differences	–	–3	–	–1	–	0*	0*
Additions due to changes in consolidation	–	–	–	–	–	0*	–
Additions	–	158	–	0*	–	–	1
Reclassifications	–65	–1	–3	0*	–	–	–
Disposals due to changes in consolidation	–	–	–	–	–	–	–
Disposals	–13	–8	–1	0*	–	–	–1
Reclassifications to assets held for sale	–	–	–	–	–	–	–
Depreciation	–6	–70	–	–12	–	0*	0*
Reversal of impairment losses	–	–	–	–	–	–	–
Carrying amount 31.12.2013	**–**	**337**	**–**	**141**	**–**	**0***	**1**
Cost as of 31.12.2013	–	629	–	256	–	6	3
Accumulated depreciation	–	–292	–	–115	–	–6	–2

* Rounded below EUR 1m.

Finance leases

The carrying amount of leased assets attributed to the Group's economic ownership under IAS 17 is EUR 479m (previous year: EUR 420m), of which EUR 337m (previous year: EUR 265m) relates to aircraft (three Airbus A340s, four A321s, 18 A320s, ten A319s and two Boeing B767s).

As a rule, aircraft finance lease agreements cannot be terminated during a fixed basic lease term of at least four years and they run for a maximum of twelve years.

Once the lease term has expired the lessee is usually entitled to acquire the asset at its residual value. If the lessee does not exercise this option the lessor will sell the aircraft at the best possible market price. If the sales price is lower than the residual value, the difference has to be paid by the lessee. Some lease agreements provide for variable lease payments to the extent that the interest portion is linked to market interest rates, normally the Euribor or Libor rate.

In addition, the Group has a variety of finance leases for buildings, fixtures and for operating and office equipment. For buildings and fixtures the leases run for 15 to 30 years. The lease agreements have lease payments based partly on variable and partly on fixed interest rates, and some have purchase options at the end of the lease term. The agreements cannot be terminated. Options for extending the contracts generally rest with the lessee, if at all.

For technical equipment and operating and office equipment the lease terms are generally from four to five years. The leases normally have fixed lease payments and occasionally also have purchase options at the end of the lease term. The contracts cannot normally be extended by the lessee and cannot be cancelled.

The following lease payments are due for finance leases, whereby the variable lease payments have been extrapolated on the basis of the most recent interest rate:

in €m	2014	2015–2018	from 2019
Lease payments	86	263	169
Discounted amounts	5	44	65
Present values	81	219	104

In the previous year the following figures were given for finance leases:

in €m	2013	2014–2017	from 2018
Lease payments	87	245	144
Discounted amounts	6	47	71
Present values	81	198	73
Payments from sub-leasing	2	0	0

Operating leases

In addition to the finance leases, a large number of leases have been signed which, on the basis of their economic parameters, are qualified as operating leases, i.e. the leased asset is deemed to belong to the lessor. As well as 23 aircraft on operating leases, these are mainly aircraft leased as part of the Lufthansa Regional concept and leases for buildings.

The operating leases for aircraft have a term of between one and nine years. These agreements generally end automatically after the term has expired, but there is sometimes an option for extending the agreement.

The leases for buildings generally run for up to 25 years. The fixtures at the airports in Frankfurt and Munich are leased for 30 years.

The following payments are due in the years ahead:

in €m	2014	2015–2018	from 2019
Aircraft	35	50	11 p.a.
Various buildings	274	1,000	226 p.a.
Other leases	73	250	53 p.a.
	382	**1,300**	**290 p.a.**
Payments from sub-leasing (Sublease)	5	17	5 p.a.

In the previous year the following figures were given for operating leases:

in €m	2013	2014–2017	ab 2018
Aircraft	87	92	3 p.a.
Various buildings	264	989	225 p.a.
Other leases	78	277	67 p.a.
	429	**1 358**	**295 p.a.**
Payments from sub-leasing (Sublease)	10	12	3 p.a.

Two aircraft and reserve engines, legally and economically the property of the Group at the end of 2013, have been leased to third parties under non-terminable operating leases. These leases, which run for up to 10 years, give rise to the following payments:

in €m	2014	2015–2018	ab 2019
Payments received from operating leases	4	8	2 p.a.

Eight aircraft as well as reserve engines and intangible assets, legally and economically the property of the Group at the end of 2012, were leased to third parties under non-terminable operating leases. These leases gave rise to the following payments:

in €m	2013	2014–2017	ab 2018
Payments received from operating leases	17	8	3 p.a.

22 Investments accounted for using the equity method

in €m	Investments in joint ventures	Investments in associated companies	**Total**
Cost as of 1.1.2012	225	174	399
Accumulated impairment losses	–	–5	–5
Carrying amount 1.1.2012	**225**	**169**	**394**
Currency translation differences	–3	–2	–5
Additions due to changes in consolidation	–	1	1
Additions	27	0*	27
Changes with and without an effect on profit and loss	28	–7	21
Reclassifications	–	10	10
Disposals due to changes in consolidation	–	–	–
Disposals	–12	–	–12
Dividends paid	–21	–8	–29
Reclassifications to assets held for sale	–	–1	–1
Impairment losses	–	–6	–6
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2012	**244**	**156**	**400**
Cost as of 1.1.2013	244	167	411
Accumulated impairment losses	–	–11	–11
Carrying amount 1.1.2013	**244**	**156**	**400**
Currency translation differences	–2	–5	–7
Additions due to changes in consolidation	–	–	–
Additions	12	11	23
Changes with and without an effect on profit and loss	69	30	99
Reclassifications	3	–3	0*
Disposals due to changes in consolidation	–	–	–
Disposals	–	–	–
Dividends paid	–48	–9	–57
Reclassifications to assets held for sale	–	–	–
Impairment losses	–	–	–
Reversal of impairment losses	–	–	–
Carrying amount 31.12.2013	**278**	**180**	**458**
Cost as of 31.12.2013	278	191	469
Accumulated impairment losses	–	–11	–11

* Rounded below EUR 1m.

In one case, as in the previous year, the carrying amount for associated companies was not reduced below EUR 0m. In the previous year, losses of EUR 9m at another associated company were not taken into account.

23 Other equity investments and non-current securities

The following table shows changes in other equity investments and non-current securities in the years 2013 and 2012:

in €m	Investments in affiliated companies	Equity investments	Non-current securities	**Total**
Cost as of 1.1.2012	285	817	133	1,235
Accumulated impairment losses	−71	−133	1	−203
Carrying amount 1.1.2012	**214**	**684**	**134**	**1,032**
Currency translation differences	3	0*	0*	3
Additions due to changes in consolidation	–	–	–	–
Additions	–	225	0*	225
Reclassifications	−11	0*	–	−11
Disposals due to changes in consolidation	–	–	–	–
Disposals	−9	−684	−115	−808
Reclassifications to assets held for sale	–	–	–	–
Impairment losses	−9	–	–	−9
Reversal of impairment losses	–	–	0*	–
Carrying amount 31.12.2012	**188**	**225**	**19**	**432**
Cost as of 1.1.2013	262	340	19	621
Accumulated impairment losses	−74	−115	0*	−189
Carrying amount 1.1.2013	**188**	**225**	**19**	**432**
Currency translation differences	−1	0*	0*	−1
Additions due to changes in consolidation	–	–	–	–
Additions	6	91	1	98
Reclassifications	4	–	–	4
Disposals due to changes in consolidation	–	–	–	–
Disposals	−8	–	–	−8
Reclassifications to assets held for sale	–	0*	–	0*
Impairment losses	−3	−2	–	−5
Reversal of impairment losses	–	–	–	–
Carrying amount 31.12.2013	**186**	**314**	**20**	**520**
Cost as of 31.12.2013	263	431	20	714
Accumulated impairment losses	−77	−117	0*	−194

* Rounded below EUR 1m.

Shares in related parties are held at amortised cost.

Equity investments and securities are recognised at fair value if there is an active market for them with publicly available prices. For equity investments carried at EUR 21m (previous year: EUR 21m) and non-current securities carried at EUR 7m (previous year: EUR 4m) there is no active market with publicly available prices. In the financial year 2012, other equity investments and securities held at EUR 5m were sold, which had previously not been held at fair value as there was no active market for them. This resulted in a gain of EUR 7m.

Securities with an amount of EUR 10m (previous year: EUR 10m) were pledged as collateral for liabilities.

24 Non-current loans and receivables

Loans and receivables

in €m	31.12.2013	31.12.2012
Loans to and receivables from affiliated companies	119	104
Loans to and receivables from other equity investments	0*	0*
Other loans and receivables	282	340
Pre-financed rental property	1	1
Emissions certificates	89	19
	491	**464**

* Rounded below EUR 1m.

The carrying amount of non-current loans and receivables corresponds to their fair value, as they earn floating rate or market standard interest.

For the impairment test for emissions certificates we refer to the disclosures on the cash-generating units (CGU) Deutsche Lufthansa AG (including regional partners), SWISS and Austrian Airlines in the Notes to the consolidated financial statements, see "Note 17" on p. 158.

As in the previous year, collateral received for other loans had a fair value of EUR 1m. As in the previous year, other receivables include forecast reimbursements of EUR 1m for obligations for which provisions have been made.

Non-current receivables of EUR 42m (previous year: EUR 50m) serve as collateral for liabilities.

25 Inventories

Inventories

in €m	31.12.2013	31.12.2012
Raw materials, consumables and supplies	517	527
Finished goods and work in progress	122	111
Advance payments	2	1
	641	**639**

Inventories valued at EUR 5m (previous year: EUR 16m) have been pledged as collateral for loans.

The gross value of impaired inventories as of 31 December 2013 was EUR 717m (previous year: EUR 712m). Inventories carried at EUR 505m (previous year: EUR 505m) are held at net realisable value. Impairments of EUR 182m (previous year EUR 184m) had been made to net realisable value at the beginning of the financial year. Further impairments of EUR 44m (previous year: EUR 35m) were made in the reporting year. Impairments of EUR 13m (previous year: EUR 12m) made the previous year were reversed.

26 Trade receivables and other receivables

in €m	31.12.2013	31.12.2012
Trade receivables		
Trade receivables from affiliated companies	88	76
Trade receivables from other equity investments	2	2
Trade receivables from third parties	2,739	2,670
	2,829	**2,748**
of which: from unfinished orders less advance payments received	(125)	(101)
Other receivables		
Receivables from affiliated companies	84	136
Receivables from other equity investments	1	0*
Other receivables	663	660
Emissions certificates	–	51
	748	**847**
Total	**3,577**	**3,595**

* Rounded below EUR 1m.

The carrying amount of these receivables corresponds to their fair value.

For the impairment test for emissions certificates carried out in the previous year, we refer to the disclosures on the cash-generating units (CGU) Deutsche Lufthansa AG (including regional partners), SWISS and Austrian Airlines in the Notes to the consolidated financial statements, "Note 17" starting on p. 158.

Collateral received for trade receivables has a fair value of EUR 1m, as in the previous year.

Other receivables include expected reimbursements for obligations for which provisions have been made amounting to EUR 1m (previous year: EUR 1m).

27 Deferred charges and prepaid expenses

Deferred charges and prepaid expenses consist mainly of rents and insurance premiums paid in advance for subsequent periods.

28 Current securities

Current securities are almost exclusively fixed income securities, participation certificates and investments in money market funds. They are held at fair value, derived almost entirely from publicly available market prices in active markets.

29 Cash and cash equivalents

The bank balances denominated in euros with various banks mostly earned interest at rates of 0.13 to 0.5 per cent (previous year: 0.15 per cent). USD balances were invested at an average interest rate of 0.14 per cent (previous year: 0.15 per cent) and balances in Swiss francs at an average rate of 0.17 per cent (previous year: 0.16 per cent). This item includes EUR 145m in fixed-term deposits with terms of three to twelve months.

EUR 5m of the bank balances (previous year: EUR 5m) was pledged as collateral for liabilities.

Bank balances in foreign currencies are translated at the exchange rate on the balance sheet date.

30 Assets held for sale

At year-end 2013, assets held for sale included three Boeing B747-400s, four Airbus A340-300s, one Boeing B737-500, five B737-300s, 12 Canadair Regional Jet 700s, five ATRs and three Fokker F70s with a total carrying amount of EUR 62m. Impairment losses of EUR 137m in total were recognised on these assets as well as on other aircraft and other assets; see "Note 9" starting on S. 154.

In the previous year, the main assets held for sale included three B747-400s, one A340-300, five B737-800s, one B737-300 and two A319-100s, with a total carrying amount of EUR 105m. Impairment losses of EUR 144m in total were recognised in the previous year on these assets as well as on other aircraft and other assets; see "Note 9" starting on S. 154.

SHAREHOLDERS' EQUITY AND LIABILITIES

31 Issued capital

Deutsche Lufthansa AG's issued capital totals EUR 1,180.4m. Issued capital is divided into 461,075,000 registered shares, with each share representing EUR 2.56 of issued capital.

A resolution passed at the Annual General Meeting on 29 April 2010 authorised the Executive Board until 28 April 2015, subject to approval by the Supervisory Board, to increase the Company's issued capital on one or more occasions by up to EUR 561,160,092 by issuing new registered shares on one or more occasions for payment in cash or in kind (Authorised Capital A). Existing shareholders are to be granted subscription rights. In the case of shares issued for payment in kind these rights may be ruled out, while in the case of shares issued for payment in cash they may be ruled out for residual amounts. The Executive Board is further authorised in the case of a capital increase against cash contributions to rule out, subject to approval by the Supervisory Board, a subscription right for existing shareholders on condition that the new shares so issued must not exceed 10 per cent of the issued capital and that the issue price must not be significantly lower than the market price.

A resolution passed at the Annual General Meeting on 3 May 2011 authorised the Executive Board until 2 May 2016, subject to approval by the Supervisory Board, to issue bearer or registered convertible bonds, bond/warrant packages, profit sharing rights or participating bonds (or combinations of these instruments), on one or more occasions, for a total nominal value of up to EUR 1.5bn, with or without restrictions on maturity. To do so, contingent capital (contingent capital II) was created for a contingent capital increase of up to EUR 234,464,035.80, by issuing up to 91,587,514 new registered shares. The contingent capital increase will only take place insofar as the holders of convertible bonds or warrants from bond/warrant packages decide to exercise their conversion and or option rights.

A resolution passed at the Annual General Meeting on 24 April 2009 authorised the Executive Board until 23 April 2014, subject to approval by the Supervisory Board, to increase the issued capital by up to EUR 25m, by issuing new registered shares to employees (Authorised Capital B) for payment in cash. Existing shareholders' subscription rights are excluded. In order to issue new shares to employees of Deutsche Lufthansa AG and its affiliated companies, the Executive Board of Deutsche Lufthansa AG decided on 21 August 2013 and 8 October 2013, with the approval of the Supervisory Board being given on 18 September 2013, to make use of the authorisation voted at the Annual General Meeting on 24 April 2009 (Authorised Capital B) and increase the Company's issued capital by EUR 2,887,680, excluding shareholders' subscription rights, by issuing 1,128,000 new registered shares with transfer restrictions and profit entitlement from 1 January 2013 for payment in cash. The capital increase was entered in the Commercial Register of Cologne District Court (HRB 2168) on 11 October 2013. As of 31 December 2013, Authorised Capital B amounted to EUR 16,968,184.32.

A resolution passed at the Annual General Meeting held on 29 April 2010 authorised the Executive Board pursuant to Section 71 Paragraph 1 No. 8 Stock Corporation Act (AktG) to purchase treasury shares until 28 April 2015. The authorisation is limited to 10 per cent of current issued capital which can be purchased on the stock exchange or by a public purchase offer to all shareholders.

In 2013, Deutsche Lufthansa AG bought back a total of 233,345 of its own shares at an average price of EUR 14.40. This is equivalent to 0.05 per cent of issued capital.

The shares purchased or created by means of the capital increase were used as follows:

- 705,349 shares were transferred to the staff of Lufthansa AG and 39 other affiliated companies and equity investments as part of the profit-sharing scheme for 2012, at a share price of EUR 14.27.
- 621,354 shares were transferred as part of performance-related variable remuneration in 2013 to managers and non-pay scale staff of Deutsche Lufthansa AG and to 22 further affiliated companies and equity investments at a price of EUR 14.31.
- 25,110 shares were transferred to Executive Board members as part of the option programme for 2013.
- 275 shares were transferred as part of the profit-share payment for 2011 at a price of EUR 9.65.
- 657 shares were transferred to managers and non-pay scale staff as part of performance-related remuneration for 2012 at a price of EUR 12.14.

8,600 shares were resold at a price of EUR 15.98.

On the balance sheet date, treasury shares were no longer held.

Additional information on changes in equity

The Lufthansa Group continues to aim for a sustainable equity ratio of 30 per cent, in order to ensure long-term financial flexibility and stability as a basis for its growth targets. As of 31 December 2013 and 2012, equity and total assets were as follows:

in €m	**31.12.2013**	31.12.2012
Shareholders' equity	6,108	4,839
in per cent of total assets	21.0	16.9
Liabilities	22,976	23,720
in per cent of total assets	79.0	83.1
Total capital	**29,084**	**28,559**

In the financial year 2013, the equity ratio rose again year on year by 4.1 percentage points to 21.0 per cent. This significant increase is mainly due to lower pension provisions as a result of the change in the interest rate.

Lufthansa's Articles of Association do not stipulate any capital requirements. Until 4 January 2012, there was an obligation to issue shares in connection with rights associated with the convertible bond. As planned, the bond was redeemed in full the previous year.

32 Reserves

Capital reserves only include the share premium paid on capital increases and a convertible bond that was redeemed in full the previous year. The legal reserve contained in retained earnings is unchanged at EUR 26m; other reserves consist of other retained earnings.

The following table shows changes in other neutral reserves in 2013:

Notes on other comprehensive income

in €m	**2013**	2012
Other comprehensive income after income taxes		
Currency translation differences		
Profit/loss for the period	−47	−6
Reclassification adjustments recognized in profit or loss	−1	2
Subsequent measurement of available-for-sale financial assets		
Profit/loss for the period	132	286
Reclassification adjustments recognized in profit or loss	−16	−656
Subsequent measurement of cash flow hedges		
Profit/loss for the period	272	38
Reclassification adjustments recognized in profit or loss	−176	−291
Transfer to cost of hedged items	−36	−69
Other comprehensive income from investments accounted for using the equity method		
Profit/loss for the period	−5	−5
Reclassification adjustments recognized in profit or loss	–	−5
Revaluation of defined-benefit pension plans	1,061	−1,867
Other expenses and income recognized directly in equity	−3	−1
Income taxes on items in other comprehensive income	−235	581
Other comprehensive income after income taxes	**946**	**−1,993**

Note on income taxes recognised for other comprehensive income

in €m	2013 Amount before income taxes	2013 Tax expenses / income	2013 Amount after income taxes	2012 Amount before income taxes	2012 Tax expenses / income	2012 Amount after income taxes
Currency translation differences	–48	–	–48	–4	–	–4
Subsequent measurement of available-for-sale financial assets	116	–1	115	–370	3	–367
Subsequent measurement of cash flow hedges	60	–12	48	–322	92	–230
Other comprehensive income from investments accounted for using the equity method	–5	–	–5	–10	–	–10
Revaluation of defined-benefit pension plans	1,061	–222	839	–1,867	486	–1,381
Other expenses and income recognised directly in equity	–3	–	–3	–1	–	–1
Other comprehensive income	**1,181**	**–235**	**946**	**–2,574**	**581**	**–1,993**

The overall change in equity is shown in the consolidated statement of changes in Lufthansa shareholders' equity.

33 Pension provisions

The Group's pension obligations comprise both defined-benefit and defined-contribution plans and include both obligations to make current payments and entitlements to future pension payments. Obligations under defined-benefit pension plans for Group employees related mostly to pension obligations in Germany, Switzerland, Austria and the USA. Various commitments have been made to different groups of employees.

For most of the employees in Germany and for staff posted abroad by German companies who joined the Group before 1995, the supplementary pension scheme for state employees (VBL) was initially retained as the Company's pension scheme. As part of the wage agreements signed in 2003 and 2004 to replace the VBL scheme and harmonise retirement benefits, the pension scheme for ground, cockpit and flight staff was converted to an average salary plan. Since then, the Company retirement benefit commitment has been equal to that for staff recruited after 1994. One pension component is earned every year based on an employee's pay and age; retirement benefit is defined as the sum of accumulated pension components.

The same applies accordingly to commitments for company invalidity and dependant persons' pensions. Under IAS 19R, these pension obligations are regarded as defined-benefit commitments and are therefore taken into account for the amount of obligations and as expenses.

The relevant pension agreements were terminated by the Group companies as of 31 December 2013, in order to reach a new agreement on Company retirement benefits with the trade unions. No reliable information is currently available on whether and to what extent the existing rules on Company pensions will be altered by a negotiated agreement between the labour union partners.

Flight staff are additionally entitled to a transitional pension arrangement covering the period from the end of their active in-flight service until the beginning of their statutory / Company pension plans. Benefits depend on the number of years of service and the final salary before retirement (final salary plans).

The collective agreements on transitional benefits for flight staff were also terminated by the Group companies as of 31 December 2013. As with the retirement benefits, no reliable information is currently available on any new arrangements and their effects on the balance sheet obligations.

Defined-benefit company pension schemes and transitional pension arrangements for Germany are funded by plan assets and the additional amounts by pension provisions. There are no minimum funding requirements in Germany.

In the course of acquiring Swiss International Airlines AG, pension obligations, mainly statutory obligations, were taken on in Switzerland. The retirement benefits are funded via pension funds known as collective foundations. In addition to retirement benefits, the plans cover invalidity and dependant persons' benefits. Beneficiaries can choose between an annuity and a lump-sum payment. The retirement age for the plans lies between 58 and 63 years. Contributions to the pension funds are made by employers and employees, whereby the Company contributions must be at least equal to the employee contributions defined in the terms of the plan. Contributions are deducted from the qualifying salary according to a sliding scale. If there is a deficit of plan assets, employer and employee contributions can be increased, a lower return can be determined or other steps permissible by law can be taken. The decision is taken by the trustees of the pension fund concerned. The trustees' strategies for making good a deficit are based on the report by a pension fund expert and must be presented to the regulatory authority. The approval of the authority is not required, however.

There are defined-benefit pension obligations for employees of Austrian Airlines AG, which have been outsourced to a pension fund. They consist of retirement, invalidity and dependant persons' benefits. Benefits depend on the number of years of service and the final salary before retirement (final salary plans). The statutory retirement age used to calculate the obligation is 65 years for men and 60 years for women. By means of contractual amendments that took effect as of 30 June 2012, the groups of pilots and flight attendants at Austrian Airlines AG were taken over by Tyrolean Airways Tiroler Luftfahrt GmbH. As Tyrolean Airways Tiroler Luftfahrt GmbH only has defined-contribution plans, the pension obligations for these groups of employees were switched to a defined-contribution basis. The rights of these groups against the pension fund were frozen and no further contributions have since been made to the pension fund for the active members of these groups. A new agreement for the commercial and technical employees of Austrian Airlines AG came into effect on 1 January 2014 on the basis of a contractual amendment. Once they have accepted an individual settlement, individual employees shall receive a one-off, individual payment which settles all their entitlements. Employees' entitlements to current and future contributions by the employer to the pension fund will therefore be terminated as of 31 December 2013. These changes do not apply to those employees close to retirement age who have not signed the settlement.

The defined-benefit pension plans at LSG Sky Chefs in the USA are largely closed to new entrants and no further benefits are being granted to beneficiaries still in service. Benefit payments are based on average salary and the years of service acquired before the plan was closed or frozen. The retirement age is 65. Pension payments are funded externally. Retirement benefits have been switched to defined-contribution plans.

Other staff abroad are also entitled to minor retirement benefits and in some cases to medical care based mainly on length of service and salary earned. As a rule, benefits are financed by means of external funds.

Contributions for defined-contribution retirement benefit commitments came to EUR 380m in 2013 (previous year: EUR 397m).

In the 2004 financial year, the process began on building up plan assets to fund and safeguard future pension payments and transfer them to the Lufthansa Pension Trust. The aim was to outsource the pension obligations in Germany in full within 10 to 15 years. A contractual trust arrangement was set up for this purpose. Deutsche Lufthansa AG, its subsidiaries Lufthansa Technik AG, Lufthansa Systems AG, Lufthansa Cargo AG, and four LSG companies are parties to the contractual trust arrangement.

The trustee is Lufthansa Pension Trust e.V., a separate legal entity subject to German regulations. Deutsche Lufthansa AG and the other partners agree on an annual contribution, and if such a contribution is determined, makes a payment to Lufthansa Pension Trust e. V.

The trust assets have been held by a Maltese corporate vehicle since 2007. The Investment Board of Lufthansa Malta Pension Holding decides on the fund's asset allocation. The asset management itself is delegated to fund management companies, who invest the assets in accordance with the general investment principles defined by the Investment Board.

In 2013, a further EUR 537m were transferred for the benefit of staff, taking the total transferred to the Lufthansa Pension Trust to EUR 5,995m.

Amounts shown in the balance sheet for defined-benefit commitments are made up as follows:

Defined-benefit commitments

in €m	**Defined-benefit obligations (DBO) 31.12.2013**	**Fair value of plan assets 31.12.2013**	**Effect of asset ceiling 31.12.2013**	**Net carrying amount for defined-benefit obligations 31.12.2013**	Defined-benefit obligations (DBO) 31.12.2012	Fair value of plan assets 31.12.2012	Effect of asset ceiling 31.12.2012	Net carrying amount for defined-benefit obligations 31.12.2012
Retirement benefits Germany	8,740	−7,057	–	1,683	8,805	−6,161	–	2,644
Transitional benefits Germany	2,765	−344	–	2,421	2,760	−338	–	2,422
Switzerland	2,246	−2,111	1	136	2,284	−1,958	–	326
Austria	550	−218	–	332	449	−218	–	231
USA	322	−258	–	64	369	−243	–	126
Other countries	376	−295	–	81	354	−259	–	95
Carrying amounts	**14,999**	**−10,283**	**1**	**4,717**	**15,021**	**−9,177**	**–**	**5,844**
of which pension provisions	–	–	–	4,718	–	–	–	5,844
of which other assets	–	–	–	1	–	–	–	–

Reconciliation between the funding status and the amounts shown in the consolidated balance sheet is as follows:

in €m	**2013**	2012
Present value of funded pension obligations	14,634	14,600
Plan assets	−10,283	−9,177
Funding status (net)	**4,351**	**5,423**
Present value of unfunded pension obligations	**365**	**421**
Adjustment for asset ceiling	1	–
Carrying amounts	**4,717**	**5,844**
of which pension provisions	4,718	5,844
of which other assets	1	–

During the reporting period, the present value of defined-benefit pension obligations changed as follows:

Change in present value of pension obligations

in €m	**2013**	2012
Balance on 1.1.	15,021	12,919
Current service costs	605	476
Interest expenses	487	508
Past service cost/effects of curtailments	−12	3
Effects of settlements	−2	−348
Revaluations		
Actuarial gains/losses from changes in demographic assumptions	2	–
Actuarial gains/losses from changes in financial assumptions	−694	2,296
Adjustments from past experience	−157	11
Currency translation differences	−46	11
Changes in the group of consolidated companies	–	–
Plan contributions – employees	32	61
Pension payments	−360	−435
Settlement payments	−16	−525
Other*	139	44
Balance on 31.12.	**14,999**	**15,021**

* The amounts are partly for benefit obligations which were measured in accordance with IAS 19 for the first time.

The following table provides a detailed reconciliation of changes in the fair value of plan assets:

Change in the fair value of plan assets

in €m	2013	2012
Balance on 1.1.	9,177	8,186
Interest income	300	318
Revaluations		
Income from plan assets, without amounts included in interest	213	440
Currency translation differences	–38	9
Changes in the group of consolidated companies	–	–
Plan contributions – employers	712	730
Plan contributions – employees	32	61
Pension payments	–111	–82
Settlement payments	–16	–522
Administrative costs related to obligations	–3	–3
Other*	17	40
Balance on 31.12.	**10,283**	**9,177**

* The amounts are partly for benefit obligations which were measured in accordance with IAS 19 for the first time.

In financial years 2013 and 2012 pension provisions developed as follows:

Pension provisions

in €m	2013	2012
Carried forward	5,844	4,733
Currency translation differences carried forward	–8	2
Pensions payments	–249	–353
Additions	781	324
Revaluation without effect on profit and loss	–1,061	1,867
Allocation to plan assets / staff changes	–589	–729
Year-end total	**4,718**	**5,844**

Expenses and income for defined-benefit plans are made up as follows:

in €m	2013	2012
Current service costs	605	476
Past service cost / effects of curtailments	–12	3
Income from plan settlements	–2	–348
Interest effect of projected pension obligations	487	508
Interest income on plan assets	–300	–318
Administrative costs related to obligations	3	3
Balance of expenses and income recognised in the income statement	**781**	**324**
Income from plan assets, without amounts included in interest	–213	–440
Actuarial gains and losses	–849	2,307
Net effect of adjustment for asset ceiling	1	–
Other comprehensive income	**–1,061**	**1,867**
	–280	**2,191**

Interest expenses on pension provisions and interest income on plan assets are shown in the financial result. Current service expense and past service expense are recognised in staff costs.

Total income on plan assets in 2013 came to EUR 514m (previous year: EUR 758m).

As in the previous year, there were no significant effects from the asset ceiling defined in IAS 19.64.

Past service expenses arose in 2013 primarily as a result of amending the collective agreement for commercial and technical staff at Austrian Airlines AG. The settlement payments made in the reporting year mainly relate to settlement payments in connection with the changes to pension obligations at Austrian Airlines AG and the closure of two foreign subsidiaries in the MRO segment.

The considerable volume of plan settlements reported in the previous year within the present value of pension obligations and the fair value of plan assets resulted mainly from the settlement of pension obligations at bmi and the adjustments to retirement benefits for flight staff at Austrian Airlines AG, which were agreed as part of the transfer of flight operations from Austrian Airlines AG to Tyrolean Airways Tiroler Luftfahrt GmbH.

The main actuarial assumptions used to calculate pension obligations and the corresponding plan assets are shown below:

Main actuarial assumptions for German companies

in %	31.12.2013	31.12.2012
Interest rate		
Retirement benefits	3.75	3.50
Transitional benefits	3.75	3.50
Salary increase		
Retirement benefits	2.75	2.75
Transitional benefits	2.75	2.75
Pension increase		
Retirement benefits	1.50	1.50
Transitional benefits	2.75	2.75

The "Actuarial Tables 2005 G" compiled by Prof. Dr Klaus Heubeck were used in the biometric calculations for the German companies in the Group.

Main actuarial assumptions for foreign companies

in %	31.12.2013	31.12.2012
Interest rates		
Austria	3.75	3.50
Switzerland	2.25	2.00
USA	4.85	4.08
Salary increase		
Austria	2.25	2.25
Switzerland	1.50	1.50
USA	–	–
Pension increase		
Austria	2.25	2.25
Switzerland	0.25	0.25
USA	–	–

The BVG 2010 mortality tables are used for the biometric calculations for Switzerland. Country-specific mortality tables are used in the other countries.

The following table shows how the present value of defined-benefit obligations would have been affected by changes in the relevant actuarial assumptions for the main pension plans described above:

Change in actuarial assumptions

	Effect on the defined-benefit contribution as of 31.12.2013 in €m	Change in %
Present value of the obligation*	14,999	–
Interest rate		
Increase by 0.5 percentage points	13,748	−8.3
Decrease by 0.5 percentage points	16,434	+9.6
Salary trend		
Increase by 0.5 percentage points	15,310	+2.1
Decrease by 0.5 percentage points	14,700	−2.0
Pension trend		
Increase by 0.5 percentage points	15,677	+4.5
Decrease by 0.5 percentage points	14,376	−4.2

* Present value of the obligation using the assumptions shown in the "Actuarial assumptions" tables.

A reduction of 10 per cent in the mortality rates used to calculate the pension obligations increases the life expectancy of the beneficiaries by a different amount depending on their individual ages. It roughly corresponds to an increase of one year in the life expectancy of a male employee who is 55 years old today. A 10 per cent reduction in the mortality rate would therefore increase the present value of the main benefit obligations in Germany and Switzerland by EUR 252m as of 31 December 2013.

The sensitivity analysis examines changes in one assumption and leaves the other assumptions unchanged compared with the original calculation. The effects of any correlation between the individual assumptions are therefore not taken into account.

Plan assets for funded defined-benefit pension obligations consist mainly of fixed-income securities, cash and cash equivalents, and equities. They do not include financial instruments issued by companies in the Group or properties used by Group companies.

Plan assets serve solely to meet the defined benefit obligations. Funding these benefit obligations with assets provides security for future payments. In some countries, this takes place on the basis of statutory regulations, in others (Germany, for example) it takes place on a voluntary basis.

Lufthansa aims to completely cover its German pension obligations by means of new capital allocation and positive capital market returns in the medium term (2014–2019). Regular annual contributions to the Lufthansa Pension Trust are made for this purpose. Investment performance plays a crucial role in meeting this target.

Lufthansa manages and monitors the financial risks that arise from outsourcing the pension obligations. There was no change in the risk management and monitoring processes compared with the previous year. Derivative financial instruments are used, especially to manage foreign exchange risks.

The allocation of the funds to asset classes (e.g. equities) is carried out on the basis of asset-liability matching studies performed by Deutsche Lufthansa AG. The Asset-Liability Matching (ALM) study is conducted every three years with an external adviser in order to review the funding strategy on a regular basis and to make adjustments as necessary. The next study will be carried out as of 31 December 2014. The results of the study should indicate what combination of investments (annuities, equities, etc.) can be used to cover the long-term pension obligations. Step one of this process is for the actuary to draft a long-term forecast charting how the pension obligations will develop.

In addition to this, target figures are needed for the relative return and relative risk as regards coverage of the obligations. Furthermore, a risk budget must also be defined.

A simulation is used to test all permissible investment allocations for their future compliance with these objectives. Those which do not fulfil the criteria are eliminated. Preference is given to allocations which are return-based yet conservative and which have a high probability of achieving the investment target.

The results of the ALM study show whether there will be strategic shifts in the existing allocation. Alternative investments (e.g. commodities, private equity) are currently being further developed, for example.

Plan assets are made up as follows:

Composition of plan assets

	Listed price in an active market 31.12.2013 in €m	No listed price in an active market in €m	**Total in €m**	**in %**	Listed price in an active market 31.12.2012 in €m	No listed price in an active market in €m	**Total in €m**	**in %**
Equity instruments (shares)	–	–	**3,356**	**32.6**	–	–	**3,007**	**32.8**
Europe	2,068	0*	2,068	–	2,036	–	2,036	–
Other	1,288	–	1,288	–	971	–	971	–
Debt instruments (annuities, bonds)	–	–	**4,521**	**44.0**	–	–	**3,982**	**43.4**
Government bonds	1,948	–	1,948	–	1,716	–	1,716	–
Corporate bonds	2,572	1	2,573	–	2,265	1	2,266	–
Money market investments	550	–	**550**	**5.4**	491	–	**491**	**5.3**
Property	151	305	**456**	**4.4**	149	301	**450**	**4.9**
Insurance contracts	–	146	**146**	**1.4**	–	141	**141**	**1.5**
Bank balances	268	–	**268**	**2.6**	239	–	**239**	**2.6**
Other investments[1]	277	709	**986**	**9.6**	260	607	**867**	**9.5**
Total			**10,283**	**100.0**			**9,177**	**100.0**

* Rounded below EUR 1m.
[1] Other investments include, in particular, alternative investments such as hedge funds, commodities and private equity funds.

In addition to various actuarial risks such as interest rate risk, life-expectancy risk and the risk of salary increases, the pension plans expose the Group primarily to financial risks in connection with plan assets.

The return on plan assets is assumed at the beginning of the period to be the discount rate, which is determined on the basis of investment grade corporate bonds. If the actual return on plan assets is less than the discount rates applied, the net obligation from the pension plan increases.

The share price risk that arises from the proportion of plan assets invested in equities is considered to be reasonable. The risk of default by bond issuers is limited, because investments are only made in investment grade bonds.

The amount of the net obligation depends to a large extent on the rates of interest, whereby the currently low-interest environment results in a relatively high net obligation. If yields on corporate bonds continue to decline, this would lead to a further increase in defined-benefit obligations, which could probably only be partly offset by positive developments in the market value of the corporate bonds held in plan assets.

In 2014, an estimated EUR 1.0bn will be transferred to pension plans. The transfers are made up of planned allocations and benefit payments which are not covered by equivalent reimbursements from plan assets.

The weighted duration of pension obligations was 18 years as of 31 December 2013.

Over the next ten years, the following pension payments are forecast for the defined-benefit commitments in existence as of the reporting date:

Forecast maturities of undiscounted pension payments

in €m	Forecast pension payments 31.12.2013
2014	408
2015	406
2016	436
2017	463
2018	494
2019–2023	3,174

34 Other provisions

Other provisions disclosed in the balance sheet as non-current and current provisions are made up as follows:

	31.12.2013			31.12.2012		
in €m	**Total**	**Non-current**	**Current**	Total	Non-current	Current
Obligations under partial retirement contracts	16	8	8	4	4	0*
Other staff costs	160	112	48	302	249	53
Obligation to return emissions certificates	35	35	–	52	–	52
Onerous contracts	127	79	48	160	88	72
Environmental restoration	29	25	4	30	26	4
Legal proceedings	109	21	88	109	12	97
Restructuring / severance payments	306	147	159	116	39	77
Fixed-price customer maintenance contracts	116	19	97	106	25	81
Maintenance of operating lease aircraft	279	89	190	264	82	182
Warranties	25	–	25	27	–	27
Other provisions	240	46	194	306	57	249
Total	**1,442**	**581**	**861**	**1,476**	**582**	**894**

* Rounded below EUR 1m.

Provisions for staff costs mainly relate to staff anniversary bonuses, variable payment portions and other current obligations. Provisions for restructuring and severance pay include expenses from the measures planned as part of the SCORE programme. Expected losses from onerous contracts result from ongoing obligations or other contractual relationships in which performance and consideration are out of balance. Provisions for environmental restoration are based on surveyors' findings and the assumption that all contamination is removed within ten years without any further legal requirements. Provision for legal proceedings is based on an assessment of the likely outcome of the proceedings.

Changes in groups of individual provisions in 2013 were as follows:

in €m	Obligations under partial retirement contracts	Other staff costs	Obligation to return emissions certificates	Onerous contracts	Environmental restoration	Legal proceedings	Restructuring/ severance payments
As of 1.1.2013	4	302	52	160	30	109	116
Changes in the group of consolidated companies	0*	0*	–	–	–	–	0*
Currency translation differences	–	–4	0*	0*	0*	–1	–1
Utilisation	–39	–64	–52	–42	–2	–9	–41
Increase/addition	60	48	35	14	1	24	236
Interest added back	2	4	–	1	0*	0*	0*
Reversal	0*	–6	–	–6	0*	–18	–4
Transfers	–11	–120	–	0*	–	4	0*
As of 31.12.2013	**16**	**160**	**35**	**127**	**29**	**109**	**306**

* Rounded below EUR 1m.

in €m	Fixed-price customer maintenance contracts	Maintenance of operating lease aircraft	Warranties	Other provisions	**Total**
As of 1.1.2013	106	264	27	306	**1,476**
Changes in the group of consolidated companies	–	–5	–	7	**2**
Currency translation differences	0*	–2	0*	–1	**–9**
Utilisation	–61	–117	–10	–126	**–563**
Increase/addition	73	120	10	89	**710**
Interest added back	1	0*	–	2	**10**
Reversal	–3	–9	–2	–22	**–70**
Transfers	–	28	0*	–15	**–114**
As of 31.12.2013	**116**	**279**	**25**	**240**	**1,442**

* Rounded below EUR 1m.

The funding status for provisions for obligations to staff under partial retirement agreements is as follows:

Funding status

in €m	**2013**	2012
Present value of funded obligations under partial retirement agreements	146	126
External plan assets	–165	–166
	–19	**–40**

In 2005, EUR 97m was transferred to an external trust fund as insolvency insurance for employer's performance arrears, under phased retirement agreements under which the employee at first works full-time for less pay and then retires early on the same reduced pay.

In 2007 and 2009, a further EUR 39m and EUR 2m were transferred respectively. These assets, which fulfil the requirements for plan assets and therefore reduce the net amount of obligations accordingly, are measured at market value on the balance sheet date.

Obligations under partial retirement agreements were calculated on the basis of the following interest rate assumptions:

Assumptions

in %	**2013**	2012	2011	2010	2009
Interest rate	1.46	1.26	2.53	2.23	5.50

The following cash outflows are estimated for the non-current portion of the other groups of provisions:

in €m	2015	2016	2017	2018 and thereafter
Onerous contracts	27	19	27	9
Environmental restoration	4	4	4	15
Restructuring/ severance payments	63	44	34	10
Fixed-price customer maintenance contracts	19	–	–	–
Maintenance of aircraft on operating leases	40	20	13	27
Other provisions	27	12	6	41
Obligation to return emissions certificates	35	–	–	–

At the end of 2012, the corresponding cash outflows were estimated as follows:

in €m	2014	2015	2016	2017 and thereafter
Onerous contracts	27	25	20	20
Environmental restoration	4	4	4	16
Restructuring/ severance payments	15	18	6	0*
Fixed-price customer maintenance contracts	22	2	2	–
Maintenance of aircraft on operating leases	45	16	3	18
Other provisions	38	37	5	43

* Rounded below EUR 1m.

35 Borrowings

Borrowings consist of a non-current portion with a residual term of more than one year and a current portion of less than one year which is shown under current liabilities. The following table shows the total amount of borrowings:

Borrowings 31.12.2013

in €m	**Total**	Non-current	Current
Bonds	1,812	962	850
Liabilities to banks	1,254	950	304
Leasing liabilities and other loans	3,271	2,911	360
	6,337	**4,823**	**1,514**

Borrowings 31.12.2012

in €m	**Total**	Non-current	Current
Bonds	2,312	1,819	493
Liabilities to banks	1,507	1,340	167
Leasing liabilities and other loans	3,091	2,788	303
	6,910	**5,947**	**963**

Collateral was provided for EUR 385m of the liabilities to banks (previous year: EUR 529m).

There were no delays or defaults on payment obligations under these loan agreements in either 2013 or 2012.

Leasing liabilities and other loans relate exclusively to finance leases described in "Note 21" starting on p. 165 and aircraft financing arrangements described in "Note 19" on p. 163.

36 Other non-current financial liabilities

Other non-current financial liabilities

in €m	**31.12.2013**	31.12.2012
Liabilities due to affiliated companies	2	2
Liabilities due to other equity investments	–	–
Other financial liabilities	146	196
	148	**198**

The carrying amount for financial liabilities is equivalent to their fair value, as they pay interest at a floating or market standard rate.

37 Non-current advance payments received, deferred income and other non-financial liabilities

Non-current advance payments received, deferred income and other non-financial liabilities

in €m	31.12.2013	31.12.2012
Advance payments received	3	5
Deferred income	726	722
Other non-financial liabilities	458	436
	1,187	**1,163**

Deferred income includes EUR 714m (previous year: EUR 703m) of deferred income relating to obligations under bonus miles programmes. Other non-financial liabilities include EUR 441m (previous year: EUR 421m) in obligations under bonus mile programmes. In addition, deferred income includes EUR 8m (previous year: EUR 10m) for grants and subsidies received for capital expenditure, which are realised over the useful life of the assets.

Other non-financial liabilities include obligations to return material valued at EUR 4m (previous year: EUR 4m) and the EUR 10m (previous year: EUR 8m) non-current portion of obligations recognised at fair value under share-based remuneration agreements that form part of the variable remuneration of Executive Board members, managers and non-pay scale staff. A further EUR 11m (previous year: EUR 10m) is included in current other non-financial liabilities.

As part of the share-based remuneration agreements, Lufthansa and other participating Group companies offer a 50 per cent discount on staff investment in Lufthansa shares to Executive Board members, managers and non-pay scale staff. The option packages granted in 2011, 2012 and 2013 consist of an outperformance option and a performance option. As the duration of the 2011 programme was extended from three to four years, a performance/outperformance option after three years and a performance/outperformance option after four years were included in the option package for 2011.

The outperformance option is linked to the performance of the Lufthansa share compared with a fictitious index composed of European competitors' shares, whereas the performance option is linked to the absolute performance of the Lufthansa share. With the outperformance option the holder receives a cash payment for each percentage point of outperformance on exercising the option. The cash payment is capped at an outperformance of 20 per cent.

The three-year performance option for 2011 results in a cash payment if the share price goes up by more than 29 per cent. This is capped for share price increases of more than 43 per cent (44 per cent for staff outside pay scales). The four-year performance option for 2011 results in a cash payment if the share price goes up by more than 38 per cent. The bonus is capped for Executive Board members at 58 per cent, for managers at 56 per cent and for non-pay scale staff at 57 per cent. The four-year performance option for 2012 results in a cash payment if the share price goes up by more than 35 per cent. This is capped at a share price increase of more than 53 per cent. The four-year performance option for 2013 results in a cash payment if the share price goes up by more than 33 per cent. This is capped at a share price increase of more than 50 per cent.

2011, 2012 and 2013 programmes outperformance option

	€ per percentage point from 1%	Maximum per tranche in €
Board member	1,000	20,000
Managers	400	8,000
Non-pay scale staff (per 5 pp)	200	1,000

2011 programme (after three years) performance option

	€ per performance unit from 29% performance	Maximum per tranche in €
Board member	10,000 + 1,000 per performance unit	20,000
Managers	4,000 + 500 per performance unit	8,000
Non-pay scale staff	500 + 100 per performance unit	1,000

2011 programme performance option (after four years)

	€ per performance unit from 38% performance	Maximum per tranche in €
Board member	10,000 + 1,000 per performance unit	20,000
Managers	4,000 + 500 per performance unit	8,000
Non-pay scale staff	500 + 100 per performance unit	1,000

2012 programme performance option

	€ per performance unit from 35% performance	Maximum per tranche in €
Board member	10,000 + 1,000 per performance unit	20,000
Managers	4,000 + 500 per performance unit	8,000
Non-pay scale staff	500 + 100 per performance unit	1,000

2013 programme performance option

	€ per performance unit from 33% performance	Maximum per tranche in €
Board member	10,000 + 1,000 per performance unit	20,000
Managers	4,000 + 500 per performance unit	8,000
Non-pay scale staff	500 + 100 per performance unit	1,000

The 2011 programme has two exercise dates, after three and four years respectively. The 2012 and 2013 programmes each run for four years.

All options can be exercised at a fixed time in the final year. The (out) performance is calculated on the principle of total shareholder return. The shares invested in personally may not be sold until the option falls due.

No payments were made to Executive Board members, managers and non-pay scale staff under the outperformance option for 2010. The same applied to the performance option for 2010, since the hurdle rate of 29 per cent was not achieved.

Results "LH-Performance" as of 31.12.2013

in €m	End of programme	Outper-formance as of 31.12.2013 in %	Performance as of 31.12.2013 in %
LH-Performance 2013	2017	2	7
LH-Performance 2012	2016	–40	42
LH-Performance 2011	2015	–50	51
LH-Performance 2010*	2013	–15	10

* Until 29 October 2013.

Over the financial years 2013 and 2012, the number of options changed as follows:

	2013		2012	
	Number of options/ option packages	**Cash settlement in € thousands**	Number of options/ option packages	Cash settlement in € thousands
Outstanding options on 1.1.	16,587	–	16,009	–
Options issued	4,391	–	4,183	–
Expired or unused options	4,000	–	197	–
Options exercised	–	–	3,408	6,367
Outstanding options on 31.12.	16,978	–	16,587	–

On 1 January 2013, members of the Executive Board, managers and non-pay scale staff held 2,998,331 shares under the various programmes, and on 31 December 2013 they held 3,136,917 shares.

The fair values of the twelve options programmes still running were calculated using Monte Carlo simulations. This involves simulating the future returns of the shares in the index and of Deutsche Lufthansa AG and calculating the value of the option rights as the forecast amount of a dividend.

The following fair values were measured in total:

in € per option	Own investment	Fair value
Board member		
Options 2011 (after three years)	2,000	15,607
Options 2011 (after four years)	–	13,032
Options 2012	2,000	12,269
Options 2013	2,000	13,408
Managers		
Options 2011 (after three years)	2,000	6,236
Options 2011 (after four years)	–	5,236
Options 2012	2,000	5,058
Options 2013	2,000	5,360
Non-pay scale staff		
Options 2011 (after three years)	1,000	775
Options 2011 (after four years)	–	652
Options 2012	1,000	594
Options 2013	1,000	674

The weighted average share prices at the calculation date were used in the Monte Carlo simulation. As stated in the terms of the programme, these are 50-day averages for the shares of Deutsche Lufthansa AG and the competitors included in the comparative index. The volatilities and correlations used are forecasts for a specific date and maturity on the basis of current market estimates.

Swap rates for the remaining term of the outperformance option were used as interest rates in each case. The maximum term of the programmes was used for measurement purposes.

The parameters used by the external service provider are shown in the following table:

Reference price

in EUR/GBP	Options 2011 (three years)	Options 2011 (four years)
Lufthansa	10.27	10.27
Air France-KLM	5.77	5.77
British Airways (IAG)	160.13	160.13
Iberia (IAG)	160.13	160.13
Ryanair	3.16	3.16
easyJet	340.33	340.33
Air Berlin	2.66	2.66

Projected volatilities

in %	Options 2011 (three years)	Options 2011 (four years)
Lufthansa	28.48	29.07
Air France-KLM	36.75	44.00
British Airways (IAG)	32.74	33.05
Iberia (IAG)	32.74	33.05
Ryanair	31.64	28.10
easyJet	32.15	29.10
Air Berlin	49.74	42.75
Risk-free interest rate	0.07–0.11 for euro zone, 0.35–0.51 for UK	
Fluctuation	4.9	

Reference price

in EUR/GBP	Options 2012	Options 2013
Lufthansa	10.61	14.09
Air France-KLM	5.00	7.00
IAG	154.41	329.78
Ryanair	4.40	6.32
easyJet	582.27	1.290.46
Air Berlin	1.64	1.79

Projected volatilities

in %	Options 2012	Options 2013
Lufthansa	31.83	30.96
Air France-KLM	45.25	43.25
IAG	35.51	35.54
Ryanair	28.48	29.57
easyJet	33.34	32.74
Air Berlin	42.31	39.66
Risk-free interest rate	0.23–0.42 for euro zone, 0.87–1.25 for UK	
Fluctuation	4.9	

Staff costs include total expenses of EUR 9m (previous year: EUR 20m) for options programmes.

38 Trade payables and other current financial liabilities

in €m	**31.12.2013**	31.12.2012
Trade payables		
Trade payables to affiliated companies	42	55
Trade payables to other equity investments	3	36
Trade payables to third parties	2,981	2,693
	3,026	**2,784**
Other liabilities		
Liabilities to banks	56	9
Other liabilities to affiliated companies	244	229
Other liabilities to equity investments	0*	0*
Other financial liabilities	1,220	1,209
	1,520	**1,447**
Total	**4,546**	**4,231**

* Rounded below EUR 1m.

The carrying amount of these liabilities corresponds to their fair value.

39 Current advance payments received, deferred income and other non-financial liabilities

in €m	**31.12.2013**	31.12.2012
Advance payments received	56	32
Net debit balance of advance payments received and receivables from unfinished contracts	77	101
Deferred income	387	352
Other non-financial liabilities	441	448
	961	**933**

Obligations under bonus miles programmes, see "Note 37" starting on p. 181, are recognised in deferred income with EUR 349m (previous year: EUR 319m) and in other non-financial liabilities with EUR 207m (previous year: EUR 217m).

Other liabilities include deferrals of EUR 221m (previous year: EUR 219m) for outstanding holiday allowance and overtime and EUR 11m (previous year: EUR 10m) for the current portion of fair value obligations under share-based remuneration agreements, see "Note 37" starting on p. 181.

Other disclosures

40 Contingencies and events after the balance sheet date

Contingent liabilities

in €m	31.12.2013	31.12.2012
From guarantees, bills of exchange and cheque guarantees	854	922
From warranty contracts	929	925
From providing collateral for third-party liabilities	39	43
Legal risks	60	73
Other risks	107	76
	1,989	**2,039**

Warranty agreements included EUR 300m (previous year: EUR 280m) in contingent liabilities towards creditors of joint ventures. A total of EUR 1,140m (previous year: EUR 1,191m) relates to joint and several guarantees and warranties. This amount is offset by compensatory claims against the co-debtors for EUR 1,045m (previous year: EUR 1,099m). Insofar as annual financial statements have yet to be published, these figures are preliminary.

Legal risks

The Group is exposed to a number of legal risks in the course of its normal business. Based on current knowledge, the assumption is that these will not have any major, lasting effects on net assets, financial and earnings position, beyond those for which provisions for litigation risks have been made, see "Note 34" starting on p. 178.

Legal disputes and other claims made against the Group are always subject to uncertainty, however. Management estimates of these risks may also change over time. The actual outcome of these legal disputes may differ from earlier management estimates, which could have significant effects on the net assets, financial and earnings position and the reputation of our Company. We cannot give a reliable estimate of the maximum possible loss that would be incurred if the outcome of these proceedings were to be negative. The legal disputes include, among other things:

Risk of lawsuits against Miles & More programme rules

The validity of the General Terms and Conditions (programme rules) of the Miles & More programme (M&M programme) is being challenged in court proceedings. The allegation is that the General Terms and Conditions are not clear in several points and not understandable by members. In particular, one lawsuit claims that because the General Terms and Conditions are invalid, the limits to transferring bonus miles and tickets, the possibility of expiry for bonus miles and status privileges, and the opportunities and consequences of termination are all null and void. In the first instance, the lawsuit was dismissed on all points. On appeal, the court ruled that the non-transferability of bonus documents was unreasonable and that the corresponding provisions of the programme rules, including on the non-transferability of bonus miles, were invalid. This ruling is now subject to a final legal review. A judgement in the legal review is not expected before the end of 2014. This judgement could confirm the decision of the appeals court, suspend it and refer the matter back to the appeals court or dismiss the case altogether.

Depending on the specific reasoning, a confirmation of the appeals court ruling could have significant effects for the Lufthansa Group, including the need to adjust provisions for air miles, loss of income and changes to the rules of the M&M programme.

Lawsuit against Austrian Airlines AG challenging the transfer of flight operations to Tyrolean Airways Tiroler Luftfahrt GmbH

Various lawsuits have been filed in connection with the transfer of flight operations from Austrian Airlines AG to Tyrolean Airways Tiroler Luftfahrt GmbH (Tyrolean) effective 1 July 2012. One, to which the former works council for cabin crew of Austrian Airlines AG is also party, asserts that the entire transfer is invalid and alternatively that a right exists to compensation for the defined-benefit pensions at Austrian Airlines AG.

In the first instance, the court in Vienna ruled that the employment contracts of the former Austrian Airlines cabin staff were not transferred to Tyrolean from Austrian Airlines AG along with flight operations. As far as the employees were concerned, the ruling stated that the transfer was an abuse of the law and therefore invalid. Austrian Airlines AG has appealed against the ruling.

The management of the Lufthansa Group is of the opinion that the more convincing legal arguments will speak for a dismissal by the appeals court of the lawsuits brought by the works council for cabin staff. If it should come to a definitive judgement against the company, the one-off effects alone, such as the additional provisions for pensions and severance payments as well as the necessary back payments to employees, would jeopardise the unqualified classification of Austrian Airlines AG as a going concern. A further external opinion would then be needed to determine the chances of the company's continued existence.

In another related lawsuit, the Austrian Trade Union Federation has asked the Austrian Supreme Court (OGH) to rule that the collective agreements at Austrian Airlines AG continue to apply following the transfer of flight operations to Tyrolean. These proceedings also deal with the question of whether the transfer of operations was permissible and lawful.

The overall litigation risk is very difficult to quantify, since no relevant case law from the highest courts is available. The current balance of opinion is that victory is more likely than defeat. If the decision goes against Austrian Airlines AG and the former rules on severance pay are reinstated, the adverse financial consequences would be considerable. Depending on the dynamic or static effect of this reinstatement, the effect on Austrian Airlines AG could be as severe as a defeat in the above-mentioned case on the "invalidity" of transferring operations.

Risk of successful claims for damages in ongoing anti-trust proceedings

Various cargo airlines, including Lufthansa Cargo AG and Swiss International Air Lines AG, were involved in a cargo cartel in the period between December 1999 and February 2006. Deutsche Lufthansa AG, Lufthansa Cargo AG and Swiss International Air Lines AG are at risk of civil claims for damages by customers in Germany, the United Kingdom, Norway, Australia, Israel and the Netherlands. The plaintiffs are mostly claiming for unspecified damages.

At present, it is not possible to give a concrete assessment of the outcome of the proceedings and of the number and amount of any other claims that may be brought. When evaluating the risk, it should nonetheless be kept in mind that the European Commission's decision on the cargo cartel, which the plaintiffs in the civil lawsuits generally refer to, is still not definitive. Moreover, an expert economic opinion commissioned by Lufthansa Cargo AG and Swiss International Air Lines AG comes to the conclusion that the cartel did not inflict any actual damage on customers. Even if there were damages (i. e. allegedly higher cartel prices), the court will have to examine whether the plaintiffs did not pass them on to their own customers (in the case of the freight forwarders) or whether they were indeed passed on to them (in the case of the final customers).

Niki Luftfahrt proceedings against the subsidy ruling by the European Commission in favour of Austrian Airlines AG

Niki Luftfahrt GmbH has filed an action for annulment with the ECJ against the decision taken by the European Commission in 2009 to approve a subsidy of EUR 500m for Austrian Airlines AG. Austrian Airlines AG, Deutsche Lufthansa AG and Österreichische Industrieholding AG (the state-owned Austrian privatisation company) have intervened in the proceedings to support the European Commission. The action is based on alleged shortcomings in the privatisation process, the description of the planned restructuring measures, the amount of compensation and the formally inadequate reasoning behind the decision. Its chances of success are not considered to be high, because the Commission's decision was based not only on a provisional review, but also on a detailed investigation with conditions attached. If the action should be upheld, it would mean that the entire restructuring support would have to be repaid with interest, however.

Niki Luftfahrt proceedings against approval of the merger between Deutsche Lufthansa AG / Austrian Airlines AG by the European Commission

In August 2009, the European Commission approved the acquisition of Austrian Airlines AG by Deutsche Lufthansa AG, subject to conditions, after conducting a full investigation (Phase II procedure). Niki Luftfahrt GmbH (NIKI) has filed an action with the ECJ against this decision by the European Commission. Deutsche Lufthansa AG and Österreichische Industrieholding AG (the state-owned Austrian privatisation company) have intervened in the proceedings to support the European Commission. NIKI is of the opinion that the conditions of competition law for approving the merger were not met, partly because the terms that Deutsche Lufthansa AG offered to alleviate the concerns under competition law did not go far enough. The plaintiff's chances of success are not considered to be high at present, because the Commission's decision was based on an extensive two-phase merger procedure with comparatively strict conditions. If the action were to be upheld, it would ultimately mean that Austrian Airlines AG would have to be divested from the Lufthansa Group.

Advance payment for flight bookings

A lawsuit has been filed against Deutsche Lufthansa AG with the Cologne District Court by the consumer protection association in North Rhine-Westphalia to obtain an injunction against the demand for advance payment. Nearly all German airlines are the subject of the action. Transport contracts with consumers include a clause stipulating that the price of the flight is payable immediately after the booking has been made. The lawsuit demands that only a down payment should be required for a flight booking or that the passenger should be able to decide when to pay the price up to a certain date before departure, irrespective of the booking date. The commercial consequences of a negative ruling cannot be quantified at present.

Otherwise, several provisions for other legal risks and for other contingent liabilities could not be made because an outflow of resources was not sufficiently probable. The potential financial effect of these provisions on the result would have been EUR 60m (previous year: EUR 73m) and EUR 107m (previous year: EUR 76m) respectively for subsequent years.

Contracts signed the previous year for the sale of five Boeing B737s and two Avro RJ 85s yielded total cash inflows of EUR 75m, including profits of EUR 4m, in the financial year 2013.

Signed contracts for the sale of five ATRs are expected to yield cash receipts of EUR 21m and profits of EUR 4m in 2014.

Strike at Frankfurt Airport disrupts flight operations

Due to a strike, announced by the trade union ver.di, by various security companies at Frankfurt Airport on 21 February 2014, there were delays and cancellations in the Lufthansa Group's flight plan throughout the day, particularly concerning flights to and from Frankfurt. Although the strike did not take place at the Lufthansa Group itself, travellers with Lufthansa Passenger Airlines, SWISS and Austrian Airlines were severely affected by the action, as the airport's security checks for passengers embarking in Frankfurt were closed from the early afternoon.

41 Other financial obligations

As of 31 December 2013, there were purchase commitments for EUR 16.0bn (previous year: EUR 5.7bn) for capital expenditure on property, plant and equipment and for intangible assets. There were also capital and shareholder loan commitments of EUR 82m towards equity investments (previous year: EUR 76m).

42 Additional disclosures on financial instruments

Financial assets by measurement category

The financial assets can be divided into measurement categories with the following carrying amounts:

Financial assets in the balance sheet as of 31.12.2013

in €m	Loans and receivables	At fair value through profit or loss	Available for sale	Derivative financial instruments which are an effective part of a hedging relationship
Other equity investments	–	–	500	–
Non-current securities	–	–	20	–
Loans	178	–	–	–
Non-current receivables	224	–	–	–
Non-current derivative financial instruments	–	170	–	165
Trade receivables and other current receivables	3,577	–	–	–
Current derivative financial instruments	–	132	–	328
Current securities	–	1	3,145	–
Cash and cash equivalents	–	–	1,550	–
Total	**3,979**	**303**	**5,215**	**493**

Financial assets in the balance sheet as of 31.12.2012

in €m	Loans and receivables	At fair value through profit or loss	Available for sale	Derivative financial instruments which are an effective part of a hedging relationship
Other equity investments	–	–	413	–
Non-current securities	–	–	19	–
Loans	186	–	–	–
Non-current receivables	259	–	–	–
Non-current derivative financial instruments	–	127	–	141
Trade receivables and other current receivables	3,544	–	–	–
Current derivative financial instruments	–	112	–	103
Current securities	–	–	3,530	–
Cash and cash equivalents	–	–	1,436	–
Total	**3,989**	**239**	**5,398**	**244**

The financial assets in the category "at fair value through profit or loss" include assets held for trading and time values of options used for hedging of EUR 152m (previous year: EUR 178m) which are to be recognised in the financial result. Otherwise, no financial assets have been classified as "at fair value through profit or loss".

Financial liabilities by measurement category

The financial liabilities can be divided into measurement categories with the following carrying amounts:

Financial liabilities in the balance sheet as of 31.12.2013

in €m	Liabilities at fair value through profit or loss	Derivative financial instruments which are an effective part of a hedging relationship	Other financial liabilities at cost
Financial liabilities	–	–	6,337
Derivative financial instruments	278	331	–
Trade payables	–	–	3,026
Other financial liabilities	–	–	1,668
Total	**278**	**331**	**11,031**

Financial liabilities in the balance sheet as of 31.12.2012

in €m	Liabilities at fair value through profit or loss	Derivative financial instruments which are an effective part of a hedging relationship	Other financial liabilities at cost
Financial liabilities	–	–	6,910
Derivative financial instruments	92	60	–
Trade payables	–	–	2,784
Other financial liabilities	–	–	1,645
Total	**92**	**60**	**11,339**

The measurement of derivative financial instruments held at fair value was made on the basis of observable market data.

The following table shows the carrying amounts and market values for individual classes of financial liabilities. Market values of EUR 1,708m for bonds are equal to the listed prices, and market values of EUR 210m for bonds were derived from 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

	31.12.2013		31.12.2012	
in €m	Carrying amount	Market value	Carrying amount	Market value
Bonds	1,812	1,918	2,312	2,563
Liabilities to banks	1,254	1,276	1,507	1,555
Leasing liabilities and other loans	3,271	3,443	3,091	3,372
Total	**6,337**	**6,637**	**6,910**	**7,490**

The net result of the different categories of financial assets is made up as follows:

2013

in €m	Other operating income	Other operating expenses	Result from equity investments	Other financial items	**Net result**
Loans and receivables	43	–169	–	–	**–126**
Financial assets at fair value through profit or loss	–	–	–	–130	**–130**
Ineffective portion of derivatives used as cash flow hedges	–	–	–	50	**50**
Available-for-sale financial assets	26	–5	–	–3	**18**

2012

in €m	Other operating income	Other operating expenses	Result from equity investments	Other financial items	**Net result**
Loans and receivables	27	–142	–	–20	**–135**
Financial assets at fair value through profit or loss	–	–	–	–101	**–101**
Ineffective portion of derivatives used as cash flow hedges	–	–	–	82	**82**
Available-for-sale financial assets	710	–23	–	–9	**678**

Financial assets held at fair value by level of fair value hierarchy

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 31.12.2013

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

* Rounded below EUR 1m.

Liabilities 31.12.2013

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

In the financial year 2012, the fair value hierarchy for assets held at fair value was as follows:

Assets 31.12.2012

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	–	239	–	239
Current securities	–	0*	0*	0*
Total financial assets through profit and loss	**–**	**239**	**0***	**239**
Derivative financial instruments which are an effective part of a hedging relationship	**–**	**244**	**–**	**244**
Available-for-sale financial assets				
Equity instruments	560	–	–	560
Debt instruments	951	2,175	61	3,187
	1,511	**2,175**	**61**	**3,747**
Total assets	**1,511**	**2,658**	**61**	**4,230**

* Rounded below EUR 1m.

Liabilities 31.12.2012

in €m	Level 1	Level 2	Level 3	Total
Derivative financial instruments at fair value through profit or loss	–	92	–	92
Derivative financial instruments which are an effective part of a hedging relationship	–	60	–	60
Total liabilities	**–**	**152**	**–**	**152**

Additional disclosures on financial assets in Level 3

in €m	1.1.2013	Recognised in result for the period	Change in market value recognised in equity	Additions/ disposals	**31.12.2013**
Financial assets at fair value through profit or loss	0*	1	–	–	1
Available-for-sale financial assets	61	0*	0*	–21	40
Total	**61**	**1**	**0***	**–21**	**41**

* Rounded below EUR 1m.

Additional disclosures on financial assets in Level 3

in €m	1.1.2012	Recognised in result for the period	Change in market value recognised in equity	Additions/ disposals	**31.12.2012**
Financial assets at fair value through profit or loss	0*	0*	–	0*	0*
Available-for-sale financial assets	6	0*	11	44	61
Total	**6**	**0***	**11**	**44**	**61**

* Rounded below EUR 1m.

Netting of financial assets and liabilities

The following financial assets and liabilities are subject to global netting agreements and other agreements.

Assets
31.12.2013

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Net amount
Trade receivables and other current receivables	3,735	–158	3,577	–	3,577
Derivative financial instruments – assets	795	–	795	–545	250
Cash and cash equivalents	1,580	–30	1,550	–	1,550
Total assets	**6,110**	**–188**	**5,922**	**–545**	**5,377**

Shareholders' equity and liabilities
31.12.2013

in €m	Gross amount	Netted amounts	Reported net amount	Amounts not netted	Net amount
Trade payables and other financial liabilities	4,882	–188	4,694	–144	4,550
Derivative financial instruments – liabilities	609	–	609	–401	208
Total equity and liabilities	**5,491**	**–188**	**5,303**	**–545**	**4,758**

In the previous year, EUR 502m was netted out between financial assets and financial liabilities, so that without netting, the reported assets would have increased from EUR 5,463m to EUR 5,965m, and the financial liabilities would have increased from EUR 4,581m to EUR 5,083m. If amounts not netted had in fact been netted, the reported financial assets and liabilities would each have been EUR 161m lower.

Principles of hedging policy

As an aviation group with worldwide operations, the Lufthansa Group is exposed to exchange rate, interest rate and fuel price movement risks, as well as to credit and liquidity risks. It is Company policy to limit these risks by systematic financial management.

Market risk

The major market and price risks to which the Lufthansa Group is exposed are exchange rate fluctuations between the euro and other currencies, interest rate fluctuations in international money and capital markets, and price fluctuations in the crude oil and oil products markets. Hedging policy for limiting these risks is laid down by the Executive Board and documented by internal Group guidelines. It also provides for the use of financial derivatives. The corresponding financial transactions are concluded only with first-rate counterparties.

Foreign exchange risk

For US dollars, Deutsche Lufthansa AG is mainly in a net payer position as regards currency risks from its operating business, as fuel payments are dollar-denominated. For other currencies there is always a net surplus. The main risks in this respect stem from the pound sterling, the Swiss franc, the Japanese yen, the Chinese renminbi and the Indian rupee. Depending on market liquidity, currency risks from projected operational exposure are hedged gradually over a period of 24 months by means of futures contracts. The target hedging level is defined in the Group's internal guidelines.

At the end of 2013 exposure from operations for the next 24 months was as follows:

in m	USD	CNY	JPY	GBP	INR
Exposure (currency)	−10,225	10,466	155,585	772	60,609
Exposure (EUR at spot rate)	−7,415	1,254	1,075	926	710
Hedges (currency)	3,217	−2,324	−82,622	−286	−13,700
Hedging level	31%	22%	53%	37%	23%

Currency risks from capital expenditure on aircraft are 50 per cent hedged when the contract is signed. The hedging level is increased if, over the lifetime of the contract, the exchange rate goes significantly above or below that used to calculate the investment. In the last 24 months before payment the hedging level is increased in semi-annual steps of 10 per cent, to reach 90 per cent at the end. Spread options and futures are used as hedging instruments.

From the position at year-end 2013 exposure for capital expenditure was as follows:

in m	2014	2015	2016	2017
Exposure from net capital expenditure (USD)	−1,152	1,364	−836	−298
Exposure from net capital expenditure (EUR at spot rate)	−836	−989	−606	−216
Hedges (USD)	1,067	1,065	504	199
Hedging level	93%	78%	60%	67%

in m	2018	2019	2020	2021	2022−25
Exposure from net capital expenditure (USD)	−896	−1,313	−1,641	−1,623	−5,180
Exposure from net capital expenditure (EUR at spot rate)	−649	−952	−1,190	−1,177	−3,756
Hedges (USD)	165	184	589	111	2,447
Hedging level	18%	14%	36%	7%	47%

The following sensitivity analysis required by IFRS 7 shows the effect on net profit and equity if the currencies identified as price risk variables would habe been different from the perspective of the balance sheet date.

in €m	Effects on net profit*	Effects on equity*
Currency – USD		
+10%	−24	+513
−10%	+67	−416
Currency – JPY		
+10%	+1	−52
−10%	0*	+42
Currency – CHF		
+10%	−40	−115
−10%	+41	+106
Currency – GBP		
+10%	+5	−28
−10%	−11	+23
Currency – CNY		
+10%	+3	−23
−10%	−3	+19
Currency – INR		
+10%	+1	−13
−10%	−1	+11

* All amounts after deferred tax effects; +/– signs relate to net profit and/or equity.

Interest rate risk

Lufthansa aims to finance 85 per cent of its financial liabilities at floating rates of interest. This proportion recognises the need to both minimise long-term interest expense and reduce earnings volatility.

At the end of 2013, the ratio of floating to fixed interest rates for long-term borrowing was as follows:

Exposure

in €m	2014	2015	2016	2017	2018
Fixed	914	828	728	574	357
Floating	5,353	3,997	3,539	2,518	1,689
Floating / fixed ratio	85%	83%	83%	81%	83%

Exposure

in €m	2019	2020	2021	2022	2023	2024
Fixed	355	361	273	187	166	107
Floating	1,238	806	639	463	335	169
Floating / fixed ratio	78%	69%	70%	71%	67%	61%

In contrast, foreign currency risks from financial liabilities are always hedged to 100 per cent by means of interest rate / currency swaps. These hedging transactions are treated almost exclusively as trading in accordance with IAS 39.

The following sensitivity analysis required by IFRS 7 shows the effect on net profit and equity if the interest rate identified as a price risk variable would have been different from the perspective of the balance sheet date.

in €m	Effects on net profit*	Effects on equity*
Interest		
+ 100 basis points	– 1	– 36
– 100 basis points	+ 1	+ 32

* All amounts after deferred tax effects; + / – signs relate to net profit and / or equity.

Fuel price risk

In 2013, fuel costs accounted for 22.5 per cent of the Lufthansa Group's operating expenses (previous year: 23.5 per cent). Significant changes in fuel prices can therefore have a considerable effect on the Group's result.

Fuel price risk is generally limited by the use of crude oil hedges. The hedging level and the time horizon depend on the risk profile, which is derived from the business model of a Group company. As a rule up, to 5 per cent of exposure is hedged monthly for up to 24 months by spread options and other combinations of hedges. This means that the maximum hedging level reached is 85 per cent.

Deviations from the rule-based hedging policy described above are permitted within the scope of a pre-defined system of limits.

From a year-end perspective fuel exposure was as follows:

Fuel exposure

		2014	2015
Fuel requirement	in 1,000 tonnes	8,502	8,858
Hedges	in 1,000 tonnes	6,624	2,404
Hedging level	in %	77.9	27.1

The following sensitivity analysis required by IFRS 7 shows the effect on net profit and equity if the fuel price identified as a price risk variable would have been different from the perspective of the balance sheet date.

in €m	Effects on net profit*	Effects on equity*
Fuel price		
+ 10%	– 80	+ 353
– 10%	– 98	– 96

* All amounts after deferred tax effects; + / – signs relate to net profit and / or equity.

Market values of the derivative financial instruments used for hedging

Derivative financial instruments qualifying as effective hedging instruments within a hedging relationship have the following balances:

Derivative financial instruments

in €m	31.12.2013	31.12.2012
Positive market value – long-term	165	141
Positive market value – short-term	328	103
Negative market value – long-term	– 173	– 57
Negative market value – short-term	– 158	-3
	162	**184**

They relate to the following hedged items:

in €m	31.12.2013	31.12.2012
Fuel price hedges	126	14
Exchange rate hedges	– 60	16
Interest rate hedges	96	154

Derivative financial instruments measured at fair value through profit or loss are shown in the following table:

Trading part

in €m	31.12.2013	31.12.2012
Positive market value – long-term	170	127
Positive market value – short-term	132	112
Negative market value – long-term	–253	–93
Negative market value – short-term	–25	1
	24	**147**

The positive and negative market values shown are from derivatives that do not qualify under IAS 39 as effective hedging instruments within a hedging relationship as well as the fair values of options used for hedging. Derivatives that do not qualify as effective hedging instruments within a hedging relationship include interest and exchange rate swaps. These instruments are used explicitly for hedging existing hedged items, in particular fixed-interest financial liabilities in foreign currencies. Solely on the basis of the criteria defined in IAS 39, however, these interest and exchange rate swaps cannot be presented as effective hedging instruments.

Fair values are all calculated on the basis of recognised financial and mathematical methods, using publicly available market information.

At the balance sheet date, exchange rate, interest and fuel price risks are hedged by means of the following hedging transactions:

	Fair value hedge		**Cash flow hedge**	
in €m	**Market value 31.12.2013**	Market value 31.12.2012	**Market value 31.12.2013**	Market value 31.12.2012
Interest rate swaps	96	154	–	–
Spread options for fuel hedging	–	–	–	–
Hedging combinations for fuel hedging	–	–	126	14
Futures contracts for currency hedging	–	–	–60	16
Spread options for currency hedging	–	–	–	–
Total	**96**	**154**	**66**	**30**

The market values stated for financial derivatives correspond to the price at which an independent third party would assume the rights and / or obligations from the financial instrument.

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.

From a current perspective, the fuel price and currency cash flow hedges will have the following effects on the result for the period and / or on the acquisition costs of hedged capital expenditure:

Financial year	Result for the period in €m	First-time measurement of acquisition costs[1] in €m	**Total** in €m
2014	159	–37	122
2015	62	–32	30
2016	7	–30	–23
2017	0*	1	1
2018	0*	–3	–3
2019	–	–3	–3
2020	–	–12	–12
2021	–	–2	–2
2022	–	–13	–13
2023	–	–18	–18
2024	–	–9	–9
2025	–	–4	–4
Total	**228**	**–162**	**66**

* Rounded below EUR 1m.
[1] Minus signs mean increased acquisition costs.

In the 2013 financial year, EUR 32m was transferred for maturing interest rate swaps from equity to fuel expenses, reducing these expenses. For currency hedges EUR 432m was transferred from equity to other operating income and EUR 288m to other operating expenses. A further EUR 36m was recognised by reducing acquisition costs for aircraft.

Changes in the market values of derivatives which do not qualify as effective hedging transactions under IAS 39 can be seen in the income statement and in “Note 13” on p. 155.

Liquidity risk

Complex financial planning systems enable Lufthansa to identify its future liquidity position at an early stage. Based on the results of the Group strategy and planning processes, a monthly rolling liquidity plan is drawn up with a planning horizon of 24 months. This planning method offers an up-to-date view of anticipated liquidity developments as regards the Company and currencies.

Lufthansa holds a liquidity reserve of at least EUR 2.3bn that is available at short notice. In addition, as of 31 December 2013 the Lufthansa Group held confirmed unused lines of credit totalling EUR 0.8bn (previous year: EUR 1.7bn).

A maturity analysis for the financial liabilities and the derivative financial instruments based on undiscounted gross cash flows including the relevant interest payments shows the following projected cash inflows and outflows from the perspective of the balance sheet date 31 December 2013. As a result of the hedges used there are generally direct connections between the cash inflows and outflows for the derivative financial instruments shown.

Derivative financial instruments

in €m	Inflows	Outflows	**Net**
1st quarter	3,107	−3,038	**69**
Up to 1 year*	5,380	−5,403	**−23**
1−5 years	7,150	−7,137	**13**
Later	3,093	−2,931	**162**

* Without payments in 1st quarter.

Non-derivative financial instruments

in €m	**Outflows**
1st quarter	**−5,029**
Up to 1 year*	**−1,151**
1−5 years	**−3,775**
Later	**−1,982**

* Without payments in 1st quarter.

Credit risk

The sale of passenger travel and freight documents mostly takes place via agencies. These agencies are mostly connected to national clearing systems for billing passenger and freight sales. The creditworthiness of the agents is reviewed by the clearing system responsible. Due to the broad diversification, credit risk for the agencies is relatively low worldwide.

Receivables and liabilities between airlines are offset through bilateral arrangements or via an IATA clearing house, insofar as the contracts underlying services do not explicitly specify otherwise. Systematic settlement of weekly receivables and liability balances significantly reduces the default risk. Fidelity guarantee insurance also covers partial risks within a certain range. Service contracts occasionally require collateral for miscellaneous transactions.

All other contractual relationships are subject to credit rules, which, depending on the type and volume of the contract involved, require collateral, credit ratings / references or historical data from prior dealings, particularly payment history, in order to avoid defaults.

Counterparty risks in connection with credit card companies are monitored closely and incoming payments reviewed daily. Credit terms were tightened for some credit card issuers to reduce risks even further. In addition to the monitoring of receivables at company or segment level there is also counterparty monitoring at Group level, with individually assigned limits, in order to identify the accumulation of portfolio risks across the entire Group and take appropriate action if necessary.

If risks are identified receivables are written down accordingly.

As of 31 December 2013, the maximum credit risk from the potential insolvency of debtors for loans and receivables was EUR 3,979m, made up as follows:

in €m	**31.12.2013**	31.12.2012
Loans	178	186
Non-current receivables	224	259
Trade receivables and other current receivables	3,577	3,544
	3,979	**3,989**

Impairments on loans and receivables developed as follows:

in €m	**1.1.2013**
Gross amount	225
Impairment charges	−211
Carrying amount 1.1.2013	**14**

in €m	**31.12.2013**
Gross amount	259
Impairment charges	−240
Carrying amount 31.12.2013	**19**

A further EUR 141m (previous year: EUR 141m) was overdue but not written down.

The term structure of overdue receivables is as follows:

in €m	
Up to 90 days	92
Between 90 and 180 days	13
Over 180 days	36

There is a credit risk on available-for-sale financial assets in the amount of the securities which do not represent equity instruments.

Securities classified as non-current and current are made up as follows:

in €m	**31.12.2013**
Debt instruments	2,796
Equity instruments	369
Total securities	**3,165**

Securities representing debt are rated as follows (Standard & Poor's):

in €m	
AAA	478
AA+	260
AA	41
AA–	341
A+	454
A	551
A–	254
BBB+	147
BBB	188
Below BBB or unrated	82
Total	**2,796**

The credit risk from derivative financial instruments is that of a counterparty's insolvency. The maximum credit risk is the sum of transactions with the business partners in question for which the market values are on balance positive.

As of 31 December 2013, the credit risk from derivative financial instruments, which are an effective part of a hedging relationship, was EUR 493m (previous year: EUR 244m). The counterparty default risk for financial market transactions is limited by defining a maximum risk, taking the credit score given by recognised rating agencies into account.

Positive market values on the balance sheet date exist for transactions with business partners rated as follows (Standard & Poor's):

in €m	
AA–	7
A+	56
A	172
A–	73
BBB+	125
BBB	47
Below BBB or unrated	13
Total	**493**

The credit risk arising from financial derivatives shown at fair value through profit and loss amounted to EUR 302m as of 31 December 2013, and consisted of the total amount of business with contractual partners that, on balance, showed a positive market value. This figure includes EUR 152m (previous year: EUR 178m) for the time values of options used for hedging, changes in which have been recognised in the financial result since 1 January 2010. The contractual partners have the following ratings (Standard & Poor's):

in €m	
AA–	1
A+	9
A	119
A–	46
BBB+	59
BBB	54
Below BBB or unrated	14
Total	**302**

43 Segment reporting

The Lufthansa Group operates in five major business segments: scheduled passenger air traffic ("Passenger Airline Group") via Deutsche Lufthansa AG, Lufthansa CityLine GmbH, Swiss International Air Lines AG, Austrian Airlines AG, Air Dolomiti S.p.A., Eurowings Luftverkehrs AG and Germanwings GmbH; scheduled airfreight services ("Logistics") via the Lufthansa Cargo group; maintenance, repair and overhaul ("MRO") via the Lufthansa Technik group; information technology ("IT Services") via the Lufthansa Systems group; and catering ("Catering") via the LSG Lufthansa Service/Sky Chefs group.

Income and expenses for Lufthansa Commercial Holding GmbH, Lufthansa AirPlus Servicekarten GmbH, Lufthansa Flight Training GmbH and other Group companies not assigned to a reporting segment are presented together with income and expenses for central Group functions in the 'Other' column of the segment reporting.

Sales and revenue between business segments are based on arm's length prices. Administrative services are charged as cost allocations.

For information on external traffic revenue see "Note 3" on p. 152.

Segment information by operating segment for 2013

in €m	Passenger Airline Group	Logistics	MRO	IT Services	Catering	Total reportable operating segments	Other	Reconciliation: Not allocated	Reconciliation: Consolidation	Group
External revenue	22,838	2,418	2,598	265	1,909	30,028	–	–	–	30,028
of which traffic revenue	21,743	2,375	–	–	–	24,118	–	447	–	24,565
Inter-segment revenue	675	24	1,582	375	605	3,261	–	–	–3,261	–
Total revenue	**23,513**	**2,442**	**4,180**	**640**	**2,514**	**33,289**	**–**	**–**	**–3,261**	**30,028**
Other operating income	1,017	96	229	28	86	1,456	1,214	–	–752	1,918
Total operating income	**24,530**	**2,538**	**4,409**	**668**	**2,600**	**34,745**	**1,214**	**–**	**–4,013**	**31,946**
Operating expenses	24,035	2,461	4,005	632	2,495	33,628	1,592	–	–3,971	31,249
of which cost of materials and services	15,296	1,807	2,069	125	1,104	20,401	92	–	–2,983	17,510
of which staff costs	4,203	382	1,227	238	927	6,977	392	–	–8	7,361
of which depreciation and amortisation	1,431	27	99	35	62	1,654	42	–	1	1,697
of which other operating expenses	3,105	245	610	234	402	4,596	1,066	–	–981	4,681
Operating result [1]	**495**	**77**	**404**	**36**	**105**	**1,117**	**–378**	**–**	**–42**	**697**
Other segment income	155	10	54	1	3	223	90	459	–490	282
Other segment expenses	63	16	20	3	4	106	–2	93	–67	130
of which impairment losses	55	15	9	1	3	84	–7	–	–	77
Result of investments accounted for using the equity method	36	17	19	–	19	91	1	–	–	92
Segment result [2]	**623**	**88**	**457**	**34**	**123**	**1,325**	**–285**	**366**	**–465**	**941**
Other financial result										–396
Profit/loss before income taxes										545
Segment assets [3]	15,060	1,146	3,311	223	1,324	21,064	1,476	15,673	–9,129	29,084
of which from investments accounted for using the equity method	66	61	209	–	116	452	6	–	–	458
Segment liabilities [4]	11,368	479	1,521	186	714	14,268	1,534	11,167	–3,993	22,976
Segment capital expenditure [5]	1,837	318	136	20	110	2,421	13	870	–805	2,499
of which from investments accounted for using the equity method	–	–	12	–	11	23	–	–	–	23
Employees on balance sheet date	54,702	4,589	19,917	2,718	32,307	114,233	3,981	–	–	118,214
Average number of employees	54,789	4,554	19,927	2,724	31,375	113,369	3,974	–	–	117,343

[1] See p. 49 of the management report for reconciliation between operating result and profit from operating activities.
[2] Profit from operating activities including result of investments measured at equity.
[3] Intangible assets, property, plant and equipment, investments accounted for using the equity method, inventories, trade receivables and other assets – total assets are presented under the heading “Group”.
[4] All liabilities with the exception of financial debt, liabilities to Group companies, derivative financial instruments, other deferred income and tax obligations – total liabilities are presented under the heading “Group”.
[5] Capital expenditure on intangible assets, property, plant and equipment, and investments accounted for using the equity method.

Segment information by operating segment for 2012

in €m	Passenger Airline Group	Logistics	MRO	IT Services	Catering	Total reportable operating segments	Other	Reconciliation Not allocated	Reconciliation Consolidation	Group
External revenue	22,855	2,662	2,429	256	1,933	30,135	–	–	–	30,135
of which traffic revenue	21,766	2,577	–	–	–	24,343	–	450	–	24,793
Inter-segment revenue	704	26	1,584	353	570	3,237	–	–	−3,237	–
Total revenue	**23,559**	**2,688**	**4,013**	**609**	**2,503**	**33,372**	**–**	**–**	**−3,237**	**30,135**
Other operating income	927	67	224	19	110	1,347	1,310	–	−744	1,913
Total operating income	**24,486**	**2,755**	**4,237**	**628**	**2,613**	**34,719**	**1,310**	**–**	**−3,981**	**32,048**
Operating expenses	23,930	2,650	3,909	608	2,512	33,609	1,571	–	−3,971	31,209
of which cost of materials and services	15,749	1,953	1,966	98	1,124	20,890	96	–	−3,040	17,946
of which staff costs	3,647	357	1,227	242	914	6,387	359	–	−8	6,738
of which depreciation and amortisation	1,415	58	101	37	65	1,676	44	–	2	1,722
of which other operating expenses	3,119	282	615	231	409	4,656	1,072	–	−925	4,803
Operating result [1]	**556**	**105**	**328**	**20**	**101**	**1,110**	**−261**	**–**	**−10**	**839**
Other segment income	157	10	37	1	28	233	43	796	−87	985
Other segment expenses	142	3	3	2	12	162	29	20	−9	202
of which impairment losses	131	1	–	1	11	144	–	–	–	144
Result of investments accounted for using the equity method	−15	16	15	–	14	30	1	–	–	31
Segment result [2]	**556**	**128**	**377**	**19**	**131**	**1,211**	**−246**	**776**	**−88**	**1,653**
Other financial result										−357
Profit/loss before income taxes										1,296
Segment assets [3]	14,873	953	3,044	236	1,303	20,409	1,473	15,674	−8,997	28,559
of which from investments accounted for using the equity method	53	61	182	–	98	394	6	–	–	400
Segment liabilities [4]	11,793	547	1,664	183	752	14,939	1,638	11,422	−4,279	23,720
Segment capital expenditure [5]	1,868	198	129	24	64	2,283	21	757	−702	2,359
of which from investments accounted for using the equity method	–	–	–	–	–	–	–	–	–	–
Employees on balance sheet date	55,236	4,606	20,282	2,766	30,088	112,978	3,979	–	–	116,957
Average number of employees	55,649	4,609	20,368	2,777	30,007	113,410	4,033	925	–	118,368

[1] See p. 49 of the management report for reconciliation between operating result and profit from operating activities.
[2] Profit from operating activities including result of investments measured at equity.
[3] Intangible assets, property, plant and equipment, investments accounted for using the equity method, inventories, trade receivables and other assets – total assets are presented under the heading "Group".
[4] All liabilities with the exception of financial debt, liabilities to Group companies, derivative financial instruments, other deferred income and tax obligations – total liabilities are presented under the heading "Group".
[5] Capital expenditure on intangible assets, property, plant and equipment, and investments accounted for using the equity method.

The reconciliation column includes both the effects of consolidation activities and the amounts resulting from different definitions of segment item contents compared with the corresponding Group items.

Eliminated business segment revenue generated with other consolidated business segments is shown in the reconciliation column for revenue.

For other operating income, inter-segment income has also been eliminated (reconciliation column for operating income). In the 2013 financial year it consisted especially of rental income from subletting buildings, foreign currency transaction gains from short-term intra-Group foreign currency loans and revenue from intra-Group training and services. To the extent that eliminated revenue and other operating income is matched by operating expenses in the companies receiving the services, these expenses are also eliminated (reconciliation columns for expenses).

The amounts in the reconciliation column for the operating result include the effects of consolidation procedures on profit or loss in which income and expense do not figure for two companies at the same amount, or in the same period.

Other segment income includes, for example, income from the reversal of provisions and book gains from disposals, which are attributed to the segment result but not to the operating result. Here too, income from other segments is eliminated (reconciliation column for other segment income). The same applies vice versa to other segment expenses, which include expense items not attributable to operations but which must be reflected in the segment result, such as book losses or impairment charges. The components of the consolidated operating result which are included in neither the operating nor the segment result, such as gains / losses from current financial investments, for example, are added back in the reconciliation columns for other segment income and other segment expenses.

The result of the equity valuation for the segment's equity investments is part of its segment result, however from a Group perspective it is not attributed to the operating result but rather to the financial result.

Segment assets primarily include property, plant and equipment, intangible assets, investments accounted for using the equity method, inventories and receivables.

Segment liabilities consist of operating liabilities and provisions. Tax and financial items have not been allocated to segments. Segment capital expenditure includes additions to property, plant and equipment and intangible assets, as well as capital expenditure on investments accounted for using the equity method.

Figures by region for 2013

in €m	Europe	North America	Central and South America	Asia / Pacific	Middle East	Africa	Reconciliation	**Total**
Traffic revenue [1]	15,936	3,591	887	3,057	689	405	–	**24,565**
Other revenue	2,460	1,346	182	969	282	224	–	**5,463**
Non-current assets [2]	15,550	182	27	156	1	9	56	**15,981**
Capital expenditure on non-current assets	2,357	26	10	17	0*	1	52	**2,463**

The figures for the main countries are as follows:

in €m	Germany	USA
Traffic revenue [1]	7,036	3,207
Other revenue	957	1,057
Non-current assets [2]	9,490	172
Capital expenditure on non-current assets	1,369	25

* Rounded below EUR 1m.
[1] Traffic revenue is allocated according to the original location of sale.
[2] Non-current assets include property, plant and equipment and intangible assets with the exception of repairable spare parts for aircraft.

Figures by region for 2012

in €m	Europe	North America	Central and South America	Asia/ Pacific	Middle East	Africa	Recon- ciliation	**Total**
Traffic revenue [1]	15,988	3,506	7,21	3,401	737	440	–	**24,793**
Other revenue	2,384	1,237	176	970	410	165	–	**5,342**
Non-current assets [2]	15,000	291	15	152	9	18	2	**15,487**
Capital expenditure on non-current assets	2,263	23	2	14	0*	2	–14	**2,290**

The figures for the main countries are as follows:

in €m	Germany	USA
Traffic revenue [1]	6,939	3,123
Other revenue	862	1,051
Non-current assets [2]	9,346	277
Capital expenditure on non-current assets	1,404	17

* Rounded below EUR 1m.
[1] Traffic revenue is allocated according to the original location of sale.
[2] Non-current assets include property, plant and equipment and intangible assets with the exception of repairable spare parts for aircraft.

The allocation of traffic revenue to regions is based on the original location of sale, the allocation of other revenue is based on the geographical location of the customer.

The regions are defined on a geographical basis. As an exception to this rule, traffic revenue generated in Turkey is attributed to Europe.

Lufthansa controls its air traffic operations on the basis of network results and not on the basis of regional earnings contributions. The same applies to the Catering segment. Consequently, the presentation of regional segment results is of no informational value for the Lufthansa Group.

A presentation of traffic revenue generated in the Passenger Airline Group and Logistics segments by traffic region, rather than by original location of sale, is included in the information on the respective segments in the management report.

44 Related party disclosures

The Lufthansa Group business segments render numerous services to related parties within the scope of their ordinary business activities. Conversely, the companies in question provide services to the Lufthansa Group as part of their normal business. These extensive supply and service relationships take place on the basis of market prices.

In addition, the Group and certain non-consolidated subsidiaries have concluded numerous billing agreements, partly governing the joint use of services. In these cases the administrative services provided are charged as cost allocations.

The Group's cash management is centralised, and, in this respect, the Lufthansa Group also performs a "banking function" vis-à-vis the non-consolidated companies of the Group. Non-consolidated Group companies included in the Group's cash management invest their available cash with the Group or borrow funds from the Group and carry out their derivative hedging transactions with the Group. All transactions take place on arm's length terms.

Due to geographical proximity in many cases, a large number of subletting contracts exists between the Lufthansa Group and related parties. In these cases the Group usually charges the rental costs and incidental expenses incurred to the companies in question on a pro rata basis.

The following table shows the volume of significant services provided to or by related parties:

in €m	Volume of services rendered 2013	2012	Volume of services received 2013	2012
Non-consolidated subsidiaries				
Airline Accounting Center de Mexico S.A. de C.V., Mexico	0*	0*	5	3
Airline Accounting Center Sp. z o.o., Poland	0*	0*	10	7
Airline Training Center Arizona Inc., USA	0*	0*	12	14
Albatros Versicherungsdienste GmbH, Germany	8	10	56	66
AS InPro GmbH, Germany	0*	0*	5	5
Austrian Airlines Technik-Bratislava, s.r.o., Slovakia	2	3	6	7
Delvag Luftfahrtversicherungs-AG, Germany	7	8	6	9
DLH Fuel Company mbH, Germany	5	2	555	970
Global Tele Sales (PTY) Ltd., South Africa	1	1	9	9
handling counts GmbH, Germany	1	0*	15	13
LRS Lufthansa Revenue Services GmbH, Germany	8	6	65	53
Lufthansa Consulting GmbH, Germany	1	1	6	3
Lufthansa Engineering and Operational Services GmbH, Germany	2	4	28	28
Lufthansa Flight Training – CST GmbH, Germany	4	2	10	10
Lufthansa Global Tele Sales GmbH, Germany	2	2	49	42
Lufthansa Systems FlightNav AG, Switzerland	1	1	20	21
Lufthansa Systems Hungaria Kft, Hungary	1	2	31	30
Lufthansa Systems Infrastructure Services Inc., USA	0*	1	9	3
Lufthansa Systems Network Services GmbH, Germany	2	2	28	22
Lufthansa Systems Poland Sp. z o.o., Poland	0*	1	11	10
Lufthansa Technical Training GmbH, Germany	2	4	17	24
Lufthansa Technik Logistik of America LLC, USA	4	5	16	15
Lufthansa Technik Shenzhen Co., Ltd., China	8	9	6	5
Lufthansa Technik Sofia OOD, Bulgaria	10	6	37	27
Lufthansa Technik Turbine Shannon Limited, Ireland	2	3	13	15
LZ-Catering GmbH, Germany	9	9	17	15
Joint ventures				
Aerologic GmbH, Germany	17	13	107	122
Aircraft Maintenance and Engineering Corp., China	5	9	15	2
Airfoil Services Sdn. Bhd., Malaysia	0*	1	5	5
Alpha LSG Limited, UK	1	5	1	2
EFM – Gesellschaft für Enteisen und Flugzeugschleppen am Flughafen München mbH, Germany	0*	0*	15	11
FraCareServices GmbH, Germany	11	11	1	2
Global Airline Services S.r.l., Italy	0	0	8	8
Günes Ekspres Havacilik Anonim Sirketi (SunExpress), Turkey	21	18	0*	0*
Idair GmbH, Germany	5	3	1	4
LTQ Engineering Pty Limited, Australia	0*	2	0*	27
N3 Engine Overhaul Services GmbH & Co. KG, Germany	9	7	0*	0*
Shanghai Pudong International Airport Cargo Terminal Co. Ltd., China	1	1	5	6
Spairliners GmbH, Germany	63	10	16	7
Star Alliance Services GmbH, Germany	4	6	4	8
Terminal 2 Gesellschaft mbH & Co. oHG, Germany	0*	0*	11	4
Terminal One Group Association, L.P., USA	0*	0*	7	9
Associated companies				
Airmail Center Frankfurt GmbH, Germany	0*	1	7	7
AviationPower GmbH, Germany	0*	1	39	34
HEICO Aerospace Holdings Corp., USA	1	0*	11	14
Other affiliated companies				
Brussels Airlines NV/SA, Brussels, Belgium	74	66	28	28
Shanghai Pudong International Airport Public Cargo Terminal Co. Ltd. (West), Shanghai, China	0*	0*	72	75
SunExpress Germany GmbH, Germany	17	14	0*	–

* Rounded below EUR 1m.

The following tables show receivables owed by and liabilities to related parties:

Receivables from affiliated companies

in €m	2013	2012
Trade receivables from non-consolidated subsidiaries	37	34
Trade receivables from joint ventures	37	16
Trade receivables from associated companies	4	5
Trade receivables from other affiliated companies	10	21
Total trade receivables	**88**	**76**
Other receivables from non-consolidated subsidiaries	34	81
Other receivables from joint ventures	34	9
Other receivables from associated companies	16	46
Other receivables from other affiliated companies	0	0
Total other receivables	**84**	**136**
Loans to non-consolidated subsidiaries	54	41
Loans to joint ventures	27	18
Loans to associated companies	21	0
Loans to other affiliated companies	17	45
Total non-current receivables	**119**	**104**

Liabilities to affiliated companies

in €m	2013	2012
Trade payables to non-consolidated subsidiaries	10	6
Trade payables to joint ventures	22	24
Trade payables to associated companies	6	6
Trade payables to other affiliated companies	4	19
Total trade payables	**42**	**55**
Other liabilities to non-consolidated subsidiaries	243	227
Other liabilities to joint ventures	1	1
Other liabilities to associated companies	0	1
Total other liabilities	**244**	**229**

No individual shareholders of Deutsche Lufthansa AG exercise significant influence over the Group. For related party transactions with members of the Executive Board and the Supervisory Board please refer to "Note 45" on p. 201.

45 Supervisory Board and Executive Board

The members of the Supervisory Board and the Executive Board are listed on p. 6.

Remuneration report for the Executive Board

The Executive Board's remuneration consists of the following components:

- Basic remuneration, paid monthly as a salary.
- The variable remuneration is based on the operating margin for the Lufthansa Group. 75 per cent of this bonus is paid the following year, and therefore on an annual basis. The remaining 25 per cent is carried forward for another two years. At the end of the assessment period, which runs for three years in total, the amount carried forward is to be multiplied by a factor of between 0 and 2. How high the factor is depends to 70 per cent on the CVA achieved over the three-year period and to 30 per cent on sustainability parameters such as environmental protection, customer satisfaction and staff commitment.
- Executive Board members are also required to participate in the option programmes for managers (with their own parameters which vary from those of the general managers' programme). The duration of these programmes was extended from three to four years in 2011. These arrangements ensure that the variable remuneration components are essentially based on performance over several years, see "Note 37" starting on p. 181.
- In years with weak operating results due to extraordinary exogenous factors, the Supervisory Board may award Executive Board members an appropriate individual bonus.

The following remuneration was paid to individual Executive Board members in 2013:

Figures in €	Basic salary	Variable remuneration	Payments from maturing option programmes	Other [1]	**Total**
Christoph Franz	1,177,313	635,589	–	154,539	1,967,441
Harry Hohmeister (Executive Board member from 1.7.2013)	204,844 [2]	187,824	–	60,078	452,746
Stefan Lauer (Executive Board member until 30.6.2013)	431,250	223,696	–	148,089	803,035
Simone Menne	840,938	389,463	–	84,390	1,314,791
Carsten Spohr	840,938	447,392	–	86,858	1,375,188
Dr. Bettina Volkens (Executive Board member from 1.7.2013)	409,688	187,824	–	66,709	664,221
Effective remuneration for the 2013 financial year	**3,904,971**	**2,071,788**	**–**	**600,663**	**6,577,422**

[1] Other remuneration includes, in particular, the non-cash benefit of using company cars, the discount granted in connection with option programme issues (Note 37, starting on p. 181), benefits from concessionary travel in accordance with the relevant IATA regulations and attendance fees and daily allowances for work on the supervisory boards of subsidiaries.
[2] For his work as Chairman of the Executive Board and CEO of Swiss International Air Lines AG, Mr Hohmeister also received a basic salary paid in CHF equal to EUR 202,877, which was paid directly by Swiss International Air Lines AG.

The following remuneration was paid to individual Executive Board members in 2012:

Figures in €	Basic salary	Variable remuneration	Payments from maturing option programmes	Other*	**Total**
Christoph Franz	1,207,500	376,967	629,000	159,836	2,373,302
Stephan Gemkow (Executive Board member until 30.6. 2012)	431,250	132,436	–	22,067	585,753
Stefan Lauer	862,500	264,871	510,000	188,669	1,826,040
Simone Menne (Executive Board member since 1.7.2012)	431,250	132,436	–	72,812	636,498
Carsten Spohr	862,500	264,871	–	86,318	1,213,689
Effective remuneration for the 2012 financial year	**3,795,000**	**1,171,580**	**1,139,000**	**529,702**	**6,635,282**

* Other remuneration includes, in particular, the non-cash benefit of using company cars, the discount granted in connection with option programme issues (Note 37, starting on p. 181), benefits from concessionary travel in accordance with the relevant IATA regulations and attendance fees and daily allowances for work on the supervisory boards of subsidiaries.

As of 31 December 2013 (2012) the members of the Executive Board hold the following shares from current option programmes:

	2010 programme		2011 programme		2012 programme		**2013 programme**	
Number of shares	Number of shares purchased from own funds	Number of option packages	Number of shares purchased from own funds	Number of option packages	Number of shares purchased from own funds	Number of option packages	**Number of shares purchased from own funds**	**Number of option packages**
Christoph Franz	– (9,620)	– (37)	– (17,280)	– (45)	– (14,805)	– (45)	– (–)	– (–)
Harry Hohmeister (Executive Board member since 1.7.2013)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	8,370 (–)	30 (–)
Stefan Lauer (Executive Board member until 30.6.2013)	– (7,800)	– (30)	– (11,520)	– (30)	– (9,870)	– (30)	– (–)	– (–)
Simone Menne (Executive Board member since 1.7.2012)	– (–)	– (–)	– (–)	– (–)	9,870 (9,870)	30 (30)	8,370 (–)	30 (–)
Carsten Spohr (Executive Board member since 1.1.2011)	– (–)	– (–)	11,520 (11,520)	30 (30)	9,870 (9,870)	30 (30)	8,370 (–)	30 (–)
Dr. Bettina Volkens (Executive Board member since 1.7.2013)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	8,370 (–)	30 (–)

The performance of the option programmes resulted in the following share-based remuneration for the financial years 2013 and 2012, recognised as expenses for each year:

Performance of share-based remuneration in the financial years 2013 and 2012

	Financial year 2013			Financial year 2012		
in €	Payments from maturing option programmes	Change in the fair value of options programmes still running	**Total**	Payments from maturing option programmes	Change in the fair value of options programmes still running	**Total**
Christoph Franz	–	–800,737	–800,737	–629,000	843,491	214,491
Stephan Gemkow (Executive Board member until 30.6.2012)	–	–	–	–	–468,263	–468,263
Harry Hohmeister (Executive Board member since 1.7.2013)	–	16,760	16,760	–	–	–
Stefan Lauer (Executive Board member until 30.6.2013)	–	–593,475	–593,475	–510,000	635,212	125,212
Simone Menne (Executive Board member since 1.7.2012)	–	109,198	109,198	–	14,916	14,916
Carsten Spohr	–	416,091	416,091	–	225,237	225,237
Dr. Bettina Volkens (Executive Board member since 1.7.2013)	–	16,760	16,760	–	–	–
	–	**–835,403**	**–835,403**	**–1,139,000**	**1,250,593**	**111,593**

See "Note 37" starting on p. 181 for payment caps.

The pro rata change for 2013 in the fair value of option programmes forms part of the individual Executive Board members' total remuneration and is stated in the above table.

The total fair value of the 2013 option programme for Ms Menne, Dr Volkens, Mr Hohmeister and Mr Spohr was EUR 402,240 each.

Serving members of the Executive Board will benefit from various contractual entitlements when their employment comes to an end.

Since 2006 each Executive Board member has had a personal pension account into which for the duration of their employment Deutsche Lufthansa AG pays contributions amounting to 25 per cent of the annual salary and the bonus. The investments guidelines for the pension account are based on the same investment concept as for the Lufthansa Pension Trust, which also applies to staff members of Deutsche Lufthansa AG.

As of 31 December 2013, Mr Franz's retirement benefit entitlement amounted to EUR 2.0m (previous year: EUR 1.6m). That of Mr Hohmeister was EUR 0.1m, that of Ms Menne EUR 1.2m (previous year: EUR 0.9m), that of Mr Spohr EUR 1.9m (previous year: EUR 1.5m) and that of Dr Volkens EUR 0.1m.

If employment ends before an Executive Board member reaches retirement age, he or she retains the pension entitlement from the pension account, which is continued without further contributions. On reaching retirement age (65 or early retirement between 60 and 65) or in the event of disability the account holder will acquire a pension credit equivalent to the balance of the pension account at that time. Lufthansa guarantees the amounts paid in retirement benefits.

A supplementary risk capital sum will be added to the pension credit in the event of a claim for a disability pension or a pension for surviving dependants. This sum will consist of the average contributions paid into the pension account over the past three years multiplied, when a disability pension entitlement arises, by the number of full years by which the claimant is short of the age of 60.

The pension credit is paid out in ten instalments. On application by the Executive Board member or his widow the pension credit will, subject to approval by the Company, be converted into a pension. On application by the Executive Board member or his surviving dependants a single payment or payment in fewer than ten instalments may also be made.

The widow's pension is 60 per cent of the deceased's pension entitlement. If the Board member dies while in the Company's employment his widow will be paid his full salary until the end of the financial year for a period of at least six months.

Expenses for pension entitlements earned in 2013 amounted to EUR 0.4m for Mr Franz, EUR 0.1m for Mr Hohmeister, EUR 0.2m for Mr Lauer, EUR 0.3m for Ms Menne, EUR 0.3m for Mr Spohr and EUR 0.1m for Dr Volkens. The total cost of EUR 1.4m (previous year: EUR 1.4m), plus EUR 6.6m (previous year: EUR 6.6m) in remuneration as shown in the remuneration table and EUR –0.8m (previous year: EUR 0.1m) from the performance of share-based remuneration, amounting to EUR 7.2m in total (previous year: EUR 8.1m), is included in staff costs.

Under his contract as a pilot, which is currently not active, Mr Spohr is entitled to a transitional pension in accordance with the wage agreement "Transitional pensions for cockpit staff". If Mr Spohr leaves the Executive Board before he becomes 60 and resumes his employment as a pilot he is entitled to draw a 'Transitional pension for cockpit staff at Lufthansa' once he becomes 60 or on request once he becomes 55, in accordance with the provisions of the wage agreement. This additional benefit is paid if certain conditions of eligibility are met and provides for a monthly pension of up to 60 per cent of the last modified salary until the beneficiary reaches the age of 63.

If a contract is terminated early for reasons other than good cause or a change of control, the Company will not remunerate more than the value of outstanding entitlements for the remainder of the contract, as recommended by the German Corporate Governance Code, whereby these payments including ancillary benefits may not exceed annual remuneration for two years (maximum compensation). Maximum compensation is calculated by reference to total remuneration for the last full financial year before departure from the Executive Board, as shown in the remuneration report, and including expected total remuneration for the current financial year. This rule was applied in 2013 to determine the amount of severance pay for Mr Lauer. The maximum amount of compensation was based on total remuneration of EUR 1,951,252 for 2012. The formal maximum compensation payable was therefore EUR 3,902,504. Only the components basic salary, variable remuneration and payments under maturing option programmes, which came to EUR 1,637,371 in total, were taken into account to determine the actual severance payment. As his contract still had 22 months to run, the severance payment for Mr Lauer, calculated pro rata temporis, came to EUR 3,000,000. An initial tranche of EUR 2,000,000 was paid in the financial year 2013; the remainder will be paid in April 2015, whereby employment income earned between 1 July 2013 and 30 April 2015 will be offset against the second tranche. This severance payment settles all claims to further remuneration components, with the exception of the claim to variable remuneration pro rata for the first half-year 2013. If the variable remuneration for an ordinary Board member for the year 2013 exceeds the amount of EUR 264,871 stated in the remuneration report 2012, Mr Lauer is additionally entitled to half the amount of the difference (pro rata earn-out). Under this pro rata earn-out clause, he is entitled to EUR 91,261, which will be paid as agreed in April 2014. If the members of the Executive Board receive a discretionary bonus for the financial year 2013, Mr Lauer will be paid his pro rata temporis.

If the contract between an Executive Board member and Deutsche Lufthansa AG is terminated in connection with a change of control at the Company, the Executive Board member is entitled to compensation for remuneration outstanding for the remainder of the contract. In accordance with the relevant recommendation of the German Corporate Governance Code, compensation may not exceed 150 per cent of the maximum compensation agreed in the contract and described above.

Current payments and other benefits for former members of the Executive Board and their surviving dependants came to EUR 4.3m (EUR 5.9m). This includes payments by subsidiaries as well as benefits in kind and concessionary travel.

Pension obligations toward former Executive Board members and their surviving dependants amount to EUR 65.5m (previous year: EUR 61.3m). They are included in pension provisions; see "Note 33" starting on S. 172.

Remuneration report for the Supervisory Board

In accordance with the resolution adopted at the Annual General Meeting on 8 May 2012, from the financial year 2013 onwards, the members of the Supervisory Board will only receive fixed remuneration of EUR 80,000, in order to strengthen the independence of the Supervisory Board.

Supervisory Board members receive remuneration of EUR 80,000 for each financial year. The Chairman receives EUR 240,000 and the Deputy Chairman EUR 120,000. The Chairman of the Audit Committee receives an additional EUR 60,000; other members of the Audit Committee receive an additional EUR 30,000. Chairs of other committees will receive an additional EUR 40,000 and members of other committees an additional EUR 20,000. Remuneration for committee work is subject to the provision that the committee met at least once in the financial year.

If Supervisory Board members leave the Supervisory Board or a post in one of its committees for which additional remuneration is paid during the course of a financial year, they receive their remuneration pro rata temporis. Pro rata remuneration for committee work is subject to the provision that the committee met at least once before their departure.

Expenses for the fixed remuneration of Supervisory Board members came to EUR 2,156.1k in 2013 (previous year: EUR 1,312.5k) Variable remuneration of EUR 1,312.5k was paid in addition in the previous year. The payment of a variable bonus for the year 2012 required positive earnings per share attributable to Lufthansa shareholders of at least EUR 1.02 and was capped at the amount of the fixed salary.

The figures for the individual Supervisory Board members are shown in the following table.

	2013			2012			
in €	**Fixed remuneration**	**Remuneration for committee work**	**Total Supervisory Board remuneration**	Fixed remuneration	Remuneration for committee work	Variable remuneration	Total Supervisory Board remuneration
Dipl.-Ing. Dr-Ing. E. h. Jürgen Weber (1.1. until 7.5.2013)	83,178.00	13,863.00	97,041.00	150,000.00	37,500.00	187,500.00	375,000.00
Wolfgang Mayrhuber (7.5. until 31.12.2013)	156,822.00	39,205.50	196,027.50	–	–	–	–
Frank Bsirske (1.1. until 7.5.2013)	41,589.00	6,931.50	48,520.50	75,000.00	12,500.00	87,500.00	175,000.00
Christine Behle (7.5. until 31.12.2013)	78,411.00	13,068.50	91,479.50	–	–	–	–
Jacques Aigrain	80,000.00	–	80,000.00	50,000.00	–	50,000.00	100,000.00
Dr Werner Brandt	80,000.00	43,068.50	123,068.50	50,000.00	12,500.00	62,500.00	125,000.00
Bernd Buresch (1.1. until 7.5.2013)	27,726.00	6,931.50	34,657.50	50,000.00	12,500.00	62,500.00	125,000.00
Jörg Cebulla (1.1. until 7.5.2013)	27,726.00	–	27,726.00	50,000.00	–	50,000.00	100,000.00
Dipl.-Vwt. Jürgen Erwert (1.1. until 7.5.2013)	27,726.00	10,397.25	38,123.25	50,000.00	12,500.00	62,500.00	125,000.00
Herbert Hainer	80,000.00	–	80,000.00	50,000.00	–	50,000.00	100,000.00
Dr Jürgen Hambrecht	80,000.00	40,000.00	120,000.00	50,000.00	25,000.00	75,000.00	150,000.00
Uwe Hien (7.5. until 31.12.2013)	52,274.00	19,602.75	71,876.75	–	–	–	–
Dominique Hiekel (1.1. until 7.5.2013)	27,726.00	–	27,726.00	50,000.00	–	50,000.00	100,000.00
Dr h.c. Robert Kimmitt	80,000.00	–	80,000.00	50,000.00	–	50,000.00	100,000.00
Dr Karl-Ludwig Kley (7.5. until 31.12.2013)	52,274.00	39,205.50	91,479.50	–	–	–	–
Martin Koehler	80,000.00	30,000.00	110,000.00	50,000.00	12,500.00	62,500.00	125,000.00
Doris Krüger (7.5. until 31.12.2013)	52,274.00	–	52,274.00	–	–	–	–
Dr Nicola Leibinger-Kammüller	80,000.00	–	80,000.00	50,000.00	–	50,000.00	100,000.00
Eckhard Lieb	80,000.00	30,000.00	110,000.00	50,000.00	12,500.00	62,500.00	125,000.00
Ralf Müller (7.5. until 31.12.2013)	52,274.00	–	52,274.00	–	–	–	–
Simon Reimann (1.1. until 7.5.2013)	27,726.00	–	27,726.00	50,000.00	–	50,000.00	100,000.00
Ilona Ritter (7.5. until 31.12.2013)	52,274.00	19,602.75	71,876.75	–	–	–	–
Marlies Rose (1.1. until 7.5.2013)	27,726.00	–	27,726.00	50,000.00	–	50,000.00	100,000.00
Dr Klaus G. Schlede (1.1. until 7.5.2013)	27,726.00	20,794.50	48,520.50	50,000.00	37,500.00	87,500.00	175,000.00
Andreas Strache (7.5. until 31.12.2013)	52,274.00	–	52,274.00	–	–	–	–
Christina Weber (7.5. until 31.12.2013)	52,274.00	–	52,274.00	–	–	–	–
Birgit Weinreich (7.5. until 31.12.2013)	52,274.00	–	52,274.00	–	–	–	–
Matthias Wissmann	80,000.00	–	80,000.00	50,000.00	–	50,000.00	100,000.00
Dr Michael Wollstadt (1.1. until 7.5.2013)	27,726.00	10,397.25	38,123.25	50,000.00	12,500.00	62,500.00	125,000.00
Stefan Ziegler	80,000.00	13,068.50	93,068.50	50,000.00	–	50,000.00	100,000.00
Total	**1,800,000.00**	**356,137.00**	**2,156,137.00**	**1,125,000.00**	**187,500.00**	**1,312,500.00**	**2,625,000.00**

Other remuneration, mainly attendance fees, amounted to EUR 86,000 (previous year: EUR 80,000). The Deutsche Lufthansa AG Supervisory Board members were also paid EUR 62,000 (previous year: EUR 63,000) for work on supervisory boards of Group companies.

Managers holding key positions in the Company

In addition to their Supervisory Board remuneration, employee representatives on the Supervisory Board received compensation for their work in the form of wages and salaries including pension entitlements amounting to EUR 1.0m in total for 2013 (previous year: EUR 1.2m).

46 Declaration of compliance in accordance with Section 161 German Stock Corporation Act (AktG)

The declaration of compliance with the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) was issued by the Executive Board and Supervisory Board, and made available to shareholders on the internet at

i www.lufthansagroup.com/declaration-of-compliance.

47 Auditors' fees

The fees paid to the auditors in the financial year and charged to expenses in accordance with Section 319 Paragraph 1 HGB are made up as follows:

in €m	**2013**	2012
Annual audit	2.9	3.0
Other certification services	0.8	1.0
Tax advisory services	0.3	0.2
Other services	2.2	2.3
Total	**6.2**	**6.5**

The following fees paid to overseas companies in the global PricewaterhouseCoopers federation were also recognised as expenses:

in €m	**2013**	2012
Annual audit	2.7	2.8
Other certification services	0.2	0.6
Tax advisory services	0.5	0.8
Other services	0.2	0.3
Total	**3.6**	**4.5**

Cologne, 5 March 2014
Executive Board

Christoph Franz
Chairman of the
Executive Board and CEO

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

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

Carsten Spohr
Member of the Executive Board
Chief Officer Lufthansa
German Airlines

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

Declaration by the legal representatives

We declare that to the best of our knowledge and according to the applicable accounting standards the consolidated financial statements give a true and fair view of the net assets, the financial and earnings positions of the Group, and that the Group management report, which has been combined with the management report for Deutsche Lufthansa AG, gives a true and fair view of the course of business, including the business result, and the situation of the Group, and suitably presents the opportunities and risks to its future development.

Cologne, 5 March 2014
Executive Board

Christoph Franz
Chairman of the
Executive Board and CEO

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

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

Carsten Spohr
Member of the Executive Board
Chief Officer Lufthansa
German Airlines

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

Independent auditors' report

To Deutsche Lufthansa AG, Köln

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Deutsche Lufthansa AG and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements for the business year from January 1, 2013 to December 31, 2013.

Board of Managing Directors' Responsibility for the Consolidated Financial Statements

The Board of Managing Directors of Deutsche Lufthansa AG is responsible for the preparation of these consolidated financial statements. This responsibility includes that these consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The Board of Managing Directors is also responsible for the internal controls as the Board of Managing Directors determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditors' professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2013 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report of Deutsche Lufthansa AG for the business year from January 1, 2013 to December 31, 2013. The Board of Managing Director of Deutsche Lufthansa AG is responsible for the preparation of the group management report in accordance with the requirements of German commercial law applicable pursuant to § 315a Abs. 1 HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the group management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the group management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, March, 6, 2014
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Andreas Menke	Dr Bernd Roese
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Supervisory Board Committees

Steering Committee
Wolfgang Mayrhuber
(Chairman · since 7 May 2013)
Dipl.-Ing. Dr-Ing. E. h. Jürgen Weber
(Chairman · until 7 May 2013)
Christine Behle (Deputy Chairman · since 7 May 2013)
Frank Bsirske (Deputy Chairman · until 7 May 2013)
Bernd Buresch (until 7 May 2013)
Dr Jürgen Hambrecht
Stefan Ziegler (since 7 May 2013)

Four meetings in 2013

The Supervisory Board has elected a Steering Committee from among its members made up of equal numbers of shareholder and employee representatives. It consists of the Chairman of the Supervisory Board, his deputy and two other members. The Steering Committee gives recommendations to the Supervisory Board on the contents, form and signing of employment contracts with Executive Board members and is responsible for other HR matters involving board members and authorised company representatives (e. g. lending in accordance with Section 89 Stock Corporation Act (AktG)). The Steering Committee represents the Company in dealings with the members of the Executive Board (Section 112 AktG). It is also responsible for contracts with members of the Supervisory Board (Section 114 AktG) and for lending to members of the Supervisory Board (Section 115 AktG). The committee also rules on other HR matters which have to be submitted to the Supervisory Board for approval in accordance with the internal regulations for the Executive Board. In the event of equal voting, the Chairman of the Supervisory Board has the casting vote.

Audit Committee
Dr Karl-Ludwig Kley
(Chairman · since 7 May 2013)
Dr Klaus G. Schlede
(Chairman · until 7 May 2013)
Dr Werner Brandt
Jürgen Erwert (until 7 May 2013)
Uwe Hien (since 7 May 2013)
Martin Koehler
Eckhard Lieb
Ilona Ritter (since 7 May 2013)
Dr Michael Wollstadt (until 7 May 2013)

Four meetings in 2013

The Supervisory Board has elected an Audit Committee from among its members made up of equal numbers of shareholder and employee representatives, which has six members. The chair is held by a member of the Supervisory Board elected to this post. The members of the Audit Committee should have special knowledge in the area of accounting, management and financial management. Among the members of the Supervisory Board, two members of the Audit Committee, Dr Werner Brandt, CFO of SAP AG, and Dr Karl-Ludwig Kley, Chairman of the Management Board of Merck KGaA, are to qualify as independent financial experts. The task of the Audit Committee is to discuss, in accordance with instructions from the Chairman of the Supervisory Board, the monitoring of the accounting process, the examination of the effectiveness of the internal control system, the risk management system and the internal auditing system as well as matters of compliance, the necessary independence of the auditors, the appointment of auditors, the focus of audits and the fee agreement, and to make recommendations in this respect to the Supervisory Board, particularly on the auditors to put forward for election at the Annual General Meeting and on approval of the individual and consolidated financial statements. The Audit Committee also discusses the quarterly interim reports with the Executive Board before they are published. The Audit Committee is authorised to lay down the internal organisation of its work in its own internal regulations, which it submits to the Supervisory Board for its information.

Nomination Committee
Dr Werner Brandt (since 7 May 2013)
Dr Jürgen Hambrecht
Wolfgang Mayrhuber (since 7 May 2013)
Dr Klaus G. Schlede (until 7 May 2013)
Dipl.-Ing. Dr-Ing. E. h. Jürgen Weber
(until 7 May 2013)

One meeting in 2013

The Supervisory Board has elected a Nomination Committee from among its shareholder representatives, consisting of three equal members. The Committee's task is to propose to the Supervisory Board suitable candidates to recommend for election at the Annual General Meeting. At least five shareholder representatives should be independent members of the Supervisory Board. At least two shareholder representatives should be women. Taking the aforementioned requirements into account, a reasonable number of members should also have several years of professional experience gained outside Germany.

Arbitration Committee in accordance with Section 27 Paragraph 3 Co-determination Act (MitbestG)
Wolfgang Mayrhuber
(Chairman · since 7 May 2013)
Dipl.-Ing. Dr-Ing. E. h. Jürgen Weber
(Chairman · until 7 May 2013)
Christine Behle (Deputy Chairman · since 7 May 2013)
Frank Bsirske (Deputy Chairman · until 7 May 2013)
Dr Jürgen Hambrecht
Dominique Hiekel (until 7 May 2013)
Stefan Ziegler (since 7 May 2013)

No meetings in 2013

The task of this committee, appointed in accordance with Section 9 Paragraph 2 of the Company's Articles of Association, is to exercise the rights mentioned in Section 31 Paragraph 3 Sentence 1 of the Co-determination Act when members are appointed to the Executive Board, and when their appointment is revoked.

Mandates

Other mandates of the Supervisory Board members of Deutsche Lufthansa AG

As of 31 December 2013 or at the time of his departure from the Supervisory Board on 7.5.2013

Wolfgang Mayrhuber
a) BMW AG
Infineon Technologies AG (Chairman)
Münchener Rückversicherungs-Gesellschaft AG
b) HEICO Corp.

Dipl.-Ing. Dr-Ing. E. h. Jürgen Weber
(at the time of his departure on 7.5.2013)
a) Hapag Lloyd AG (Chairman)
Willy Bogner GmbH & Co. KGaA (Chairman)
b) Loyalty Partner GmbH (Chairman)
Tetra Laval Group

Christine Behle
a) Bremer Lagerhaus-Gesellschaft-Aktiengesellschaft von 1877 (Deputy Chairman)
Bochum-Gelsenkirchener Straßenbahnen AG
b) ACE Auto Club Europa e. V. / ACE Wirtschaftsdienst GmbH

Frank Bsirske
(at the time of his departure on 7.5.2013)
a) Deutsche Postbank AG (Deputy Chairman)
IBM Central Holding GmbH
RWE AG (Deputy Chairman)
b) Kreditanstalt für Wiederaufbau

Jacques Aigrain
b) LCH Clearnet SA
London Stock Exchange Group PLC
Lyondell Bassell NV
QFCA Qatar Financial Center Authority
Swiss International Air Lines AG
WPP PLC

Dr Werner Brandt
a) RWE AG
b) QIAGEN N.V.

Bernd Buresch
(at the time of his departure on 7.5.2013)
a) Lufthansa Systems AG

Herbert Hainer
a) Allianz Deutschland AG
FC Bayern München AG (Deputy Chairman)

Dr Jürgen Hambrecht
a) Daimler AG
Fuchs Petrolub SE (Chairman)
TRUMPF GmbH + Co. KG (Chairman)

Dr Karl-Ludwig Kley
a) Bertelsmann Management SE
Bertelsmann SE & Co. KGaA
BMW AG (Deputy Chairman)

Martin Koehler
a) Delton AG
b) Enfold Inc.

Dr Nicola Leibinger-Kammüller
a) Axel Springer AG
Siemens AG
Voith GmbH

Eckhard Lieb
a) Albatros Versicherungsdienste GmbH

Ralf Müller
a) Lufthansa Cargo AG

Christina Weber
a) LSG Lufthansa Service Holding AG

Matthias Wissmann
a) Seeburger AG (Deputy Chairman)

Mandates of the Executive Board members of Deutsche Lufthansa AG

As of 31 December 2013 or at the time of his departure from the Executive Board on 30.6.2013

Dr Christoph Franz
a) Lufthansa Technik AG* (Chairman)
b) Roche Holding AG
Stadler Rail AG
Swiss International Air Lines AG*

Harry Hohmeister
a) Lufthansa Cargo AG* (Chairman)
b) Austrian Airlines AG* (Chairman)
Edelweiss Air AG* (Chairman)
SN Airholding SA / NV

Stefan Lauer
(at the time of his departure on 30.6.2013)
a) Dräger Medical GmbH
Dräger Safety AG & Co. KGaA
Drägerwerk AG & Co. KGaA
Drägerwerk Verwaltungs AG
Fraport AG
LSG Lufthansa Service Holding AG*
Lufthansa Cargo AG*
Lufthansa Flight Training GmbH* (Chairman)
Pensions-Sicherungs-Verein VVaG
b) Aircraft Maintenance and Engineering Corp. (Deputy Chairman)
Landesbank Hessen-Thüringen Girozentrale
SN Airholding SA / NV
Günes Ekspres Havacilik A.S. (SunExpress) (Deputy Chairman)
Swiss International Air Lines AG* (Deputy Chairman)

Simone Menne
a) Delvag Luftfahrtversicherungs-AG* (Chairman)
LSG Lufthansa Service Holding AG* (Chairman)
Lufthansa Cargo AG*
Lufthansa Systems AG* (Chairman)
Lufthansa Technik AG*

Carsten Spohr
a) Germanwings GmbH* (Chairman)
Lufthansa Technik AG*
ThyssenKrupp AG
b) Dr August Oetker KG

Dr Bettina Volkens
a) LSG Lufthansa Service Holding AG*
Lufthansa Flight Training GmbH* (Chairman)
b) Austrian Airlines AG*

a) Membership of supervisory boards required by law.
b) Membership of comparable supervisory bodies at companies in Germany and abroad.
* Group mandat.

Major subsidiaries, joint ventures and associated companies

Major subsidiaries as of 31.12.2013	Equity stake	Voting share		Different reporting period
Name, registered office	in %	in %		
Passenger Airline Group segment				
A319 LDA-LDB-LDC Ltd., George Town, Grand Cayman, Cayman Islands	0.00	0.00	SPE	
A319 LDD-LDE-LDF Ltd., George Town, Grand Cayman, Cayman Islands	0.00	0.00	SPE	
Air Dolomiti S.p.A. Linee Aeree Regionali Europee, Dossobuono di Villafranca (Verona), Italy	100.00	100.00		
AirNavigator Ltd., Tokyo, Japan	0.00	0.00	SPE	
AirTrust AG, Zug, Switzerland	100.00	100.00		June
ALIP No. 4 Co., Ltd, Tokyo, Japan	0.00	0.00	SPE	
ALIP No. 6 Co., Ltd., Tokyo, Japan	0.00	0.00	SPE	
AUA 2006 MSN 263 Ltd., George Town, Grand Cayman, Cayman Islands	0.00	0.00	SPE	
AUA Beteiligungen Gesellschaft m.b.H., Vienna, Austria	100.00	100.00		
AUA LNR/LNS/LNT/INU Ltd., George Town, Grand Cayman, Cayman Islands	0.00	0.00	SPE	
Austrian Airlines AG, Vienna, Austria	100.00	100.00		
Austrian Airlines Lease and Finance Company Ltd., Guernsey, Channel Islands, UK	100.00	100.00		
Edelweiss Air AG, Kloten, Switzerland	100.00	100.00		
Ellen Finance 2010 S.N.C., Paris, France	0.00	0.00	SPE	
Empyrée S.A.S., Paris, France	0.00	0.00	SPE	
Eurowings GmbH, Dusseldorf	100.00	100.00		
FG Unity Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	SPE	
FG Vision Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	SPE	
FI Beauty Leasing Ltd, Tokyo, Japan	0.00	0.00	SPE	
First Valley Highway Kumiai, Tokyo, Japan	0.00	0.00	SPE	
Gabriela Finance 2012 Limited, Dublin, Ireland	0.00	0.00	SPE	
Germanwings GmbH, Cologne	100.00	100.00		
Gina Leasing Co. Ltd., Tokyo, Japan	0.00	0.00	SPE	
Global Brand Management AG, Basel, Switzerland	100.00	100.00		
Heike LH8 Kumiai Ltd., Okayama, Japan	0.00	0.00	SPE	
Ingrid Finance 2010 S.N.C., Paris, France	0.00	0.00	SPE	
Jour Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	SPE	
LeaseAir GmbH & Co. Verkehrsflugzeuge V KG, Dortmund	100.00	100.00		
LHBD Holding Limited, London, UK	100.00	100.00		
LPC/LNP/LNQ Finance Ltd., George Town, Grand Cayman, Cayman Islands	0.00	0.00	SPE	
Lufthansa CityLine GmbH, Cologne	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 1, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 3, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 4, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 5, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 6, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 7, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 8, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 9, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 10, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 11, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 12, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 14, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 15, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 16, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 17, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 18, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 19, Salzburg, Austria	100.00	100.00		

Major subsidiaries as of 31.12.2013 (continued)	**Equity stake**	**Voting share**		**Different reporting period**
Name, registered office	in %	in %		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 20, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 21, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 22, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 23, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 24, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 25, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing Austria GmbH & Co. OG Nr. 26, Salzburg, Austria	100.00	100.00		
Lufthansa Leasing GmbH & Co. Fox-Golf oHG, Grünwald	100.00	66.67		
Lufthansa Malta Aircraft-Leasing Ltd., St. Julians, Malta	100.00	100.00		
Lufthansa Malta Holding Ltd., St. Julians, Malta	100.00	100.00		
Lufthansa Process Management GmbH, Neu-Isenburg	100.00	100.00		
Lufthansa WorldShop GmbH, Frankfurt/M.	100.00	100.00		
Miles & More International GmbH, Neu-Isenburg	100.00	100.00		
NBB Cologne Lease Co., Ltd., Tokyo, Japan	0.00	0.00	SPE	
NBB Koblenz Lease Co., Ltd., Tokyo, Japan	0.00	0.00	SPE	
NBB Rhine Valley Lease LLC, Tokyo, Japan	0.00	0.00	SPE	
ÖLB Österreichische Luftverkehrs-Beteiligungs GmbH, Vienna, Austria	100.00	100.00		
ÖLH Österreichische Luftverkehrs-Holding GmbH, Vienna, Austria	100.00	100.00	[1)]	
ÖLP Österreichische Luftverkehrs-Privatstiftung, Vienna, Austria	0.00	0.00	[2)]	
Second Valley Highway Kumiai, Tokyo, Japan	0.00	0.00	SPE	
SL Aurora Ltd., Tokyo, Japan	0.00	0.00	SPE	
SL Prairie Ltd., Tokyo, Japan	0.00	0.00	SPE	
SL Victoria Ltd., Tokyo, Japan	0.00	0.00	SPE	
Soir Leasing Co., Ltd., Tokyo, Japan	0.00	0.00	SPE	
Swiss Aviation Software AG, Basel, Switzerland	100.00	100.00		
Swiss AviationTraining AG, Kloten, Switzerland	100.00	100.00		
Swiss European Air Lines AG, Basel, Switzerland	100.00	100.00		
Swiss International Air Lines AG, Basel, Switzerland	100.00	100.00		
Third Valley Highway Kumiai, Tokyo, Japan	0.00	0.00	SPE	
TimBenNico Finance 2011 S.N.C., Paris, France	0.00	0.00	SPE	
TLC Amaryllis Ltd., Tokyo, Japan	0.00	0.00	SPE	
TLC Petunia Ltd., Tokyo, Japan	0.00	0.00	SPE	
TLC Salvia Ltd., Tokyo, Japan	0.00	0.00	SPE	
TRAVIAUSTRIA Datenservice für Reise und Touristik Gesellschaft m.b.H. & Co NFG. KG, Vienna, Austria	69.00	69.00		
Tyrolean Airways Tiroler Luftfahrt GmbH, Innsbruck, Austria	100.00	100.00		
Yamasa Aircraft LH10 Kumiai Ltd., Okayama, Japan	0.00	0.00	SPE	
Yamasa Aircraft LH11 Kumiai Ltd., Okayama, Japan	0.00	0.00	SPE	
Yamasa Aircraft LH9 Kumiai Ltd., Okayama, Japan	0.00	0.00	SPE	
Logistics segment				
Jettainer GmbH, Raunheim	100.00	100.00		
Lufthansa Cargo AG, Frankfurt/M.	100.00	100.00		
Lufthansa Cargo Charter Agency GmbH, Frankfurt/M.	100.00	100.00		
Lufthansa Leasing GmbH & Co. Echo-Zulu oHG, Grünwald	100.00	66.67		

Major subsidiaries as of 31.12.2013 (continued)	**Equity stake**	**Voting share**		**Different reporting period**
Name, registered office	in %	in %		
MRO segment				
BizJet International Sales & Support, Inc., Tulsa, USA	100.00	100.00		
Hamburger Gesellschaft für Flughafenanlagen mbH, Hamburg	100.00	100.00		
Hawker Pacific Aerospace, Sun Valley, USA	100.00	100.00		
JASEN Grundstücksgesellschaft mbH & Co. oHG, Grünwald	100.00	50.00	SPE	
Lufthansa Technik AERO Alzey GmbH, Alzey	100.00	100.00		
Lufthansa Technik AG, Hamburg	100.00	100.00		
Lufthansa Technik Airmotive Ireland Holdings Ltd., Co., Dublin, Ireland	100.00	100.00		
Lufthansa Technik Airmotive Ireland Leasing Ltd., Co., Dublin, Ireland	100.00	100.00		
Lufthansa Technik Airmotive Ireland Ltd., Co., Dublin, Ireland	100.00	100.00		
Lufthansa Technik Budapest Repülögép Nagyjavító Kft., Budapest, Hungary	85.00	85.00		
Lufthansa Technik Component Services LLC, Tulsa, USA	100.00	100.00		
Lufthansa Technik Immobilien- und Verwaltungsgesellschaft mbH, Hamburg	100.00	100.00		
Lufthansa Technik Landing Gear Services UK Ltd., Kestrel Way, Hayes, UK	100.00	100.00		
Lufthansa Technik Logistik GmbH, Hamburg	100.00	100.00		
Lufthansa Technik Logistik Services GmbH, Hamburg	100.00	100.00		
Lufthansa Technik Maintenance International GmbH, Frankfurt/M.	100.00	100.00		
Lufthansa Technik Malta Limited, Luqa, Malta	92.00	92.00		
Lufthansa Technik North America Holding Corp., Tulsa, USA	100.00	100.00		
Lufthansa Technik Objekt- und Verwaltungsgesellschaft mbH, Hamburg	100.00	100.00		
Lufthansa Technik Philippines, Inc., Manila, Philippines	51.00	51.00		
Shannon Aerospace Ltd., Co., Clare, Ireland	100.00	100.00		
IT Services segment				
Lufthansa Systems Aktiengesellschaft, Kelsterbach	100.00	100.00		
Lufthansa Systems Americas, Inc., Dallas, USA	100.00	100.00		
Lufthansa Systems AS GmbH, Norderstedt	100.00	100.00		
Lufthansa Systems Business Solutions GmbH, Raunheim	100.00	100.00		
Catering segment				
41/42 Bartlett (Pty) Ltd., Johannesburg, South Africa	100.00	100.00		
Aerococina S.A. de C.V., Mexico City, Mexico	100.00	100.00		
AIRO Catering Services Eesti OÜ, Tallinn, Estonia	100.00	100.00		
Airo Catering Services Latvija SIA, Marupe, Latvia	100.00	100.00		
AIRO Catering Services Sweden AB, Stockholm-Arlanda, Sweden	100.00	100.00		
AIRO Catering Services - Ukraine, Boryspil, Ukraine	100.00	100.00		
Alpha Airport Services OOD, Sofia, Bulgaria	28.75	28.75 [6)]		
Arlington Services, Inc., Wilmington, USA	100.00	100.00		
Arlington Services Mexico, S.A. de C.V., Mexico City, Mexico	100.00	100.00		
Arlington Services Panama S.A., Panama City, Panama	100.00	100.00		
AVIAPIT-SOCHI OOO, Sochi, Russia	100.00	100.00		
Bahia Catering Ltda., Sao Cristovao (Salvador), Brazil	100.00	100.00		
Belém Serviços de Bordo Ltda., Belém, Brazil	70.00	70.00		
Capital Gain International (1986) Ltd., Hong Kong, China	100.00	100.00		
Caterair Servicos de Bordo e Hotelaria S.A., Rio de Janeiro, Brazil	100.00	100.00		

Major subsidiaries as of 31.12.2013 (continued)	**Equity stake**	**Voting share**	**Different reporting period**
Name, registered office	in %	in %	
Caterair Taiwan In-Flight Services, Inc., Taipei, Taiwan	100.00	100.00	
Cater Suprimento de Refeicoes, Ltda., Rio de Janeiro, Brazil	100.00	100.00	
Charm Food Service Co. Ltd., Incheon, South Korea	80.00	100.00	
CLS Catering Services Ltd., Richmond, Canada	70.00	70.00	
Comercializadora de Servicios Limitada, Santiago de Chile, Chile	100.00	100.00	
Comisariato de Baja California, S.A. de C.V., Tijuana, Mexico	51.00	51.00	
Comisariatos Gotre, S.A. de C.V., Torreon, Mexico	51.00	51.00	
Constance Food Group, Inc., New York, USA	100.00	100.00	
Fortaleza Serviços de Bordo Ltda., Fortaleza, Brazil	70.00	70.00	
Inflight Catering (Pty) Ltd., Johannesburg, South Africa	100.00	100.00	
Inflight Catering Services Limited, Dar es Salaam, Tanzania	61.99	61.99	
International Food Services Ltd., Hong Kong, China	100.00	100.00	
Inversiones Turisticas Aeropuerto Panama, S.A., Panama City, Panama	100.00	100.00	
LSG Asia GmbH, Neu-Isenburg	100.00	100.00	
LSG Catering China Ltd., Hong Kong, China	100.00	100.00	
LSG Catering Guam, Inc., Guam, USA	100.00	100.00	
LSG Catering Hong Kong Ltd., Hong Kong, China	100.00	100.00	
LSG Catering Saipan, Inc., Saipan, Micronesia	100.00	100.00	
LSG Catering (Thailand) Ltd., Bangkok, Thailand	100.00	100.00	
LSG-Food & Nonfood Handel GmbH, Neu-Isenburg	100.00	100.00	
LSG France SAS, Paris, France	100.00	100.00	
LSG Holding Asia Ltd., Hong Kong, China	86.88	86.88	
LSG Lufthansa Service Asia Ltd., Hong Kong, China	100.00	100.00	
LSG Lufthansa Service Cape Town (Pty) Ltd., Capetown, South Africa	100.00	100.00	
LSG Lufthansa Service Catering- und Dienstleistungsgesellschaft mbH, Neu-Isenburg	100.00	100.00	
LSG Lufthansa Service Enterprises Ltd., Hong Kong, China	100.00	100.00	
LSG Lufthansa Service Europa / Afrika GmbH, Neu-Isenburg	100.00	100.00	
LSG Lufthansa Service Guam, Inc., Guam, USA	100.00	100.00	
LSG Lufthansa Service Holding AG, Neu-Isenburg	100.00	100.00	
LSG Lufthansa Service Hong Kong Ltd., Hong Kong, China	47.90	47.90 [3)]	
LSG Lufthansa Service Saipan, Inc., Saipan, Micronesia	100.00	100.00	
LSG Lufthansa Service - Sky Chefs do Brasil Catering, Refeições Ltda., Sao Paulo, Brazil	100.00	100.00	
LSG Sky Chefs Argentina S.A., Buenos Aires, Argentina	100.00	100.00	
LSG Sky Chefs Belgium N.V., Zaventem, Belgium	100.00	100.00	
LSG Sky Chefs Berlin GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Bremen GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Brussels International BVBA, Zaventem, Belgium	100.00	100.00	
LSG Sky Chefs Culinary Service GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Danmark A / S, Dragør, Denmark	100.00	100.00	
LSG Sky Chefs de Venezuela C.A., Caracas, Venezuela	99.99	99.93	
LSG Sky Chefs Düsseldorf GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Europe GmbH, Neu-Isenburg	100.00	100.00	
LSG / Sky Chefs Europe Holdings Ltd., Horley, UK	100.00	100.00	
LSG Sky Chefs Finland Oy, Vantaa, Finland	0.00	0.00 [4)]	
LSG Sky Chefs – First Catering Schweiz AG, Bassersdorf, Switzerland	60.00	60.00	

Major subsidiaries as of 31.12.2013 (continued)	**Equity stake**	**Voting share**	**Different reporting period**
Name, registered office	in %	in %	
LSG Sky Chefs Frankfurt International GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Frankfurt ZD GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Gulf Solutions W.L.L., Manama, Bahrain	60.00	60.00	
LSG Sky Chefs Hamburg GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Havacilik Hizmetleri A.S., Sefaköy-Istanbul, Turkey	100.00	100.00	
LSG Sky Chefs Heathrow Limited, West Drayton, UK	100.00	100.00	
LSG Sky Chefs (India) Private Ltd., Mumbai, India	100.00	100.00	
LSG Sky Chefs In-Flight Logistics Asia Pacific Ltd., Hong Kong, China	100.00	100.00	
LSG Sky Chefs Istanbul Catering Hizmetleri A.S., Istanbul, Turkey	100.00	100.00 [5)]	
LSG Sky Chefs Köln GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Korea Co Ltd., Incheon, South Korea	80.00	80.00	
LSG Sky Chefs Leipzig GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Lounge GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Malmö AB, Stockholm, Sweden	100.00	100.00	
LSG Sky Chefs München GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs New Zealand Limited, Auckland, New Zealand	100.00	100.00	March
LSG Sky Chefs Norge AS, Oslo, Norway	100.00	100.00	
LSG Sky Chefs North America Solutions, Inc., Wilmington, USA	100.00	100.00	
LSG Sky Chefs Nürnberg GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Objekt- und Verwaltungsgesellschaft mbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs (Qingdao) Co., Ltd., Laixi City, China	100.00	100.00	
LSG Sky Chefs Rus O.O.O., Moscow, Russia	100.00	100.00	
LSG Sky Chefs Switzerland AG, Bassersdorf, Switzerland	100.00	100.00	
LSG Sky Chefs Solutions Asia Limited, Hong Kong, China	100.00	100.00	
LSG Sky Chefs South Africa (Proprietary) Ltd., Johannesburg, South Africa	100.00	100.00	
LSG Sky Chefs S.p.A., Fiumicino, Italy	100.00	100.00	
LSG Sky Chefs Spain, S.A., Madrid, Spain	100.00	100.00	
LSG Sky Chefs Stuttgart GmbH, Neu-Isenburg	100.00	100.00	
LSG Sky Chefs Supply Chain Solutions, Inc., Wilmington, USA	100.00	100.00	
LSG Sky Chefs Sverige AB, Stockholm, Sweden	100.00	100.00	
LSG Sky Chefs TAAG Angola S.A., Luanda, Angola	40.00	40.00 [3)]	
LSG Sky Chefs (Thailand) Ltd., Bangkok, Thailand	100.00	100.00	
LSG Sky Chefs UK Ltd., Feltham, UK	100.00	100.00	
LSG Sky Chefs USA, Inc., Wilmington, USA	100.00	100.00	
LSG Sky Chefs Verwaltungsgesellschaft mbH, Neu-Isenburg	100.00	100.00	
LSG-Sky Food GmbH, Alzey	100.00	100.00	
LSG South America GmbH, Neu-Isenburg	100.00	100.00	
Material Marketing Solutions Limited, Feltham, UK	100.00	100.00	
Myanmar LSG Lufthansa Service Ltd., Yangon, Myanmar	100.00	100.00	
Natal Catering Ltda., Natal, Brazil	70.00	70.00	
Oakfield Farms Solutions Europe Ltd., Feltham, UK	51.00	51.00	
Oakfield Farms Solutions, L.L.C., Wilmington, Delaware, USA	100.00	100.00	
Retail in Motion (International) Limited, Dublin, Ireland	60.00	60.00	
SC International Services, Inc., Wilmington, USA	100.00	100.00	
SCIS Air Security Corporation, Wilmington, USA	100.00	100.00	

Major subsidiaries as of 31.12.2013 (continued)	**Equity stake**	**Voting share**		**Different reporting period**
Name, registered office	in %	in %		
ServCater Internacional Ltda., Guarulhos, Brazil	90.00	90.00		
Siam Flight Services Ltd., Bangkok, Thailand	49.00	66.67		
Sky Chefs Argentine, Inc., Wilmington, USA	100.00	100.00		
Sky Chefs Chile S.A., Santiago de Chile, Chile	100.00	100.00		
Sky Chefs De Mexico, S.A. de C.V., Mexico City, Mexico	51.00	51.00		
Sky Chefs de Panama, S.A., Panama City, Panama	100.00	100.00		
Sky Chefs, Inc., Wilmington, USA	100.00	100.00		
SkylogistiX GmbH, Neu-Isenburg	75.00	75.00		
Spiriant GmbH, Neu-Isenburg	100.00	100.00		
Starfood S.r.l., Fiumicino, Italy	51.00	51.00		
UAB Airo Catering Services Lietuva, Vilnius, Lithuania	100.00	100.00		
Western Aire Chef, Inc., Wilmington, USA	100.00	100.00		
ZAO AeroMEAL, Yemelyanovo, Russia	100.00	100.00		
Other				
AirPlus Air Travel Card Vertriebsgesellschaft mbH, Vienna, Austria	100.00	100.00		
AirPlus Holding GmbH, Vienna, Austria	100.00	100.00		
AirPlus International AG, Kloten, Switzerland	100.00	100.00		
AirPlus International, Inc., Springfield, USA	100.00	100.00		
AirPlus International Limited, London, UK	100.00	100.00		
AirPlus International S.r.l., Bologna, Italy	100.00	100.00		
AirPlus Payment Management Co., Ltd., Shanghai, China	100.00	100.00		
Lufthansa AirPlus Servicekarten GmbH, Neu-Isenburg	100.00	100.00		
Lufthansa Asset Management GmbH, Frankfurt/M.	100.00	100.00		
Lufthansa Commercial Holding GmbH, Cologne	100.00	100.00		
Lufthansa Flight Training Berlin GmbH, Berlin	100.00	100.00		
Lufthansa Flight Training GmbH, Frankfurt/M.	100.00	100.00		
Lufthansa Global Business Services GmbH, Frankfurt/M.	100.00	100.00		
Lufthansa Leasing Austria 1. Beteiligungs GmbH, Salzburg, Austria	100.00	100.00		
Lufthansa Malta Blues LP, St. Julians, Malta	99.99	99.99		
Lufthansa Malta Finance Ltd., St. Julians, Malta	100.00	100.00		
Lufthansa SICAV-FIS-Fonds, Saint-Josse-ten-Noode, Belgium	100.00	100.00		
Lufthansa Training & Conference Center GmbH, Seeheim-Jugenheim	100.00	100.00		
MARDU Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, Grünwald	100.00	50.00	SPE	
MUSA Grundstücks-Verwaltungsgesellschaft mbH & Co. oHG, Grünwald	100.00	50.00	SPE	
Quinto Grundstücksgesellschaft mbH & Co. oHG, Grünwald	100.00	49.75	SPE	
TGV DLH, Dusseldorf	100.00	100.00	SPE	

SPE: special-purpose entity.
[1] 50.20 per cent of the equity stakes and voting rights are attributed via ÖLP.
[2] Control over ÖLP results from the ability to nominate 3 out of 5 members of the Management Board.
[3] Management responsibility for the company lies with the Group.
[4] 100 per cent of the equity shares and voting rights are attributed via a call option.
[5] 33.34 per cent of the equity stakes and 50.01 per cent of the voting rights are attributed via a call option.
[6] 28.75 per cent of the equity stakes and voting rights are attributed via a call option.

Major joint ventures as of 31.12.2013*	Equity stake	Voting share	Different reporting period
Name, registered office	in %	in %	
Passenger Airline Group segment			
Günes Ekspres Havacilik Anonim Sirketi (SunExpress), 07300 Antalya, Turkey	50.00	50.00	
Terminal 2 Gesellschaft mbH & Co. oHG, Freising	40.00	40.00	
Logistics segment			
Aerologic GmbH, Leipzig	50.00	50.00	
Shanghai Pudong International Airport Cargo Terminal Co. Ltd., Shanghai, China	29.00	22.22	
MRO segment			
Aircraft Maintenance and Engineering Corp., Beijing, China	40.00	42.86	
Lufthansa Bombardier Aviation Services GmbH, Schönefeld	51.00	51.00	
N3 Engine Overhaul Services GmbH & Co. KG, Arnstadt	50.00	50.00	
Spairliners GmbH, Hamburg	50.00	50.00	
Catering segment			
Alpha LSG Limited, Manchester, UK	50.00	50.00	
Other			
Diners Club Spain S.A., Madrid, Spain	25.00	25.00	

* Accounted for using the equity method.

Major associated companies as of 31.12.2013*	Equity stake	Voting share	Different reporting period
Name, registered office	in %	in %	
Passenger Airline Group segment			
SN Airholding SA/NV, Brussels, Belgium	45.00	45.00	
Logistics segment			
time:matters Holding GmbH, Dusseldorf	49.26	49.00	
MRO segment			
HEICO Aerospace Holdings Corp., 33021 Florida, USA	20.00	20.00	
Catering segment			
CateringPor – Catering de Portugal, S.A., Lissabon, Portugal	49.00	49.00	
Gansu HNA LSG Sky Chefs Co., Ltd., Lanzhou, China	49.00	40.00	
Hongkong Beijing Air Catering Ltd., Hong Kong, China	45.00	45.00	
Hongkong Shanghai Air Catering Ltd., Hong Kong, China	45.00	45.00	
Inflite Holdings (Cayman) Ltd., Grand Cayman, Cayman Islands	49.00	49.00	September
Inflite Holdings (St. Lucia) Ltd., Castries, St. Lucia	49.00	49.00	September
Nanjing Lukou International Airport LSG Catering Co Ltd., Nanjing, China	40.00	40.00	
Retail in Motion Limited, Dublin, Ireland	40.00	40.00	
Starfood Antalya Gida Sanayi ve Ticaret A.S., Istanbul, Turkey	49.00	49.00	
Tolmachevo Catering OOO, Novosibirsk, Russia	26.00	26.00	
Xian Eastern Air Catering Co. Ltd., Xian, China	30.00	28.57	
Yunnan Eastern Air Catering Co. Ltd., Kunming, China	24.90	28.57	
ZAO Aeromar, Moscow Region, Russia	49.00	49.00	

* Accounted for using the equity method.

Miscellaneous equity investments of Deutsche Lufthansa AG

Miscellaneous equity investments of Deutsche Lufthansa AG as of 31.12.2013	Equity stake	Voting share	Consolidated
Name, registered office	in %	in %	
Subsidiaries, not consolidated			
ACS Aircontainer Services Gesellschaft m.b.H., Fischamend, Austria	76.00	76.00	
Air Dolomiti Deutschland GmbH, Munich	100.00	100.00	
Airline Accounting Center de Mexico S.A. de C.V., Mexico City, Mexico	100.00	100.00	
Airline Accounting Center Sp. z o. o., Cracow, Poland	100.00	100.00	
Airline Marketing Services India Private Limited, Mumbai, India	100.00	100.00	
Airline Training Center Arizona Inc., Goodyear, USA	100.00	100.00	
AirPlus International GmbH, Neu-Isenburg	100.00	100.00	
Airport Services Dresden GmbH, Dresden	100.00	100.00	
Airport Services Friedrichshafen GmbH, Friedrichshafen	100.00	100.00	
Airport Services Leipzig GmbH, Schkeudiz	100.00	100.00	
Albatros Service Center GmbH, Cologne	100.00	100.00	
Albatros Versicherungsdienste GmbH, Cologne	100.00	100.00	
AS InPro GmbH, Oldenburg	100.00	100.00	
ATC – Austrian Technik Consulting, s.r.o., Trencin, Slovakia	100.00	100.00	
Austrian Airlines Technik-Bratislava, s.r.o., Bratislava, Slovakia	100.00	100.00	
Austrian Airlines Tele Sales & Service GmbH, Innsbruck, Austria	100.00	100.00	
Aviation Quality Services GmbH, Frankfurt / M.	100.00	100.00	
AVICON Aviation Consult Gesellschaft m.b.H., Vienna Airport, Austria	100.00	100.00	
AVS Privatkunden Versicherungsservice GmbH, Vienna Airport, Austria	100.00	100.00	
Cargo Future Communications (CFC) GmbH, Büchenbeuren	65.00	65.00	
Castle Pensions No. 1 Limited, London, UK	100.00	100.00	
Castle Pensions Top-up Limited, London, UK	100.00	100.00	
Caterair Portugal - Assistencia A Bordo, Lda., Sacavém, Portugal	100.00	100.00	
City Net Catering Holdings Ltd., Alcester, UK	100.00	100.00	
Crossair AG, Basel, Switzerland	100.00	100.00	
Delvag Luftfahrtversicherungs-AG, Cologne	100.00	100.00	
Delvag Rückversicherungs-AG, Cologne	100.00	100.00	
Deutsche Lufthansa Unterstützungswerk GmbH, Cologne	100.00	100.00	
DLH Fuel Company mbH, Hamburg	100.00	100.00	
DLH Malta Pension Ltd., St. Julians, Malta	100.00	100.00	
DLH Malta Transition Limited, St. Julians, Malta	100.00	100.00	
Donington Pensions No. 2 Limited, Manchester, UK	100.00	100.00	
Europe Continental Airways S.A. (i.L.), Saint Louis, France	100.00	100.00	
EW Beteiligungs- und Verwaltungsgesellschaft mbH, Dortmund	100.00	100.00	
GERANOS Grundstücksgesellschaft mbH & Co. IMMOBILIEN KG, Cologne	85.00	100.00	
Germanwings Beratungs GmbH, Vienna Flughafen, Austria	100.00	100.00	
GGG Service for Airlines GmbH, Frankfurt / M.	100.00	100.00	
Global Tele Sales Brno s.r.o., Brno, Czech Republic	100.00	100.00	
Global Tele Sales Ltd., Contaf, Dublin, Ireland	100.00	100.00	
Global Telesales of Canada, Inc., Peterborough, Canada	100.00	100.00	
Global Tele Sales Pty Limited, Melbourne, Australia	100.00	100.00	
Global Tele Sales (PTY) Ltd., Capetown, South Africa	100.00	100.00	
GOAL Verwaltungsgesellschaft mbH & Co. Projekt Nr. 5 KG i.L., Grünwald	100.00	83.33	
handling counts GmbH, Frankfurt / M.	100.00	100.00	
Hinduja Lufthansa Cargo Holding B.V., Amsterdam, Netherlands	100.00	100.00	
IBYKUS-KG THG Grundbuchtreuhandgesellschaft mbH & Co., Cologne	85.00	88.14	
In-Flight Management Solutions Latin America, S.A. de C.V., Mexico City, Mexico	100.00	100.00	

Miscellaneous equity investments of Deutsche Lufthansa AG as of 31.12.2013	Equity stake	Voting share	Consolidated
Name, registered office	in %	in %	
LCAG Malta Pension Ltd., St. Julians, Malta	100.00	100.00	
LCAG Malta Transition Limited, St. Julians, Malta	100.00	100.00	
LCAG USA, Inc., Wilmington, USA	100.00	100.00	
LCH Grundstücksgesellschaft Berlin mbH, Cologne	100.00	100.00	
LGSP Lufthansa Ground Service Portugal, Unipessoal Lda., Maia/Porto, Portugal	100.00	100.00	
LH Cargo Holding GmbH, Frankfurt/M.	100.00	100.00	
LHT Malta Pension Ltd., St. Julians, Malta	100.00	100.00	
LRS Lufthansa Revenue Services GmbH, Norderstedt	100.00	100.00	
LSG Malta Pension Ltd., St.Julians, Malta	100.00	100.00	
LSG Sky Chefs Kenya Limited, Nairobi, Kenya	50.20	50.20	
LSI Malta Pension Ltd., St. Julians, Malta	100.00	100.00	
LTMES FZE, Dubai, United Arab Emirates	100.00	100.00	
Lufthansa Blues Beteiligungs GmbH, Frankfurt/M.	100.00	100.00	
Lufthansa Cagri Merkezi ve Müsteri Hizmetleri A.S., Istanbul, Turkey	99.91	99.91	
Lufthansa Cargo India (Priv) Ltd., New Delhi, India	100.00	100.00	
Lufthansa Cargo Servicios Logisticos de Mexico, S.A. de C.V., Mexico City, Mexico	100.00	100.00	
Lufthansa City Center International GmbH, Frankfurt/M.	50.00	50.00	
Lufthansa Consulting GmbH, Cologne	94.25	100.00	
Lufthansa Consulting Managementbeteiligungs GmbH & Co. KG, Cologne	71.25	71.25	
Lufthansa Engineering and Operational Services GmbH, Frankfurt/M.	100.00	100.00	
Lufthansa Flight Training - CST GmbH, Berlin	100.00	100.00	
Lufthansa Flight Training Vienna GmbH, Vienna Airport, Austria	100.00	100.00	
Lufthansa Global Business Services Ltd., Bangkok, Thailand	100.00	100.00	
Lufthansa Global Tele Sales GmbH, Berlin	100.00	100.00	
Lufthansa International Finance (Netherlands) N. V., Amsterdam, Netherlands	100.00	100.00	
Lufthansa Leasing GmbH & Co. Fox-Alfa oHG i.L., Grünwald	100.00	66.67	
Lufthansa Leasing GmbH & Co. Fox-Hotel oHG i.L., Grünwald	100.00	66.67	
Lufthansa Malta Blues General Partner GmbH & Co. KG, Frankfurt/M.	100.00	100.00	
Lufthansa Malta Pension Holding Ltd., St. Julians, Malta	100.00	100.00	
Lufthansa Pension Beteiligungs GmbH, Frankfurt/M.	100.00	100.00	
Lufthansa Pension GmbH & Co. KG, Frankfurt/M.	100.00	100.00	
Lufthansa Service-Center Kassel GmbH, Kassel	100.00	100.00	
Lufthansa Services (Thailand) Ltd., Bangkok, Thailand	90.43	90.43	
Lufthansa Systems 25. GmbH, Raunheim	100.00	100.00	
Lufthansa Systems Asia Pacific Pte. Ltd., Singapore, Singapore	100.00	100.00	
Lufthansa Systems FlightNav AG, Opfikon, Switzerland	100.00	100.00	
Lufthansa Systems Hungaria Kft, Budapest, Hungary	100.00	100.00	
Lufthansa Systems Infrastructure Services Inc., Dallas, Texas, USA	100.00	100.00	
Lufthansa Systems IS Consulting GmbH, Norderstedt	100.00	100.00	
Lufthansa Systems Network GmbH, Norderstedt	100.00	100.00	
Lufthansa Systems Network Services GmbH, Norderstedt	100.00	100.00	
Lufthansa Systems Poland Sp. z o.o., Gdansk, Poland	100.00	100.00	
Lufthansa Technical Training GmbH, Hamburg	100.00	100.00	
Lufthansa Technik Brussels N.V., Steenokkerzeel-Melsbroek, Belgium	100.00	100.00	
Lufthansa Technik Intercoat GmbH, Kaltenkirchen	51.00	51.00	
Lufthansa Technik Logistik of America LLC, New York, USA	100.00	100.00	
Lufthansa Technik Milan s.r.l., Somma Lombardo (VA), Italy	100.00	100.00	

Miscellaneous equity investments of Deutsche Lufthansa AG as of 31.12.2013 (continued)	Equity stake	Voting share	Consolidated
Name, registered office	in %	in %	
Lufthansa Technik Services India Private Limited, Gurgaon – 122002 (Harayana), India	100.00	100.00	
Lufthansa Technik Shenzhen Co., Ltd., Shenzhen, China	80.00	80.00	
Lufthansa Technik Sofia OOD, Sofia, Bulgaria	75.10	75.10	
Lufthansa Technik Tulsa Corporation, Tulsa, USA	100.00	100.00	
Lufthansa Technik Turbine Shannon Limited, Shannon / Co. Clare, Ireland	100.00	100.00	
Lufthansa Technik Vostok OOO, Moscow, Russia	100.00	100.00	
Lufthansa Technik Vostok Services OOO, Moscow Region, Russia	100.00	100.00	
Lufthansa UK Pension Trustee Limited, London, UK	100.00	100.00	
LZ-Catering GmbH, Hamburg	100.00	100.00	
Malta Pension Investments, St. Julians, Malta	0.00	100.00	
Maptext, Inc., Monmouth Junction, USA	100.00	100.00	
Marriott Export Services, C.A., Caracas, Venezuela	99.99	100.00	
Marriott International Trade Services, C.A., Caracas, Venezuela	99.99	100.00	
OP-Fonds LVG, Cologne	88.73	88.73	
Pilot Training Network GmbH, Frankfurt / M.	100.00	100.00	
Quinto Grundstücks-Verwaltungsgesellschaft mbH, Grünwald	94.80	94.80	
Reservation Data Maintenance India Private Ltd., New Delhi, India	51.00	51.00	
Servicios Complementarios de Cabina, S.A. de C.V., Mexico City, Mexico	51.88	99.80	
Shared Services International India Private Limited, New Delhi, India	100.00	100.00	
Shared Services International, Singapore PTE. LTD, Singapore, Singapore	100.00	100.00	
SLL, s.r.o., Bratislava, Slovakia	100.00	100.00	
Slovenske Aerolinie, a.s. (i.L.), Bratislava, Slovakia	62.00	62.00	
Star Risk Services Inc., Southlake, Texas, USA	100.00	100.00	
Supply Chain S.à.r.l., Sennigerberg, Luxembourg	100.00	100.00	
Swiss Private Aviation AG, Kloten, Switzerland	100.00	100.00	
Swiss WorldCargo (India) Private Limited, Mumbai, India	100.00	100.00	
TATS – Travel Agency Technologies & Services GmbH, Frankfurt / M.	100.00	100.00	
TFC Verwaltungs-GmbH, Frankfurt	100.00	100.00	
THG Grundbuchtreuhandgesellschaft mbH, Cologne	85.00	85.00	
TRAVI Holding GmbH, Vienna, Austria	69.00	69.00	
VPF Malta Pension Ltd., St. Julians ST, Malta	100.00	100.00	
Wien Oberlaa Liegenschaftsentwicklungs GmbH, Vienna Airport, Austria	100.00	100.00	
XP Reisen Vertriebs GmbH, Frankfurt / M.	100.00	100.00	
Other equity investments			
Aerologic Management GmbH i.L., Bonn	50.00	50.00	
Aeroxchange Ltd., Wilmington, USA	9.46	9.46	
AFC Aviation Fuel Company oHG, Hamburg	50.00	50.00	
Airfoil Services Sdn. Bhd., Kuala Lumpur, Malaysia	50.00	50.00	
Airmail Center Frankfurt GmbH, Frankfurt / M.	40.00	40.00	
ATLECON Fuel Corporation, Atlanta, USA	11.11	11.11	
AviationPower GmbH, Hamburg	49.00	49.00	
Beijing Lufthansa Center Co. Ltd., Beijing, China	11.23	12.50	
Chelyabinsk Catering Service OOO, Chelyabinsk, Russia	26.00	26.00	
CommuniGate Kommunikationsservice GmbH, Passau	50.00	50.00	
Deutsche Akademie für Flug- und Reisemedizin gemeinnützige GmbH, Frankfurt / M.	90.00	90.00	
EFM – Gesellschaft für Enteisen und Flugzeugschleppen am Flughafen München mbH, Freising	51.00	51.00	
Egyptian Aviation Services Company (S.A.E.), Cairo, Egypt	5.83	5.83	
ETACS GmbH, Frankfurt / M.	25.20	25.20	

Miscellaneous equity investments of Deutsche Lufthansa AG as of 31.12.2013	Equity stake	Voting share	Consolidated
Name, registered office	in %	in %	
Fairpartners AG, Langen	6.45	6.45	
Finairport Service S.r.l., Turin, Italy	36.00	36.00	
Flughafen München Baugesellschaft mbH, Munich Airport	40.00	40.00	
FMO Passenger Services GmbH, Greven	33.33	33.33	
FraCareServices GmbH, Frankfurt/M.	49.00	49.00	
Global Airline Services S.r.l., Fiumicino, Italy	40.00	40.00	
GOAL German Operating Aircraft Leasing GmbH & Co. KG, Grünwald	40.00	39.99	
GOAL German Operating Aircraft Leasing GmbH, Munich	40.00	40.00	
Guangzhou Baiyun International Airport LSG Sky Chefs Co Ltd, Guangzhou, China	30.00	28.57	
Gulf International Caterers, W.L.L., Bahrain, Bahrain	49.00	49.00	
Hangzhou Xiaoshan Airport LSG Air Catering Co Ltd, Hangzhou, China	25.00	28.57	
Idair GmbH, Hamburg	50.00	50.00	
Jade Cargo International Company Limited i.L., Shenzhen, China	25.00	28.57	
Jetblue Airways Corporation, City of Dover, County of Kent, Delaware, USA	15.85	15.85	
LSG Gate Gourmet Paris S.A.S. i.L., Roissy, France	50.00	50.00	
LSG Sky Chefs Catering Egypt S.A.E., Cairo, Egypt	15.00	15.00	
LTQ Engineering Pty Limited, Tullamarine, Australia	50.00	50.00	
Luftfahrzeugverwaltungsgesellschaft GOAL mbH, Grünwald	40.00	40.00	
Lufthansa HNA Technical Training Co., Ltd., Meilan Airport, Hainan, China	50.00	1.00	
Lufthansa LAN Technical Training S.A., Santiago de Chile, Chile	50.00	50.00	
Lufthansa Leasing GmbH & Co. Bravo-Juliett KG i.L., Grünwald	100.00	50.00	
Lufthansa Leasing GmbH, Grünwald	49.00	49.00	
Lumics GmbH & Co. KG, Hamburg	50.00	50.00	
Lumics Verwaltungs GmbH, Hamburg	50.00	0.00	
Luxair Société Luxembourgeoise de Navigation Aérienne S. A., Luxembourg, Luxembourg	14.44	14.44	
N3 Engine Overhaul Services Verwaltungsgesellschaft mbH, Hamburg	50.00	50.00	
Nigerian Aviation Handling Company PLC., Lagos, Nigeria	6.00	6.00	
North Hub Cleaning Services SIA, Marupe, Latvia	49.00	49.00	
Pro Flight GmbH, Bremen	50.00	50.00	
SAEMS Special Airport Equipment and Maintenance Services GmbH & Co. KG, Hamburg	40.00	40.00	
S.A.E.M.S. Verwaltungs-GmbH, Hamburg	40.00	40.00	
Sanya LSG Air Catering Co. Ltd, Sanya, China	45.00	40.00	
SCA Schedule Coordination Austria GmbH, Vienna Airport, Austria	25.00	25.00	
Shenzhen Airport International Cargo Terminal Company Limited, Shenzhen, China	50.00	50.00	
Sichuan Airlines LSG Air Catering Co. Ltd., Chengdu, China	49.00	40.00	
Sky Bird Services Ltd., Hong Kong, China	10.00	10.00	
Sky Chefs for Airlines Catering Company, Tripolis, Libyia	44.50	44.50	
Star Alliance Services GmbH, Frankfurt/M.	5.00	5.00	
STARS Special Transport and Ramp Services GmbH & Co. KG, Hamburg	49.00	49.00	
S.T.A.R.S. Verwaltungs-GmbH, Hamburg	49.00	49.00	
Tanklager & Hydranten Betriebsgesellschaft mbH (THBG BBI), Schönefeld	30.00	30.00	
Terminal One Group Association, L.P., New York, USA	24.75	0.00	
Terminal One Management Inc., New York, USA	25.00	25.00	
The Airline Group Limited, London, UK	14.52	14.52	
Universal Air Travel Plan, Inc., Washington, DC, USA	5.26	5.26	
Xinjiang HNA LSG Sky Chefs Co Ltd., Urumqi, China	49.00	40.00	
Zentrum für Angewandte Luftfahrtforschung GmbH, Hamburg	20.00	20.00	
ZFB Zentrum für Flugsimulation Berlin GmbH i.L., Berlin	50.00	50.00	

Ten-year overview

		2013	2012[11]	2011
Income statement Lufthansa Group				
Revenue	€m	30,028	30,135	28,734
Result				
Operating result	€m	697	839	820
Operating margin	%	3.0	3.3	2.9
Profit / loss from operating activities [1]	€m	849	1,622	773
Profit / loss before income taxes [1) 8]	€m	545	1,296	446
Income taxes [8]	€m	–219	–91	–157
Net profit / loss attributable to shareholders of Deutsche Lufthansa AG	€m	313	1,228	–13
Main cost items				
Staff costs	€m	7,350	6,741	6,678
Fees and charges	€m	5,154	5,167	5,000
Fuel for aircraft	€m	7,058	7,392	6,276
Depreciation, amortisation and impairment	€m	1,766	1,839	1,722
Net interest	€m	–346	–372	–288
Balance sheet Lufthansa Group				
Asset structure				
Non-current assets [4]	€m	19,421	18,782	18,627
Current assets [4]	€m	9,663	9,777	9,454
of which liquid assets	€m	4,696	4,966	3,998
Capital structure				
Shareholders' equity [2]	€m	6,108	4,839	8,044
of which issued capital [3]	€m	1,180	1,177	1,172
of which reserves	€m	4,563	2,374	6,790
Liabilities	€m	22,976	23,720	20,037
of which pension provisions	€m	4,718	5,844	2,165
of which borrowing	€m	6,337	6,910	6,424
Total assets	€m	29,084	28,559	28,081
Other financial data Lufthansa Group				
Capital expenditure	€m	2,499	2,358	2,560
of which on tangible and intangible assets	€m	2,444	2,291	2,445
of which on financial investments	€m	55	67	115
Cash flow from operating activities	€m	3,290	2,842	2,356
Free cash flow	€m	1,308	1,397	713
Indebtedness				
gross	€m	6,393	6,919	6,440
net [7]	€m	1,697	1,953	2,328
Deutsche Lufthansa AG				
Net profit / loss for the year	€m	407	592	–116
Transfer to / from reserves	€m	–200	–592	230
Dividends proposed / paid	€m	207	–	114
Dividend per share proposed / paid	€	0.45	–	0.25

2010[10]	2009	2008	2007	2006	2005	2004
26,459	22,283	24,842	22,420	19,849	18,065	16,965
1,020	130	1,280	1,378	845	577	383
3.9	0.6	5.2	6.1	4.3	3.2	2.3
1,386	271	1,309	1,586	1,078	719	954
1,134	−134	730	2,125	1,129	875	541
−161	−112	178	365	232	263	133
1,131	−34	542	1,655	803	453	404
6,491	5,996	5,692	5,498	5,029	4,853	4,813
4,318	3,762	3,499	3,174	2,824	2,543	2,542
4,964	3,645	5,377	3,860	3,355	2,662	1,819
1,654	1,475	1,289	1,204	1,051	1,398	1,112
−346	−325	−172	−194	−254	−248	−331
18,963	17,696	14,975	14,076	12,969	12,318	11,543
10,357	8,696	7,433	8,244	6,492	6,954	6,527
5,380	4,439	3,278	3,607	2,538	3,598	3,788
8,340	6,202	6,594	6,900	4,903	4,522	4,014
1,172	1,172	1,172	1,172	1,172	1,172	1,172
5,939	4,956	4,817	4,018	2,648	2,707	2,398
20,980	20,190	15,814	15,420	14,558	14,750	14,056
2,571	2,710	2,400	2,461	3,814	4,022	4,132
7,184	6,802	3,581	3,345	2,956	3,563	3,306
29,320	26,392	22,408	22,320	19,461	19,272	18,070
2,271	2,304	2,152	1,737	1,929	1,829	1,783
2,222	2,177	1,798	1,621	1,380	1,221	1,647
49	127	354	116	549	608	136
2,992	1,991	2,473	2,862	2,105	1,956	1,881
1,542	251	612	2,688	584	815	1,061
7,207	6,860	3,639	3,369	2,971	3,605	3,370
1,596	2,195	−125	−768	−101	−143	−418
483	−148	276	1,123	523	455	265
−208	148	44	−551	−202	−226	−128
275	–	320	572	321	229	137
0.60	–	0.70	1.25	0.70	0.50	0.30

Ten-year overview (continued)

		2013	2012[11]	2011
Operational ratios Lufthansa Group				
Return on sales (Profit/loss before income taxes [1] [8] / revenue)	%	1.8	4.3	1.6
Return on capital employed (Profit/loss before income taxes [1] [8] plus interest on liabilities/total assets)	%	3.6	6.4	3.3
Return on equity (Profit/loss after income taxes/shareholders' equity[2])	%	5.3	25.6	0.0
Return on equity (Profit/loss before income taxes [1] [8] / shareholders' equity [2])	%	8.9	26.8	5.5
Equity ratio (Shareholders' equity [2] / total assets)	%	21.0	16.9	28.6
Gearing [6] (Net indebtedness plus pension provisions/shareholders' equity [2])	%	105.0	161.1	55.9
Leverage (Net indebtedness/total assets)	%	5.8	6.8	8.3
Internal financing ratio (Cash flow/capital expenditure)	%	131.7	120.5	92.0
Debt repayment ratio Net indebtedness/adjusted cash flow from operating activities	%	37.0	34.4	49.7
Revenue efficiency (Cash flow/revenue)	%	11.0	9.7	8.8
Net working capital (Current assets less current liabilities) [4]	€bn	– 1.3	0.0	– 0.3
Non-current asset ratio (Non-current assets/total assets)	%	66.8	65.8	66.3
Depreciation ratio for aircraft/reserve engines (Accumulated depreciation/accumulated acquisition costs)	%	52.6	54.2	54.4
Staff ratios				
Average number of employees	number	117,343	118,368	119,084
Revenue/employee	€	255,899	254,587	241,292
Staff costs/revenue	%	24.5	22.4	23.2
Traffic figures Lufthansa Group [5] [9]				
Total available tonne-kilometres	millions	41,218	40,925	40,798
Total revenue tonne-kilometres	millions	30,879	30,408	29,908
Cargo load factor	%	74.9	74.3	73.3
Available seat-kilometres	millions	262,682	260,169	258,263
Revenue seat-kilometres	millions	209,649	205,015	200,376
Passenger load factor	%	79.8	78.8	77.6
Passengers carried	millions	104.6	103.6	100.6
Revenue passenger tonne-kilometres	millions	20,594	20,169	19,045
Freight/mail	tonnes	1,965,330	1,984,157	2,120,191
Freight/mail tonne-kilometres	millions	10,285	10,240	10,861
Number of flights	number	1,028,260	1,067,362	1,050,728
Flight kilometres	millions	1,341,578	1,359,125	1,374
Aircraft utilisation (block hours)	number	2,255,848	2,311,071	2,283,051
Aircraft in service	number	622	627	696

Figures have been rounded to full EUR millions. This results in differences to prior annual reports.

1) From 2005 profit/loss from operating activities before income taxes (up to 2004 profit/loss before taxes) including other taxes; previous years adjusted.
2) From 2005 shareholders' equity including minority interests; previous years adjusted.
3) Capital increase by EUR 195,379,200 (76,320,000 shares) in 2004.
4) Financial statements from 2004 according to new IAS 1 balance sheet standards; figures for previous years roughly comparable.

2010[10]	2009	2008	2007	2006	2005	2004
4.3	−0.6	2.9	9.5	5.7	4.8	3.2
5.7	1.4	4.9	11.2	8.2	7.0	5.8
13.7	−0.4	8.4	25.5	18.3	13.5	10.2
13.6	−2.2	11.1	30.8	23.0	19.3	13.5
28.4	23.5	29.4	30.9	25.2	23.5	22.2
50.0	79.1	34.5	24.5	75.7	85.8	92.5
5.4	8.3	−0.6	−3.4	−0.5	−0.7	−2.3
131.7	86.4	114.9	164.8	109.1	106.9	105.5
59.7	38.1	97.0	154.7	54.9	48.7	45.3
11.9	8.9	10.0	12.8	10.6	10.8	11.1
0.5	−0.1	−0.6	0.0	−0.2	0.0	0.9
64.7	67.1	66.8	63.1	66.6	63.9	62.2
53.9	54.2	58.9	58.0	57.9	55.7	53.4
117,066	112,320	108,123	100,779	93,541	90,811	92,743
226,018	198,384	229,757	222,467	212,196	198,930	182,925
24.5	26.9	22.9	24.5	25.3	26.9	28.4
37,664	35,469	34,960	30,339	26,667	26,486	25,950
28,274	24,943	24,973	22,613	19,216	18,727	18,445
75.1	70.3	71.4	74.5	72.1	70.7	71.1
234,377	208,226	195,431	169,108	146,720	144,182	140,648
186,452	162,286	154,156	135,011	110,330	108,185	104,064
79.6	77.9	78.9	79.8	75.2	75.0	74.0
92.7	77.3	70.5	62.9	53.4	51.3	50.9
17,845	16,236	15,463	13,569	11,112	10,898	10,484
2,022,670	1,712,167	1,914,925	1,910,846	1,758,968	1,735,771	1,752,900
10,429	8,706	9,510	9,043	8,103	7,829	7,961
1,008,988	899,928	830,832	749,431	664,382	653,980	647,785
1,241	1,178	1,125	979	795	794	799
2,061,740	1,949,857	1,855,842	1,629,416	1,341,810	1,340,948	1,351,932
710	722	524	513	430	432	377

[5] From 2003 including Air Dolomiti, from 2006 including Eurowings.
[6] From 2004 net indebtedness plus pension provisions; previous years adjusted.
[7] From 2005 including borrower's note loans (payable at any time).
[8] Until 2008 including the discontinued business segment Leisure Travel.
[9] Lufthansa Passenger Airlines, SWISS, Austrian Airlines, Germanwings (from January 2010) and Lufthansa Cargo.
[10] The income statement for the financial year 2010 has been adjusted in line with IFRS 5 Discontinued Operations because of the planned disposal of bmi.
[11] The figures for the financial year 2012 were adjusted retrospectively due to the application of the revised IAS 19.

Glossary

Aviation terminology

Average yields Average revenue earned per unit of output; normally based on total passenger-kilometres or tonne-kilometres sold, but they can also be calculated per unit of traffic volume, e. g. per passenger carried or per kilometre flown.

Block hours The time from the moment an aircraft leaves its parking position ("off-blocks time") to taxi to the runway for take-off until it comes to a complete standstill at its final parking position at the destination airport ("on blocks").

Code-share A code-share is a flight segment that is sold under the flight number of one airline, while being operated either partly or entirely by another airline. Both companies maintain their own independent profile on the market.

Hub In air traffic a hub refers to an airline's transfer airport, a central connecting point for different routes. Passengers and goods are transported from the original starting point to the airport's hub. From there they are carried to their destination by a second flight alongside passengers and goods from other departure points.

IATA International Air Transport Association – the international trade association for the airline industry.

Low-cost carrier Low-cost carrier are airlines which offer largely low ticket prices but with reduced service levels and sometimes additional charges on board and on the ground. Flights are mostly from secondary airports outside the major cities (e. g. Hahn in the Hunsrück area outside Frankfurt).

MRO Short for maintenance, repair and overhaul of aircraft.

Network carrier In contrast to low-cost carriers these airlines offer a wide-ranging, normally global route network via one or more hubs, with synchronised connecting flights.

Sharklets Sharklets, or winglets, are the extensions fitted to the ends of the wings on aircraft belonging to the Airbus A320 family. They reduce the drag that occurs at the wing, thereby lowering fuel consumption.

Passenger-kilometre/tonne-kilometre Standard output units for air transport. An available seat-kilometre (ASK) denotes one seat offered flown for one kilometre; a revenue passenger-kilometre (RPK) denotes one paying passenger transported for one kilometre. An offered tonne-kilometre (TKO) denotes the offered capacity equivalent of one tonne of load (passengers and/or cargo) for one kilometre; a revenue tonne-kilometre (RTK) denotes one tonne of load (passengers and/or cargo) transported one kilometre.

Passenger load factor/cargo load factor Measure of capacity utilisation in per cent. The cargo load factor expresses the ratio of capacity sold to available capacity. The passenger load factor refers to passenger transportation and the cargo load factor to freight transport or total traffic.

Unit costs/unit revenues Key performance indicator for air transport. Unit costs (CASK) denote the operating expenses divided by offered seat kilometres. Unit revenue (RASK) denotes the traffic revenue divided by offered seat kilometres.

Financial terminology

Call option The right to purchase a specific underlying security within a specified period of time at an agreed price.

Cash flow Measure of a company's financial and earnings potential. It is calculated as the difference between the inflow and outflow of cash and cash equivalents generated from ongoing business activities during the financial year, see "consolidated cash flow statement" on p. 137.

Cash value added – CVA Parameter for measuring performance of value creation. When the cash flow generated in a period (EBITDA^{plus}) is greater than the minimum cash flow required to cover the cost of capital, the CVA is positive and value is created, see "Management system and supervision" from p. 30.

Compliance Institutionalised arrangements for ensuring that a company's management and staff duly comply with all statutory provisions and prohibitions.

Deferred taxes A balance sheet item used to show taxable and deductible temporary differences. Deferred taxes reflect the temporary differences between assets and liabilities recognised for financial reporting purposes and such amounts recognised for income tax purposes.

Directors' dealings Transactions by members of a company's supervisory, executive or divisional boards, or their family members, involving shares in "their" company. Under German law, any such dealings must be disclosed if they exceed EUR 5,000 within a calendar year.

Dividend yield Indicator for assessing the profitability of an investment in shares. It is determined by dividing the dividend by the share price at the close of the reporting year and then multiplying it by 100.

Debt repayment ratio A financial indicator. It represents the ratio of adjusted cash flow from operating activities to net indebtedness and pensions, see p. 54. The rating agencies' comparable criteria for an investment grade rating are met if a target of at least 60 per cent is achieved sustainably.

EBIT Financial indicator denoting earnings before interest and taxes.

EBITDA Financial indicator denoting earnings before interest, taxes, depreciation and amortisation. Depreciation relates to items of property, plant and equipment and amortisation to intangible assets – both terms apply equally to non-current and current assets. The figure also includes impairment losses on equity investments accounted for under the equity method and on assets held for sale.

EBITDA^{plus} EBITDA^{plus} refers to the operating result adjusted for non-cash items. It includes all cash-relevant items over which management has an influence, see "Management system and supervision" from p. 30.

Equity method Accounting method for measuring income derived from a company's investments in associated companies and joint ventures. Under this method, investment income equals a share of net income proportional to the size of the equity investment.

Equity ratio Financial indicator expressing the ratio of shareholders' equity to total assets.

Financial covenants Covenants are obligations on the part of a borrower towards its banks that are defined in loan agreements. They can also be described as conditions relating to the company's capital structure. During the term of the loan they oblige the borrower to maintain certain financial ratios (relating to equity, debt or liquidity, for example). Deutsche Lufthansa AG's main financial liabilities do not include covenants.

Free cash flow Financial indicator expressing the cash flow from operating activities remaining in the reporting period after deducting net cash used for investing activities.

Gearing Financial indicator expressing the ratio of net indebtedness plus pension provisions to equity.

Group of consolidated companies Group of subsidiaries included in a company's consolidated financial statements.

Impairment Losses recognised on the carrying amount of assets. Impairment charges are recognised when an asset's "recoverable value" (the higher of fair value less costs to sell and value in use) is below its carrying amount. By contrast, depreciation or amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

Internal financing ratio Financial indicator expressing the degree to which capital expenditure was financed from the cash flow generated.

Jet fuel crack Price difference between crude oil and kerosene.

Lufthansa Pension Trust A fund to which Lufthansa has been contributing since 2004 to finance future retirement benefits to staff in Germany and those seconded abroad. Annual contributions are planned to build up fund assets, with the objective of funding benefit obligations in full.

Net indebtedness/net liquidity Financial indicator denoting non-current borrowing less cash, cash equivalents and current securities.

Operating result An earnings measure. The operating result is calculated as the profit from operating activities, adjusted for book gains and losses, write-backs of provisions, impairment losses, results of financial investments and the measurement of financial liabilities at the end of the period, see p. 47.

Rating A standardised measure used on international financial markets to judge and categorise a company's creditworthiness. A rating can enable conclusions to be drawn about whether an issuer is capable of meeting in full its obligations under the terms of the issue.

Registered shares with transfer restrictions Registered shares that may only be transferred with the approval of the company.

Retention of earnings Transfer of a company's profit to equity. It strengthens the company's financial position.

Return on equity Financial indicator expressing the ratio of net profit to shareholders' equity.

Return on sales Financial indicator expressing the net profit before taxes in relation to sales revenue.

Total shareholder return Financial indicator expressing the overall return that an investor earns from the increase in the market capitalisation or share price, plus the dividend payment. The total shareholder return is calculated from the share price at the close of the reporting year plus the dividend paid in respect of the previous year, multiplied by 100 and divided by the share price at the close of the previous year.

Traffic revenue Revenue generated solely from flight operations. It comprises revenue from transporting passengers and cargo as well as related ancillary services.

Weighted average cost of capital – WACC The average return required on the capital employed at a company. The return on capital is calculated using the weighted average return required for both debt and equity.

Working capital Financial indicator for assessing a company's liquidity, measured as the difference between its current assets and its current liabilities.

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Financial calendar 2014/2015

2014

13 March	Press Conference and Analysts' Conference on 2013 results
29 April	Annual General Meeting in Hamburg
6 May	Release of Interim Report January – March 2014
31 July	Release of Interim Report January – June 2014
30 Oct.	Release of Interim Report January – September 2014

2015

12 March	Press Conference and Analysts' Conference on 2014 results
29 April	Annual General Meeting in Hamburg
5 May	Release of Interim Report January – March 2015
30 July	Release of Interim Report January – June 2015
29 Oct.	Release of Interim Report January – September 2015

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